

## To: Dealer Principal

### Improving consumer outcomes - The sale of add-on insurances by motor dealerships

QBE is working to address concerns raised by ASIC about the sale of add-on insurances in motor dealerships. The main objective of QBE's work is to improve customer outcomes.

As part of our commitment to you, we're providing this update to keep you informed about our work and how it affects how we do business with you. Our work involves changes to the products we sell and how we sell them (the 'future state') and setting things right for products we've already sold (the 'remediation').

#### Future state

QBE is undertaking a number of initiatives to improve its add-on insurance products and how they're sold, which include:

- **Product design and value**  
Designing products meet the needs of a clearly defined market and provide tangible benefit for reasonable value
- **Sales**  
Ensuring we and our representatives take reasonable steps to:
  - Only sell products to customers who they're designed for
  - Not sell unsuitable products to customers, or when they're unlikely to benefit from them
  - Support consumers to make informed decisions
- **Review**  
Monitoring and reviewing the performance of products and how they're sold, and acting as soon as we identify any concerns

While these initiatives are underway, it's important that motor dealerships understand and apply the following principles and guidance when selling QBE Consumer Credit Insurance (CCI) and Guaranteed Asset Protection (GAP) insurance.

If a policy is sold and QBE identifies these principles weren't followed, then QBE will refund the customer's premium, and it may also claim back the commission paid to you.

### Improving Consumer Outcomes – QBE principles and guidance

The next sections of this update describe our expectations and provide guidance for our products, who they may be suitable for and how they must be sold.

#### Finance GAP Insurance

QBE's current Finance GAP Insurance policy isn't suitable for all customers in its current form. While it's important you don't provide personal financial product advice, you can still provide general advice about when it may or may not be suitable.

#### **TARGET CUSTOMERS - Finance GAP Insurance may be suitable in the following circumstances:**

- The finance on the vehicle includes a balloon payment
- The vehicle is financed for a term of 5 years or more
- The vehicle is likely to depreciate at an accelerated rate, because of how it will be used
- The customer finances more than 80% of the purchase price of the vehicle. Please inform customers that the value of GAP insurance diminishes the higher a deposit paid
- Any other circumstances where the customer decides there's a risk of a gap occurring, and they consider the consequences of a gap occurring are sufficient for them to require insurance to eliminate the risk

**NON-TARGET CUSTOMERS - Even if the customer falls into one of the above categories of target customers, Finance GAP may still not be suitable for them if:**

- The customer finances less than 80% of the purchase price of the vehicle (i.e. they pay a deposit of 20% or more)
- The customer holds an agreed value comprehensive motor vehicle insurance policy that's adequate to cover any gap
- The customer has new for old replacement cover under their comprehensive motor vehicle insurance policy that adequately covers the customer's risk.

Note: New for old replacement cover is only available for new cars and is not transferrable if the customer switches comprehensive insurers. The length of new for old cover varies between insurers and is generally available for between 1 to 4 years

### Over Insurance

A customer must not be sold a product which exceeds their requirements. The level of GAP cover they may choose should reflect the exposure they may face should their vehicle be written off or stolen. Customers are unlikely to need cover that exceeds 50% of the purchase price of the vehicle.

### Remediation

QBE is committed to doing the right thing by its customers and the broader community; as we know you will be too. QBE has been working on a comprehensive project to identify customers who were sold our add-on insurance products since 1 January 2011 and offer them refunds.

### When the refund program starts

From 1 August 2017, QBE will progressively be writing to customers who were sold GAP insurance or CCI insurance policies to offer them a full or partial refund. QBE expects to have written to all affected customers by the end October 2017.

Refunds will include an interest payment that's designed to return customers to the position they were in had they not bought the policy.

### Commissions, past and future sales

QBE has decided not to 'claw back' any commission it has paid to you for policies already sold.

However, in future policies must be sold in accordance with QBE's expectations set out in this update, and according to the updated training that will be delivered. If a customer is sold a policy which was unsuitable for them and QBE's expectations for the sale weren't met then then QBE may claw back commissions for the policy sold.

### What to do if a customer contacts you

QBE has established a support team to assist affected customers and answer any questions. If a customer contacts you, please refer them to the QBE support team for more information:

Phone: 1300 022 509

Email: [addonrefunds@qbe.com](mailto:addonrefunds@qbe.com)

### For more information

Contact your QBE Relationship Manager if you have questions about anything set out in this update.



Matt Lawler  
National Distribution Manager, CTP and Motor Trades  
Consumer and Retail Partnership  
QBE Australian and New Zealand