

Submission

29 January 2026

Financial System Division
The Treasury
Langton Crescent
Parkes ACT 2600

Subject: NIBA Submission: Deferred Sales Model Class Exemptions

Dear Sir/Madam,

The National Insurance Brokers Association (NIBA) welcomes the opportunity to provide input on the continuation of class exemptions from the deferred sales model for add-on insurance products.

NIBA is the peak body for the insurance broking profession in Australia, representing around 450 member firms and 15,000 individual brokers nationwide. Insurance brokers play a critical role in helping consumers and businesses understand their insurance needs, arrange appropriate cover, and receive support throughout the claims process.

Summary Position

NIBA supports maintaining all existing class exemptions under the deferred sales model. These exemptions have operated effectively since October 2021, delivering consumer benefits without evidence of systemic consumer detriment. The exempted products provide essential consumer protections that would be materially diminished by a four-day deferral period, potentially leaving consumers exposed to uninsured risks at critical moments.

Consumer Protection Rationale

The existing exemptions protect consumers by ensuring they can access essential insurance coverage when they need it most. When a consumer purchases a vehicle, home, or other significant asset, they immediately assume the risk of loss or damage. A four-day delay would expose consumers to uninsured risk during the deferral period, reduce consumer choice and access to protection, and create practical barriers to obtaining appropriate coverage at the point of need.

This is particularly important for comprehensive motor vehicle insurance in novated lease arrangements, where consumers benefit from immediate protection from the moment of vehicle delivery, tailored coverage that meets novated lease requirements (including total loss provisions), and streamlined processes that support informed decision-making. The insurance

in these arrangements remains entirely optional, and consumers can arrange coverage independently.

Risk of Underinsurance

Without the exemptions, consumers would face a four-day gap between acquiring an asset and being able to insure it through the transaction provider. This creates two distinct uninsured risks. First, during the deferral period, consumers face large financial risks related to owning, operating or using newly acquired assets. Second, and perhaps more significantly, some consumers may fail to return after the deferral period to complete insurance arrangements, leaving them uninsured or underinsured. The convenience of arranging coverage at the point of transaction is a significant factor in ensuring consumers obtain the protection they need.

Evidence of Consumer Value

Member feedback indicates that the exempted products are serving consumers well. For example, at a brokerage managing over \$1 billion in premiums, complaints about exempted add-on products represent less than 1% of policies issued. When complaints arise, they typically stem from misunderstandings or a change of mind and are resolved quickly with full premium refunds. No systemic issues have been identified.

This low complaint rate shows that the processes in place for these products enable consumers to make an informed decision prior to the purchase, the products deliver genuine consumer value, and existing consumer protections (including cooling-off periods and AFCA dispute resolution) are working effectively.

Member feedback also highlights the practical consumer benefits across various exempted product classes. For example, caravan insurance sold through dealerships allows consumers to protect high-value assets (sums insured up to \$250,000) before driving on public roads—coverage that is essential for both the owner and the public. Similarly, travel insurance offered at the time of campground bookings serves consumers making short-notice reservations, where a deferral period would leave them unprotected during their trip. These examples show that the exemptions address genuine, time-sensitive consumer needs across multiple product categories.

NIBA notes that Treasury has requested quantitative data, including payout ratios, gross loss ratios and claims acceptance rates. As a professional association representing brokers rather than insurers, NIBA does not hold insurer-level data. However, consistently low complaint rates from members who distribute these products, together with the absence of systemic issues raised through AFCA or regulatory channels, support the conclusion that the exempted product classes deliver value to consumers.

Market Changes Since 2021

Since the exemptions commenced in October 2021, several market developments have reinforced rather than diminished the case for their continuation. Rising premium pressures from natural disasters and inflation have made affordable, convenient access to insurance more important than ever for consumers. Greater consumer awareness of insurance needs following major catastrophe events has heightened the importance of ensuring coverage is readily available at the point of need. Continued growth in novated leasing as an employee benefit has underscored the importance of integrated insurance solutions for this segment. These changes strengthen the consumer protection rationale for maintaining the exemptions.

Adequacy of Existing Consumer Protections

The existing regulatory framework provides robust consumer protections without imposing additional conditions on continued exemptions. Design and Distribution Obligations (DDO) require products to be designed and distributed to meet consumer needs. Cooling-off periods allow consumers to cancel and receive refunds. Anti-hawking provisions restrict high-pressure selling. Where products are distributed through the broking profession, consumers also benefit from professional obligations under the Insurance Brokers Code of Practice, including transparency requirements and access to dispute resolution.

Additional conditions would raise compliance costs without delivering corresponding consumer benefits, potentially increasing product prices for consumers or reducing product availability.

Recommendations

NIBA recommends that Treasury maintain all existing class exemptions from the deferred sales model. These exemptions have operated effectively since October 2021, with no evidence of systemic consumer detriment, and they serve the important consumer protection purpose of ensuring coverage is available when risk is assumed.

NIBA recommends that no further conditions be imposed on continued exemptions.

Existing regulatory frameworks provide robust consumer protections that are demonstrably effective.

NIBA recommends that Treasury give particular weight to the consumer benefits of exempted products in novated lease arrangements, where integrated insurance solutions provide tailored coverage, immediate protection, and affordability benefits for consumers.

Conclusion

The deferred sales model was introduced to address genuine concerns about add-on insurance products that offered poor consumer value and were sold using high-pressure tactics. The exempted classes were specifically carved out because they offer high consumer value, address genuine, immediate, insurable needs, and are sold in contexts where consumers can make informed decisions. Evidence from the past four years confirms these assessments remain correct.

Allowing exemptions to lapse would create coverage gaps, exposing consumers to uninsured risks at the very moment they acquire assets that require protection. This would constitute consumer harm, not a consumer protection measure.

NIBA welcomes the opportunity to work with Treasury on these matters. If you have any queries regarding this submission, please do not hesitate to contact us.

Yours sincerely,



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