



ASIC forces more than \$60million of insurance premium refunds

Customers sold "add-on" insurance through car dealerships to receive refunds as a result of ASIC investigations

BY GINA BOZINOVSKI | SPECIAL COUNSEL

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D + 61 7 3223 9102

E gina.bozinovski@brhlawyers.com.au

The Australian Securities and Investments Commission (ASIC) announced that it had compelled the refund to retail insurance owners of more than \$60million in premiums.

Allianz Australia Insurance Limited (Allianz) is required to refund \$45.6million to 68,000 customers for add-on insurance sold through car dealerships. ASIC had concerns regarding insurance sold through car dealerships through 1 December 2010 to 30 November 2017.

Specifically ASIC's concerns regarding the insurance products included the following:

1. The customer was over insured;
2. The customers were sold a policy they would be ineligible to make a claim on;
3. Life cover was sold to young people who were unlikely to need it; and
4. Warranties were sold that were unlikely to be needed.

As a result Allianz was required to refund the amount of the premiums or partial refunds plus interest.

In addition, Suncorp was also compelled to refund \$17.2million to over 41,400 customers for insurance bought through car dealerships that provided little or no value to consumers. According to ASIC, the insurance was provided by MTA Insurance which is owned by Suncorp.

ASIC found that:

1. Customers would be unlikely to claim because they insured value was more than the amount borrowed;
2. The policy was unnecessary as it duplicated replacement vehicle cover already held by the customer under their existing comprehensive car insurance;
3. Customers were sold a more expensive level of insurance cover than needed;
4. The insurer failed to pay out rebates in circumstances when the loan was paid out early;
5. Life cover was sold to young people who were unlikely to require it.

MTA Insurance is required to refund the amount of the premiums to all customers with policies that remain in force as at 1 September 2017 as well as offer refund to life and trauma insurance to customers who were 25 years old or less when the policy was sold to them as well as provide a rebate payment to customers who repaid their loan early.

MTA Insurance was also required to make a \$50,000 community benefit payment.

These latest insurance refunds are in addition to those which ASIC compelled in 2017 including:

1. Swann Insurance refunds of \$39 million for add-on insurance premiums;
2. QBE refunds of \$15.9 million in add-on insurance premiums;
3. Virginia Surety refund of \$330,000 to add-on insurance customers.

Insurers are on notice regarding insurance that is expensive, of poor value or provides consumers with little or no benefit is within ASIC's sights.

In its press release, ASIC Acting Chair, Peter Kell said that the message to insurers is that the customer must come first in the design, price and sale of products.

ASIC is certainly making its message heard loud and clear.

For assistance or more information about these matters or any matters regarding financial services, please contact Gina Bozinovski on (07) 3223 9102 or gina.bozinovski@brhlawyers.com.au.