

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS INSURANCE SECTOR

Allianz Australia

ALZ12QON: How many unfair contract terms did you remove or amend?

Answer: Allianz Australia (**Allianz**) took a comprehensive approach to prepare for the commencement of the unfair contract terms (UCT) reforms which commenced on 5 April 2021. It is noteworthy that, unlike other sectors where the UCT protections apply generally to consumer contracts only, the broad definition of what constitutes a consumer insurance contract under the reforms means that the protections apply not only to common retail policies like car and home insurance, but also commercial policies purchased by business customers. As such, prior to the commencement of the reforms, Allianz reviewed approximately 1,100 individual documents, the vast majority of which were documents (950 in total) in relation to commercial policies.

Allianz took the opportunity not only to review contracts for any potential unfair terms, but to enhance readability, provide greater clarity and to ensure policy terms reflect actual business practices. Of the 1,100 policy documents reviewed, Allianz made 148 distinct changes, equating to an average of 7 distinct changes per document. The vast majority of these changes will present no practical changes for customers, as over 80 percent of the changes were made to reflect current business practices (for example, a customer's rights and obligations when they make a claim). A large number of changes (over 40 percent) were made to improve clarity in documents, for example, including definitions for previously undefined terms.

ADDITIONAL INFORMATION PROVIDED BY ALLIANZ:

With regards to your request for clarification on the specific number of unfair contract terms removed or amended, we note that no term in relation to an Allianz insurance contract has been determined by a court as unfair since these consumer protections came into force for insurance contracts on 5 April 2021. The unfair contract terms protections establish a right for consumers and the Australian Securities and Investments Commission to challenge specific terms as being unfair given a particular set of circumstances, and for the court to make a determination based on the criteria established in the legislation. In preparation for the commencement of the new regime, of the 148 distinct changes made across 1,100 documents, we assessed that the majority, that is 93 out of 148 (or over 60 percent), of the changes were in relation to terms which did not have a material risk of being considered to be unfair. This leaves 55 specific contract terms that were removed or amended in the documents reviewed because they were considered to have had some potential to be determined as unfair.