



Manager  
Insurance Team  
Financial System Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

26 September 2019

Dear Sir/Madam,

Re: Reforms for the sale of add-on insurance – Proposal Paper 9 September 2019  
The Australian Furniture Removers Association (AFRA) is the peak body for the furniture removal industry in Australia. Its member base covers the major national and international removalists as well as many small family businesses.

Circa 2002 AFRA, in extensive consultation with ASIC, Treasury, Insurance representatives including the primary broker Cowden (Vic) Pty Limited and specialised legal counsel, was able to establish an add-on insurance product which provides consumers substantial protection in the event of incidents that results in the damage or loss of goods in transit. The product, which continues to be available to consumers by members of AFRA (who become the authorised representative), was established under strict guidelines imposed by ASIC and Treasury and continues to be adhered to, to this day. Compliance with these guidelines is by way of audits and policy specific training, managed by AFRA in accordance with RG 146.

Our submission relates only to this product and the services provided by AFRA member removalists.

We note that the main issues raised in the Treasury Proposal Paper relate to:

- Poor consumer outcomes
- Pressure selling
- Poor value for consumers

***Poor consumer outcomes:***

The insurance product cover offered by the AFRA members is extensive and covers a range of loss events for the consumer beyond protection under Schedule 2 of the *Competition and Consumer Act 2010 (ACL)*.

The ACL will only provide protection to a consumer if negligence on the part of the removalist has been established. In cases where losses occurred by natural events or events that do not give rise to any negligence on the part of the removalist, ACL will not offer any comfort to a consumer.

Losses that may occur whilst consumer furniture and effects are in transit or storage such as derailment of a train, losses at sea e.g. including discharge of containers to ensure safety of a vessel, or even on a local move, where a third party vehicle collides with the removal truck, (who is not at fault), and goods are damaged or even accidental damage may not be covered under consumer guarantees. However, these types of losses may be insured under the terms of the insurance product offered through AFRA Members.

It must be considered that whilst ACL satisfactorily provides service guarantees with regard to the provision of new goods, the removal industry transacts in second hand personal effects which deteriorate and may not be suitable to transit due to their age and condition and through normal wear and tear. The relocation of furniture and effects that no longer have proper factory packaging and have been subject to use over many years creates a high risk for potential damage.

The ACL requires that negligence is established for a breach of section 60 of the ACL and consumer guarantees. Negligence by consumer tribunals is deemed as a result of the condition of the furniture and effects on delivery and not necessarily by any actions or inaction by a removalist. The add-on insurance product that is offered to consumers by the arrangement through AFRA members provides cover in the event of accidental damage and not just defined events. The product provides simple and cost effective cover for consumers in the event of damage rather than proceeding through the courts.

Discussions that AFRA members have relating to the insurance product are general only and the consumer relies on an FSG and PDS that is provided by the removal company. The insurance product is not the primary motivator in the service provision but is offered as further real protection to the consumer. It is rare and not common practice that a consumer selects a removalist at the initial enquiry, "on the spot". Normal consumer practice is that a consumer shops around. Average sales lead times are three weeks within the industry.

Whilst insurance may be raised at the initial discussions and appropriate documentation provided to the consumer at the outset, consumers have ample time to consider all elements.

Premiums applied are based on the value of furniture and effects advised by the consumer not on the value of the relocation cost. The actual cost of the removal has no correlation to the value of goods. A removalist could charge as little as a few hundred dollars for a relocation, however the furniture and effects could have market value of tens of thousands of dollars.

### ***Pressure Sales Tactics***

As mentioned, consumers will not generally commit to a service provider “on the spot”. This does not create situations with any urgent considerations and allows consumers to consider all possible considerations.

AFRA would not have any concerns regarding a Tier Two deferred sales protocol in most cases, however, we do have concerns for situations where relocation MUST occur inside of the proposed four day period. These situations, whilst not the norm, are outside of the removalist’s control and, in some situations, also outside of the consumer’s control.

Under the proposed tier two process a consumer may be unable to take up insurance or be reminded of the insurance option.

Whilst the consumer can opt to acquire the insurance product prior to the expiration of the four day period, the removalist would not be able to raise even the question of insurance prior to the removal needing to occur.

Again, these critical urgent situations can occur outside a consumer’s control and AFRA believes that it would be in the public interest to provide some guidance to a consumer in these situations.

Whilst the proposal for the services prepared by the removalist may include an insurance option, a consumer may assume, due to the duress of the time frame they are in, that insurance may be included.

### ***Poor Value For Customers:***

The value of a consumer’s personal effects is wide and varied. A simple move can have many tens of thousands of dollars of a consumer’s furniture and effects. As mentioned the ACL will not protect a consumer in the event of loss or damage that does not result from a removalist’s negligence. AFRA does not involve itself in the day to day commercial activities of its members. However we can confirm that ninety two percent of the premiums collected by the insurer is returned to consumers through claims. We are also aware that member removalists who arrange the specific insurance product available, have excesses that range from two thousand dollars and above.

The product itself is extremely flexible and allows for specific coverage as determined by the consumer. To reduce the cost of insurance, consumers can choose to:

- Insure specific items only
- Insure a comprehensive inventory of items
- Take out a blanket cover dollar value policy
- Insure for defined events only
- Full cover policy including electrical derangement, pairs and sets and atmospheric conditions as well as other risks as defined in the policy
- Full replacement cost option
- Market value option

The insurance product provides the consumer with full control and autonomy to tailor the product for their own specific needs.

We understand and acknowledge the outcomes sought by Treasury and would invite further discussion regarding the product offerings. Again, the tier two deferred sales process would not be an issue in most situations, however we

would suggest that it would be in the public interest to allow some flexibility in situations that may arise that would cause the primary service to need to be delivered within the four day deferral period.

### **Conclusion**

Given that the insurance product cover offered through AFRA members does not suffer from any of the defects highlighted in the Royal Commission findings (namely, inherent complexity, unfair sales tactics, poor value for money or weak competition), AFRA submits that a deferred sales model for the cover is unnecessary and unwarranted.

If the insurance product cover offered through AFRA members is ultimately regulated by the proposed tiered sales model, we would propose that the legislation allow for an exception to apply where a removal service must be provided inside the four day deferral period. In that case, the removalist should be permitted to at least raise the question if the client wishes to take the insurance option. We would suggest that not being able to follow up on the insurance option by the removalist would create misunderstandings and assumptions on the consumer's part and may raise avoidable disputes.

We welcome any further questions you may have in regard to this submission.



J A Lopino  
Executive Director