



25 October 2018

The Hon. Kenneth Hayne AC QC  
Commissioner  
Royal Commission into Misconduct in the Banking,  
Superannuation and Financial Services Industry

Submitted through online form

Dear Commissioner

## **POLICY QUESTIONS ARISING FROM ROUND 6**

### **Submission by Youi Pty Ltd**

Youi welcomes the opportunity to support the Royal Commission and provide a response to policy questions arising from Round 6. In addressing these questions, Youi supports the views and recommendations expressed in the submission made by the Insurance Council of Australia.

In addition, Youi would also like to make mention the following key points for consideration in balancing regulation with achieving the best possible outcomes for customers, employees, and shareholders.

We recognise the Commission's investigation has demonstrated that on aggregate we, the industry, must continue to get better, to ensure customers are the beneficiaries of effective regulation.

#### **Competition, Innovation and Consumer Choice**

For a challenger brand like Youi, customers need to be at the heart of our business to succeed in providing Australians with a genuine alternative in a consolidated market.

We believe good regulation is not about perfection, but about consciously and continually doing the right thing by customers. On this, we remain 100% focused on delivering the right outcomes.

While it's critical to ensure appropriate controls are in place to support customer outcomes, it would be a misstep to ignore the implications of adding further complexities to the current regulatory regime. Doing so could pose additional barriers to fostering a fair and competitive market, and meeting the needs of customers through new technologies and innovation.

ABN 79 123 074 733

Youi Pty Ltd

**Australia**

Tel 13 YOUI

Int +61 7 3719 4800

info@youi.com.au

www.youi.com.au

PO Box 849

Buddina, QLD 4575



According to KPMG's annual report on General Insurance<sup>1</sup> (2017), technology and innovation make up four of the top ten insurance trends:

*The rise of the millennials and tech savvy customers is expected to challenge traditional delivery models and force change. Over the next 2 years, the standout market force influencing the transformation of Australia's insurance industry is disruptive innovation. Insurers must innovate or risk being left behind.*

Innovation requires experimentation, which inevitably comes with some risk of unintended consequence.

While Youi supports a robust regulatory regime, if penalties become too extreme, companies and individuals may shy away from developments and investing in this area out of fear.

The flow-on effect would mean reduced choice in insurance providers and product offerings for customers, left only with larger companies and their subsidiaries cloaked under the veil of 'new' brands, with higher premiums.

Youi remains a strong advocate for consumer choice. To this end, we consider it prudent to ensure any additional penalties or regulatory changes are explored through a lens that is good for customers, good for shareholders, and good for the Australian economy.

Recommendations should consider openness to new entrants and encourage competition, which in turn will keep insurance premiums competitive for customers and stimulate the advancement of technology and innovation.

## Disclosure

In line with the submission made by the Insurance Council of Australia, Youi supports open and transparent disclosure for customers, and agree the current product disclosure regime is effective in providing this foundation.

However, Youi notes that the complexity of the current regime undermines its purpose to ensure a customer has purchased the right product for their needs. What's more, the rigidity limits the options insurers could otherwise take to address this issue.

How a brand communicates with customers forms a key part of its competitive value proposition, which is constantly evolving to meet the changing needs of customers. While Youi is supportive of a more simplified approach to disclosure, in exploring this, it's pertinent to consider the impact of standardisation on competition. Importantly, attention should be given to ensuring the opportunity for brands to differentiate and provide a tailored experience for customers is enhanced – not inhibited.

Studies like the recent one published by Monash University, demonstrate the impact of providing overly complex information 'packs' that form part of the current product disclosure regime. The results of this study indicate that on average, customers who receive the mandated grouping of documents, made poorer decisions about which policy was right for them, than those who only received one of the documents.

---

<sup>1</sup>KPMG (2017), *General Insurance Industry Review*, page 13. Available from <https://assets.kpmg.com/content/dam/kpmg/au/pdf/2017/general-insurance-industry-review-2017.pdf>



## Who picked the good insurance policy

Given a choice between a good one and a bad one

### When presented with brief 'fact sheet':



### When presented with disclosure statement:



### When presented with both:



Source: Australian Centre for Financial Studies, 2018 • [Get the data](#)

Evidence clearly indicates the disclosure regime needs attention to enhance decision-making for customers.

Youi acknowledges and supports the need to reduce complexity, but in doing so, enrich the opportunity for insurers to provide a differentiated and better customer experience.

---

Malbon, J. & H. Oppewal. (2018), "(In)effective disclosure: An experimental study of consumers purchasing home contents insurance." Monash Business School and Monash Faculty of Law, research report of a study commissioned by the Financial Rights Legal Centre. Available from <https://australiancentre.com.au/wp-content/uploads/2018/09/InEffectiveDisclosure-final.pdf>