



19 December 2016

Mr David Hatfield
Director, Adjudication
Australian Competition & Consumer Commission
23 Marcus Clarke Street
Canberra ACT 2601

By email: adjudication@accc.gov.au

Dear Mr Hatfield,

Submission: ANZ Banking Group Ltd—Exclusive Dealing Notification N99426

Thank you for the invitation to comment on the ANZ Banking Group Ltd—Exclusive Dealing Notification N99426 (the **Notification**), under which ANZ is only financing Esanda and ANZ-branded comprehensive car insurance and add-on insurance.

This Notification has been made as the ACCC considers an application by insurers to authorise a cap of 20% on add-on insurance commissions paid to motor vehicle dealers.¹ We have ongoing concerns with the significant consumer harm caused by add-on insurance, and have recommended reforms to address the problematic products and sales practices in the add-on market.²

Our comments are detailed more fully below.

¹ Aioi Nissay Dowa Insurance Company Australia Pty Ltd & Ors—Authorisation—A91556 & A91557.

² See Consumer Action, [Submission: Applications for authorisation—A191556-A91557 Aioi Nissay Dowa Insurance Company Australia Pty Ltd & Ors](#), 20 October 2016; [Supplementary Submission: Applications for authorisation—A191556-A91557 Aioi Nissay Dowa Insurance Company Australia Pty Ltd & Ors](#), 8 December 2016.

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About Consumer Action

Consumer Action Law Centre is an independent, not-for profit consumer organisation based in Melbourne. We work to advance fairness in consumer markets, particularly for disadvantaged and vulnerable consumers, through financial counselling, legal advice and representation, and policy work and campaigns. Delivering assistance services to Victorian consumers, we have a national reach through our deep expertise in consumer law and policy and direct knowledge of the consumer experience of modern markets.

Public benefit and detriment of the conduct

The Notification states that the relevant dealings deliver a public benefit by providing consumers with a convenient opportunity to obtain adequate and appropriate insurance, and by reducing the risks of motor vehicle ownership and finance.³ The Notification does not identify any significant public detriment caused by the exclusive dealing.⁴

In our view, the notified conduct will:

- reduce consumer choice in insurance, which may be seen as a public detriment, and
- remove the 'reverse competition' which is distorting the add-on insurance market, which may be seen as a public benefit.

Add-on insurance such as consumer credit insurance is low-value, high-cost and often unsuitable for people who have bought it.⁵ In our view, limiting access to add-on insurance products is unlikely to result in significant consumer detriment. However, comprehensive car insurance can be a valuable product for many people. Limiting choice of this product could result in some people with ANZ car loans taking out lower-value and less suitable insurance.

Add-on insurance reform

The dealings which are the subject of this Notification are taking place in an add-on insurance market which is causing widespread consumer detriment. In our view, the harm caused by the add-on business model could be effectively addressed by:

- particularly in relation to this Notification, shifting from financed single premiums (on which interest is payable) to regular instalment payments, to reduce the total cost of the insurance,
- banning the sale of life (trauma) insurance in car yards, as this is a particularly problematic add-on product,⁶

³ Notification, pp 2-3.

⁴ Notification, p 3.

⁵ Australian Securities and Investments Commission, [Report 492: A market that is failing consumers: The sale of add-on insurance through car dealers](#), 12 September 2016.

⁶ See ASIC, [Report 471: The sale of life insurance through car dealers: Taking consumers for a ride](#), 29 February 2016.

- unbundling the sale of add-on insurance from the motor vehicle purchase, so that a person must opt-in to the insurance after a delay of, for example, four to seven days, and
- significantly reducing the commissions paid to dealers selling add-on insurance, or removing this conflicted remuneration altogether.⁷

Please contact Susan Quinn on 03 9670 5088 or at susan@consumeraction.org.au if you have any questions about this submission.

Yours sincerely,

CONSUMER ACTION LAW CENTRE

A handwritten signature in black ink that reads "Gerard Brody". The signature is written in a cursive, flowing style.

Gerard Brody
Chief Executive Officer

⁷ See Consumer Action, note 2.