

Approved Classes of Inducement

Under section 129A(2) of the *Motor Vehicles Act 1959* (MV Act)

Section 129A(2) of the MV Act enables CTP Insurers to offer incentives to motorists if the incentives are of a type approved by the Minister.

This document outlines the objectives and approach for the offer of incentives. It includes a table of approved inducement types and their description. CTP Insurers can only offer motorists incentives that match the approved types.

Approved by the Minister 14 June 2019

CLASSES OF INDUCEMENTS

1. Definitions:

- (a) **CTP Insurer** has the same meaning as Approved Insurer under the MV Act and means each of the private insurers approved by me pursuant to section 101 of the MV Act as an insurer under Part 4 of the MV Act;
- (b) **Inducement** means any commission, discount, gift, rebate or any other form of financial benefit, within the meaning of section 129A of the MV Act, offered or provided, directly or indirectly, to the policy holder or any other person;
- (c) **Motorist** means a motorist taking out a Policy under Part 4 of the MV Act;
- (d) **MV Act** means the *Motor Vehicles Act 1959* as amended and replaced from time to time;
- (e) **Policy or Policies** has an equivalent meaning to the term "policy of insurance" as used in the MV Act; and
- (f) **Regulator** means the Compulsory Third Party Insurance Regulator established under the *Compulsory Third Party Insurance Regulation Act 2016*.

2. Objectives

The approved classes of inducements reflects the following objectives publically stated by the South Australian Government:

- (a) to allow CTP Insurers to compete for customers through offering value-added goods and services;
- (b) to ensure CTP Insurers only offer direct policy holder benefits (inducements) as approved by the Minister;
- (c) to ensure that the cost of inducements cannot be a charge against the CTP business and will not be borne by South Australian Motorists through their CTP premiums; and
- (d) having regard to the above, to optimise the Compulsory Third Party Insurance competition scheme for South Australian Motorists.

3. Approach

CTP Insurers must not offer or propose to offer any financial benefit or inducement unless:

- (a) the inducement is of a class outlined in clause [4] below;
- (b) each person to whom the offer is made (or proposed to be made) is capable of receiving direct benefit and real value from the inducement; and
- (c) the offer made (or proposed to be made) clearly and prominently outlines any eligibility criteria or other impediments which might prevent each such person from obtaining direct benefit and real value from the inducement.

4. Classes of inducements

The below table represents the approved classes of inducements under section 129A(2) of the MV Act.

Class of inducement*	Definition
Discounts off other insurance products	Discount to other insurance products held by the policy holder as a result of the CTP Insurance policy. Only insurance products branded the same as the CTP Insurance policy can receive a discount. No discount can be offered directly off the CTP Insurance policy.
Reward programs	Any rewards must result in a direct benefit to the policy holder. Must provide clear terms, and highlight any relevant exclusions to enable the policy holder to assess the real value of the rewards programs.
Gifts	Must have a specified value. Cannot be in the form of a cash back that ultimately acts as discount on the CTP Insurance policy.
Roadside services	Access to roadside services for CTP policy holders. The roadside service product must provide clear terms, and highlight any relevant exclusions to enable the policy holder to assess the real value of the product.
Crash and injury reduction products	Designed to deliver safer drivers on our roads and / or reduce the severity or impact of injuries. This can include products, programs, courses and services. The policy holder must be provided with a clear description of the product setting out all features and benefits to enable them to decide if the product is of value.
At-fault driver protection insurance	A policy of insurance to provide cover for injuries or death to the at-fault driver who is injured in a motor vehicle accident. The at-fault driver protection cover must provide clear terms, and highlight any relevant exclusions to enable the policy holder to assess the real value of the policy.

*Note: All of the above classes of inducement are subject to the requirements of the Australian Consumer Law under the *Competition and Consumer Act 2010* (Cth)