EDR Response Guide

Add-on insurance

This guide has been prepared to assist financial firms in preparing quality external dispute resolution (EDR) responses for complaints about add-on insurances. This is a **guide only**.

Financial firms have sold add-on insurance to consumers with some car loans, novated leases, personal loans, home loans and credit/store cards. Add-on insurance includes:

* Consumer Credit Insurance (CCI)
* Guaranteed Asset Protection Insurance (GAP Insurance)
* Tyre and Rim Insurance
* Extended Warranty/Mechanical Breakdown Insurance.

The premium for the CCI policy may be paid upfront, monthly or financed by the credit product.

It is important to note:

* All issues raised in a complaint should be addressed. If there are multiple issues, please refer to the [additional EDR response guides available](https://www.afca.org.au/about-afca/publications) or consider addressing them in a separate section as it is important that all issues are addressed.
* This is your EDR response. As such it is to be sent to both AFCA and the complainant. It benefits all parties to understand the reason for your position.
* AFCA will generally seek more information if a complaint does not resolve at Registration & Referral. AFCA still expects a response to any subsequent requests for information.

This guide may be updated to reflect any feedback.

To ensure a comprehensive response, an EDR response should include the sections outlined below.

## Complaint summary

|  |
| --- |
| Complaint details |
| Financial firm name |  |
| Financial firm reference |  |
| Complainant name |  |
| AFCA reference |  |

## Policy Summary

|  |
| --- |
| Policy Details |
| Insured |  |
| Policy number |  |
| Policy type |  |
| Date incepted |  |
| Date cancelled (if applicable) |  |
| Amount refunded (if applicable) |  |

## Complainant’s position

Outline the financial firm’s understanding of the complainant’s position.

Include necessary background information including (but not limited to):

* add-on insurance refund amount sought
* any prior refunds (pro-rata or full) previously provided.

## Financial firm’s position

Briefly outline the financial firm’s position in relation to each of the complainant’s issues.

If the financial firm has taken steps to attempt to resolve the complaint, include details: (e.g., the financial firm provided a response to the complainant, offering to... The complainant rejected the offer and said…).

## Financial firm’s reasons for position

Outline how the financial firm has considered all of the issues raised in the complaint and set out the financial firm’s reasons for its position, noting what information has been considered to reach this view. It is important that the firm considers its obligations and whether it has met them.

In relation to all add-on insurance complaints, the financial firm should establish and provide details of the following:

**Whether the policy in dispute has been covered by an ASIC remediation program or class action**

Please confirm whether the policy in dispute was covered by a remediation program, whether directed by ASIC or provided voluntarily by the financial firm. If relevant, please provide details about the remediation program, any amount remediated, the conduct leading to the remediation, and the basis for calculating the amount remediated.

If the policy is/was part of a class action, please confirm whether, and if so, when, the complainant opted out of the class action. If they did not, the matter may be outside of AFCA’s Rules.

**When and how the add-on insurance was first offered to the complainant**

Explain and provide supporting material to show when and how the add-on insurance was first offered to the complainant (e.g. online, by telephone, in a branch, caryard etc.).

**When and how the add-on insurance was bought by the complainant**

Explain and provide supporting material to show when and how the add-on insurance was bought by the complainant (e.g. online, by telephone, in a branch, caryard etc.). Please ensure all signed application forms, contracts and/or call recordings of acceptance are provided to show that the complainant agreed to the purchase.

**Commissions paid**

Please detail what commissions were paid to the selling agent and confirm where the disclosure of commissions was made in the product disclosure statement (PDS). AFCA does not consider this to be sensitive information if it was already disclosed in the PDS.

**Details of any claims made on the policy**

If the complainant has ever lodged any claims on the policy in dispute, please detail:

* when the claim was made
* the type of claim made
* the claim outcome
* any amount paid under the claim.

**Training and auditing of the selling agent (if applicable)**

Please provide the training material used to train the selling agent to sell the add-on insurance, the date the training was undertaken, and the score they received for any training competency test.

If the selling agent’s add-on insurance sales practices were audited around the time of the sale, or there is evidence of supervision of the agent’s sales practices, please provide a copy of the audit report, or evidence of supervision, to demonstrate they were complying with the firm’s sales practices.

**Statement from the selling agent (if applicable)**

If the add-on insurance was not sold online, provide a detailed statement from the selling agent. This statement should explain, in detail:

* what they discussed with the complainant about the add-on insurance
* a chronology of the steps they took to complete the sale of add-on insurance
* how they are confident the add-on insurance was voluntary and purchased with supporting documentation (e.g. application forms, contracts, contemporaneous sales notes etc.).

If the selling agent is no longer available, a statement from a manager within the company detailing why they are confident the sale was entered into voluntarily can be provided. This should also be supported by any contemporaneous material available.

**Online sales journey screen shots (if applicable)**

If the add-on insurance was sold online without any financial firm sales staff intervention, provide screen shots of the online sales journey, showing:

* when and how the add-on insurance was introduced into the credit application
* when and how the pricing and optionality of the add-on insurance was presented
* when and how the PDS and Financial Services Guide (FSG) was presented
* whether the add-on-insurance was opt-in or opt-out.

We acknowledge a financial firm’s online sales journey may have changed since the date of the sale with no way of demonstrating previous online journeys through screen shots. If this is the case, please provide a statement from the firm’s information technology manager to address the above points.

**Detail how the add-on insurance was funded**

Detail and demonstrate with supportive material (e.g. loan contract) how the add-on insurance was funded. If there has been an early cancellation of the policy, please ensure you set out the cancellation date and any pro-rata refund amount provided.

**If pressure selling is being alleged**

Explain, in detail, why you disagree with the allegation of pressure selling and refer to the supportive material which shows the complainant was not placed under pressure to purchase add-on insurance.

**If purchase and/or claim eligibility is in dispute**

Explain, in detail, why you disagree that the complainant was ineligible to purchase and/or claim on the add-on insurance and refer to any supportive material you have.

**If value of the add-on insurance is in dispute**

Explain, in detail, why you disagree that the add-on insurance provided little or no value and refer to any supportive material you have.

**If a Statement of Advice (SOA) was issued as a part of the sale**

If a SOA was provided when recommending the purchase of the add-on insurance, please:

* provide a copy of the SOA and supportive material used to prepare it
* explain, in detail, how the SOA meets the best interests of the complainant.

**For policies sold over seven years ago**

If you are not able to obtain any of the information due to it no longer being held on your system, please provide a detailed account of the steps you have taken to try and obtain it from your records, along with details on how far back your records go for each type of documentation you cannot obtain.

AFCA will then consider whether a supportive statutory declaration (as per AFCA Rule A.9.2) is required.

## Jurisdictional issues

Include the details of any jurisdictional issues the financial firm wishes to raise. Ensure you refer to the AFCA Operational Guidelines and any relevant approach documents.

Please refer to the specific section of the AFCA Rules to ensure that AFCA and the complainant understand the jurisdictional issue(s) being raised.

## Proposals to resolve the complaint

Set out any action the financial firm is willing to take/accept to resolve the complaint.

If you require further information before you can offer a resolution, please provide details of what is required.

## Supporting information

To support your position and reasons for declining the add-on insurance premium refund, the following information is usually required:

* IDR response
* the certificate of insurance for the relevant policy period
* the PDS
* the FSG
* any add-on insurance quotations, application forms and signed contracts
* any claim form and supporting documentation (if applicable)
* a chronology of events, from when the complainant first enquired about, or was offered add-on insurance to when contracts to purchase were signed
* training material and competency test score and date achieved (if applicable)
* audit report for the selling agent (if applicable)
* any account statements showing add-on insurance premiums (if applicable)
* a copy of the loan contract (if premiums were funded by the loan)
* proof of despatch in line with [AFCA’s approach](https://www.afca.org.au/media/930/download), if the receipt of policy documents is in dispute
* a statement from the selling agent or a manager (if applicable)
* online journey screen shots (if the policy was sold online)
* any correspondence and system notes detailing all communication between the financial firm and the complainant in relation to the add-on insurance.

We acknowledge sometimes a financial firm may ask that material is not exchanged with the complainant. If making such a request, please ensure you follow our [special circumstances approach paper](https://www.afca.org.au/media/609/download).

If other issues are raised, we offer a range of resources in the member resources section of the [Member Portal](https://www.afca.org.au/members). These include other EDR response guides, specific complaint topic guides and the Complaint Information Documentation guide.