

Important changes to our products, premiums and commissions

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In its September, 2016 report 'A market that is failing consumers: The sale of add-on insurance through car dealers', ASIC outlined its concerns about commissions, claims ratios, pricing, policy design and sales practices.

The changes outlined below are being made independently by Allianz following ASIC's engagement with Allianz directly to address concerns and to provide better customer value. We have determined to make a number of changes in the coming months to premiums, commissions, product design & sales practices which will impact our arrangements with you.

Importantly however, as a result of the changes, we expect to be able to continue to sell Add-on Insurance (AOI) products at the point of sale thereby ensuring our partners can continue to meet the needs of customers.

Separately, work continues at an industry level via a number of working groups to address various issues relating to product design and sales practices which includes the potential introduction of a 'deferred sales model'. The Australian Automotive Dealer Association is involved in these discussions and we expect a paper from ASIC to be released in late April on the topic.

Allianz premiums

In order to increase customer value, Allianz will be reducing all AOI premiums with effect from **1 July 2017**. We expect that premiums will reduce on average by 34-57% across our range of AOI products. These products will include Loan Protection, Extended Warranty, Value Protect Insurance and Motorcycle Equity Insurance.

Allianz commissions

From **1 July 2017**, Allianz will also be reducing the commission's payable on the following AOI products;

- Value Protect,
- Motorcycle Equity and
- Extended Warranty Insurance.

The commission payable on these products will be reduced to 21% and all other existing volume bonuses and incentive programs will be discontinued.

Commission levels for Motor Vehicle Insurance, Motorcycle Insurance and Loan Protection Insurance products will remain unchanged.

Allianz product changes

We have made the decision to withdraw a number of products from the market.

Product	Details of Change	Timing
Business Loan Protection Insurance	Product will be withdrawn from the market for all new quotes on 14 May 2017. Existing quotes can be bound until 18 June 2017. Business customers can still purchase Loan Protection Insurance instead, as premiums, cover and commission are the same.	14 May 2017 Quotes 18 June 2017 New Business
Tyre & Rim Insurance	Product will be withdrawn from the market.	29 May 2017
Used Vehicle Warranty Insurance	Product will be withdrawn from the market. Used vehicles can still be written under our range of other warranty products.	29 May 2017

The Tyre & Rim and Used Vehicle Warranty changes take effect from **29 May 2017**. This means you will be able to quote these products up until **28 May 2017**, but you will not be able to bind them from **29 May 2017** onwards, in Allianz systems. Please take this into account for customers with delivery post **28 May 2017**.

We will also be making a number of **product changes**;

Dealer Prestige Motor Vehicle Insurance	Additional customer benefits to a number of policy features and limits. This will be adjusted via an SPDS.	14 May 2017
All AOI products	The cooling off period for all AOI products will be extended from 14 days to 30 days.	1 July 2017
Loan Protection Insurance	We will be introducing the Life Insurance Code of Practice requirements into all of our systems, documentation and training.	1 July 2017
Loan Protection Insurance	Increase in customer value by enhancing our standard Trauma and Death cover to enable earlier payment of claim for when an individual becomes terminally ill.	1 July 2017
Loan Protection Insurance	Removal of ability to quote or bind life cover as an option for anyone under 25 years old.	1 July 2017
Loan Protection Insurance	There will be further Loan Protection Insurance product changes which will simplify the range of cover levels available from 5 to 2 options, including the removal of trauma cover.	Q4 2017

Sales practices

There will be a number of changes made to the Allianz Advantage Training Academy sales scripts and course materials which will include references to compliance checkpoints in the new Allianz Access system, reinforcing disclosure requirements and highlighting the requirement to avoid pressure sales tactics when selling AOI products. Our sales training will be updated to ensure you understand consumer expectations with transparency of communication and follow a thorough and consistent sales process.

What's next

You will receive your variation to your Agency Agreement in the next two weeks. Please organise for this variation to be signed and returned as soon as it is received. This needs to be returned to Allianz before **31 May 2017**, in order for you to maintain access to all AOI products beyond **1 July 2017**. Once returned, you will receive an updated FSG which will need to be provided to all customers from **1 July 2017**.

Premium adjustments from **1 July 2017** mean any AOI product quoted prior to this date will need to be requoted from **1 July 2017** before it can be bound as premiums quoted before this date will not be retained in the system. You will need to take this into account when preparing finance contracts which include AOI products, for all customer deliveries post **30 June 2017**.

We will also introduce two new compulsory eCampus courses in 2017. One will focus on sales process and conduct training and the second will cover the new life code requirements for Loan Protection Insurance sales. All accredited agents of Allianz will need to pass these courses in eCampus and sit for recertification every 3 years.

Further information

Your Account Manager will be contacting you in the next 2 weeks to answer any of your questions and to discuss these changes with you in more detail. We will also send another update with more details each month leading up to and beyond 1 July 2017.