

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS (FOURTH REPORT)

Australia and New Zealand Banking Group Limited

ANZ15QW: Thistlethwaite

CALC Case study - Maryanne

What is ANZ's position on the Productivity Commission's recommendations in relation to add-on insurance sales?

ANSWER

Recommendation 15.1 of the Productivity Commission *Competition in the Australian Financial System Inquiry* report states:

Deferred sales model for add-on insurance

ASIC should proceed as soon as possible with its proposal to mandate a deferred sales model for all sales of add-on insurance by car dealerships.

The deferral period should be a minimum of 7 days from when the consumer applies for or purchases the primary product.

Following implementation, the Australian Government should establish a Treasury-led working group with the objective of comprehensively extending the deferred sales model to all other add-on insurance products, with the model set in legislation and ASIC empowered to offer exceptions on a case-by-case basis.

ANZ does not offer an add-on insurance product through car dealerships.

We currently offer personal loan and mortgage protection insurance that may be considered as add-on insurances.

ANZ supports the new Banking Code of Practice which includes a four day deferred sales period in relation to personal loan insurance (Chapter 18, also applies to credit card insurance). The new Code has been approved by ASIC and comes into effect in July 2019, or earlier as adopted by banks.

ANZ will assist the Australian Government and regulators to consider deferral periods where we offer relevant products. We acknowledge the potential benefit of deferral periods, but also suggest that consideration of regulatory change should take into account the nature of particular products and the value to the customer.

For example, mortgage protection insurance protects against the risk of a sale of a mortgaged property if repayments cannot be made in circumstances such as the death or involuntary unemployment of a borrower. Depending on the situation of the customer (eg taking into account other forms of protection such as life insurance), the product may provide valuable risk mitigation. A deferred sale may give rise to particular issues. If a home were purchased and loan provided, the purchaser may be exposed to an unacceptable financial risk between the date of purchase / provision of the loan, and the date on which insurance becomes effective under a mandatory deferral requirement. As a result of these considerations, ANZ has not supported a deferral period for mortgage protection insurance.