



23 October 2017

Mr Christian Mikula
Senior Specialist
Australian Securities and Investments Commission
Level 5, 100 Market Street
Sydney NSW 2000

By email: add-on.consultation@asic.gov.au

Dear Mr Mikula

RE: Consultation Paper 294 – The Sale of Add-on Insurance and Warranties through Caryard Intermediaries

The Warranty Group (TWG), as corporate representative for Virginia Surety Company, Inc would like to take the opportunity to provide feedback on Consultation Paper 294 released via ASIC website on 24 August 2017.

The Insurance Council of Australia will be submitting an industry response on the preferred model. TWG supports the majority of the views expressed in that submission, subject to TWG's response to two points in the proposal:

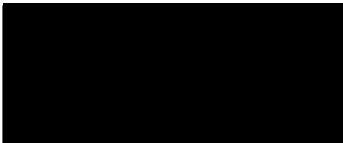
- i) E1Q9. Opt-out mechanism – TWG does not support an opt-out mechanism at point of sale. There is potential for misuse in the market without significant monitoring and supervision efforts, which may necessitate complete audits of all policies sold, rather than sample testing. It is discretionary whether a customer appears “confident” and financially literate enough at point of sale to purchase the product. Ultimately, we do not see a significant customer advantage with the introduction of an opt-out mechanism. We are willing to consider an alternative measure, should one be presented.
- ii) E1.1Q1. Commencement of deferral period – This is a notable consideration for dealer's business models. To commence the deferral period, the car purchase agreement should be signed, then soon thereafter the customer would receive the consumer communication (including the add-on insurance offer) which would seem to be a logical approach. Although, this approach would not necessarily be appropriate for novated lease, business lease, and fully maintained operating lease finance products). Effective compliance controls will need to be explored by TWG, as well as other insurers, to evidence this happens in practice. TWG does not support Option 'C' presented in the Consultation Paper. Option 'C' has adverse timing implications for the customer to finalise all the insurance products they desire.

We have liaised with our office in the United Kingdom to seek feedback on their experience and learnings when they transitioned to a deferred sales model. They had positive comments on the functioning of the deferred sales model post implementation and have been able to reassure us how a proper approach regarding the above two points can shape the industry.

TWG agrees with ASIC's proposals to implement a deferred sales model and strengthen the monitoring and supervision activities of insurers' authorised representatives.

If you have any questions in relation to this letter, please do not hesitate to contact me on 03 9862 3235 or Jerome.ngoma@thewarrantygroup.com

Yours Sincerely



Gerald Gray

Head of Sales and Australia / New Zealand