

Wednesday 21 April 2021

Australian Securities and Investment Commission (ASIC)
Level 2, 2 Allsop Street
Canberra ACT 2600

Via email: deferred.sales.model@asic.gov.au

Dear Madam/Sir

RE: ASIC CONSULTATION PAPER 339
Implementing the Royal Commission recommendations: The deferred sales model for add-on insurance

We thank you for the opportunity to contribute to the above consultation that will have serious ramifications for caravan and campervan (recreational vehicles) dealerships and manufacturers around Australia which number around 1000 businesses.

In summary, we feel that the proposed deferred sales model will not provide consumer benefit and lead to massive instances of under or non-insurance in the recreational vehicle sector. In a similar fashion to the motor vehicle sector, distribution of comprehensive insurance through dealer networks of recreational vehicles currently has a strong balance of consumer benefits including cooling off periods, competition, and asset protection. This is coupled with distributor training that supports providing the consumer with an insurance product that is vital for a positive experience in RV ownership.

Thank you for your consideration of the matters raised in this submission, and if you have any questions, please feel free to contact me direct on _____ or via email on _____

Kind regards

Chief Executive Officer

Caravan Industry Association of Australia submission: Deferred Sales Model (DSM) for Add-On Insurance

Executive Summary

Caravan Industry Association of Australia welcomes the opportunity to provide feedback as part of ASIC's consultation into the implementation of the deferred sales model (DSM) for add-on insurance in the wake of recommendations made by the Royal Commission.

Caravan Industry Association of Australia broadly agrees with the principles behind these recommendations, however, sees that caravans and campervans (recreational vehicles) should receive an exemption to this in a similar way that motor vehicles have received an exemption.

Without an exemption, many customers will purchase a recreational vehicle and leave the dealership or place of sale without having the vehicle insured, as insurance is commonly distributed through dealerships for comprehensive insurance. This will create a serious issue, with upwards of 30,000 RVs being purchased each year.

The current distribution of insurance through dealerships provides a strong balance of competition, consumer benefit and, vitally, asset protection and has consumer protections in place such as cooling off periods and convenience.

In essence, we do not see any difference between insurance products sold to purchasers of recreational vehicles and customers that purchase comprehensive motor vehicle insurance, which is currently proposed to be exempt, hence our position that if the DSM for add-on insurance is adopted, caravan, campervan and other dealers providing pleasure craft (boats/motorcycles) should receive an exemption in a similar fashion to the motor vehicle industry.

Preamble

The Australian caravanning and camping industry is large and diverse with an estimated 1000 businesses directly supplying products to consumers, and for which this consultation is relevant.

These businesses cover manufacturers as well as dealerships which are located the length and breadth of Australia. These products also support additional supply chains of more than 5,000 businesses that include service, repair, component suppliers and regional accommodation providers (caravan parks)

The total value of the caravanning and camping industry to the Australian economy annually is estimated at \$23 billion and provides a much-anticipated release from everyday life or an opportunity for consumers to relax, refresh, recharge or reconnect with loved ones and nature. The consumer is heavily invested both financially and emotionally when interacting with businesses within the caravanning and camping sector, as such, it is vital that insurance is able to be obtained easily at the point of purchase.

Impacts of DSM for Add-On Insurance

A recreational vehicle is one of the largest consumable items ever purchased in a person's lifetime. A complex assembled or manufactured item, these products are made up of many moving parts and component products, some of which maintain their physical form throughout the assembly / manufacturing process e.g., an air-conditioner or a fridge.

Caravan Industry Association of Australia is acutely aware of the risks to the consumer regarding the sale of insurance products that are misleading, unnecessary or do not provide **essential core cover to the product** to protect against damages and other liabilities.

Within comprehensive insurance products, certain controls, such as cooling off periods and contract term reviews have become widespread good practice that has both improved behaviours and led to better customer outcomes. The deferred sales model will benefit the consumer in certain classes of business where, for example, there are sales linking to finance repayments, or extensions of warranted manufacturer commitments, or where the customer has limited options to purchase cover in the broader market.

Exemption of Recreational Vehicle Classed Products

In the instance of a recreational vehicle purchaser; the imposition of DSM would be detrimental to the consumer. A core part of this being that it is highly likely the consumer wants to obtain insurance immediately upon purchase to be able to take the recreational vehicle to its intended destination.

The ASIC approach to exemptions (set out in the ASIC act, s12DY(2)(b)) stipulates that an exemption can be sought if there is a high risk of non-insurance from the consumers if an exemption is not provided. Hypothetically, if the recreational vehicle sector were not to receive an exemption, a consumer may have to manually seek insurance options in the dealership/place of purchase on a mobile device, or actively call insurance companies to seek quotes, without being able to consult the dealers themselves, thus resulting in pressure on the purchasing process.

Recreational vehicle dealerships commonly sell multiple lines of insurance from different suppliers and through different distribution channels hence, even at the point of sale, the consumer is not 'forced' into a selection of a single provider.

Additionally, when it comes to current requirements from retail asset financiers that need proof of insurance prior to finance settlement, it would be logical that caravan and campervans be treated in the same way as comprehensive motor vehicle polices that have received an exemption.

In conversations with insurance companies in the caravan industry, there is a very low cancellation rate of insurance products in the recreational vehicle product line, indicating that largely the insurance products are meeting consumer demands. This indicates that the insurance product is good value for the consumer, thus addressing S12DY(2)(a) of the ASIC Act.

Who are we?

Caravan Industry Association of Australia is the peak national body for the caravanning and camping industry in Australia. Our organisation's vision is *"to lead and champion a robust, compliant and sustainable caravanning and camping industry"* in Australia, with all operational pillars – marketing; research; lobbying and advocacy; compliance, accreditation and training – working towards this vision.

Caravan Industry Association of Australia operates as a not-for-profit organisation with a membership base comprising the individual state caravanning and camping industry associations, who we work collaboratively with on matters concerning the caravanning and camping industry in Australia:

Our members are:

- Caravan, Camping and Touring Industry and Manufactured Housing Industry Association of NSW Limited
- Caravan Industry Association Western Australia Incorporated
- Northern Territory Caravan Parks Association Incorporated
- Caravan Trade and Industries Association of Queensland
- Caravan Parks Association of Queensland Limited
- Caravan and Camping Industries Association of South Australia Incorporated
- Caravan Parks Association of South Australia Incorporated
- Caravanning Tasmania Incorporated
- Victorian Caravan Parks Association Inc.
- Caravan Trade and Industries Association of Victoria

As the peak national body for the Australian caravanning and camping industry, Caravan Industry Association of Australia represents over 5000 industry businesses across the entire supply chain. Many of these industry businesses financially support the organisation by voluntarily contributing towards a cooperative fund that aims to grow the market and support the sustainability of the greater industry. In addition, we communicate regularly with consumers who have an interest in caravanning and camping and have an online active database of over 800,000 consumers.

The caravanning and camping industry is significant in Australia as evidenced by the following:

- The total value of the caravanning and camping industry to the Australian economy annually is an estimated \$23 billion.
- Approximately 5000 caravan and camping industry businesses directly supply product to consumers, covering the entire supply chain from manufacturers to suppliers, retailers, repairers, and accommodation providers.
- The caravanning and camping industry has 53,000 direct employees in Australia.
- A total of 22,711 recreational vehicles (towable and motorised) were manufactured in 2019.
- A caravan or campervan is manufactured every five minutes in the working week in Australia.
- 741,000 recreational vehicles (RVs) were registered across the country as of 31 January 2020 an annual increase of 4.5%.