



29 January 2018

By email: FSRCSolicitor@royalcommission.gov.au

Dear Commissioner

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Commission) – early submission

Thank you for the opportunity to provide an early submission to the Commission on behalf of Youi Pty Ltd (**Youi**). Youi is pleased to assist in the work that the Commission is undertaking and has prepared this submission to assist the Commission in its understanding of Youi's business.

Youi's response is divided into two parts. Part A provides contextual information about Youi. Part B answers the specific questions set out in your letter of 15 December 2017 (**Letter**), as further detailed in the attached Annexures 1 and 2 (collectively the **Submission**).

While Youi wishes to assist the Commission, for completeness, Youi reserves its right to claim confidentiality in respect of information in this Submission and its accompanying Annexures in accordance with section 6D(3) of the *Royal Commissions Act 1902* (Cth). If it is or becomes the Commission's intent to publish this voluntary Submission, and Youi determines it wishes to claim confidentiality in relation to information in this Submission, having regard to Part F of the Commission's Practice Guideline dated 22 January 2018 (**Guideline**), Youi will provide a version of this Submission identifying the information it wishes to remain confidential and an accompanying note setting out the information described in paragraph 20 of the Guideline.

Should you have any queries, or wish to discuss our Submission further, please do not hesitate to contact me.

Kind regards

Frank Costigan
CEO

ENC: Annexures 1 and 2

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PART A

1.1 About Youi

Youi is a registered general insurance company and holds an Australian Financial Services Licence (No. 316511). As a wholly owned subsidiary of Youi Holdings Pty Ltd, and ultimate parent company, OUTsurance Holdings Limited, Youi is part of the South African based Rand Merchant Investment Holdings Group. Youi is headquartered on the Sunshine Coast in Queensland, where Youi is one of that region's largest employers. Youi offers general insurance in all states and territories of Australia (excluding the Northern Territory) and employs approximately 1,000 employees in Australia.

Youi operates a direct to market general advice model and its products include vehicle (car, motorcycle, caravan and trailer), home (buildings and contents), watercraft and small business insurance. Youi also acts as a referrer for QBE Insurance (Australia) Limited's Compulsory Third-Party insurance product for New South Wales motorists.

1.2 Youi, a challenger brand

Youi began operations in Australia in March 2008, quickly establishing itself as a challenger to the mainstream insurance brands and providing innovation in a heavily consolidated general insurance industry. After only 18 months in business, Youi celebrated its 100th employee and its 50,000th policy. Youi has invested significantly in its brand, people and systems, and the satisfaction of Youi's customers has been and will continue to be integral to Youi's success. Today Youi insures over 640,000 Australians with around 1 million policies in force. Table 1 demonstrates Youi's growth trajectory since 2008.

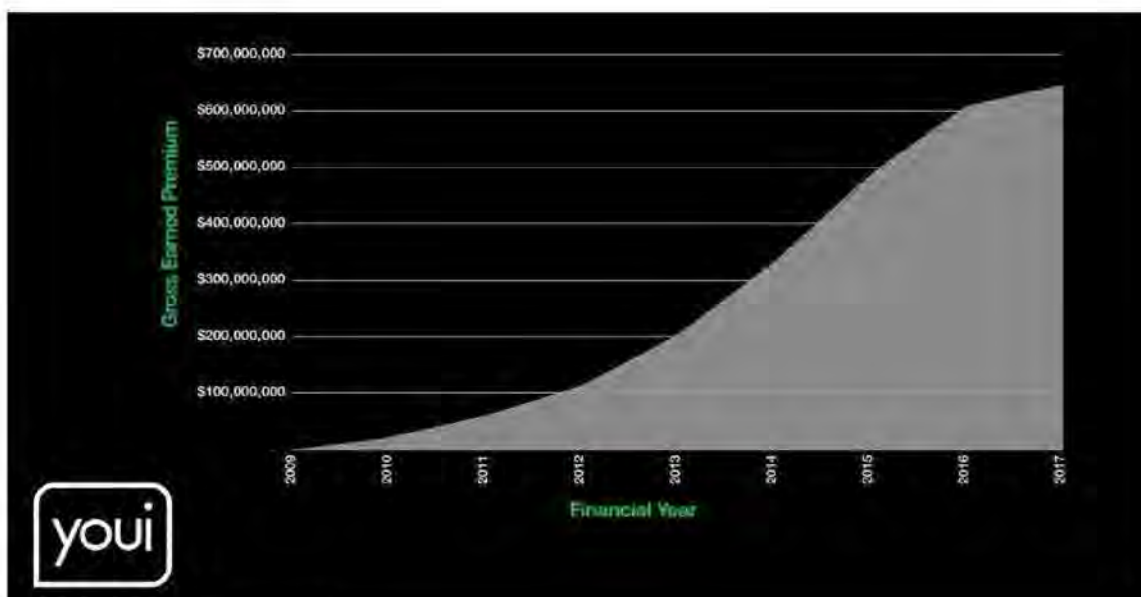


Table 1 – data internally sourced

1.3 Youi's conduct environment

The name, Youi, is derived from 'You Insured'. This reflects Youi's corporate ethos and brand promise that our business is centred around individual customers, in terms of underwriting and risk selection as well as customer experience. Youi's values - awesome service, dynamic, honest, human, passionate, and recognition - provide the behavioural frame for Youi's conduct environment and guide our people in how to conduct themselves every day to deliver favourable customer outcomes.

Youi's conduct expectations are brought to life in its 'values based training' for employees, which set expected behaviours by outlining 'good' conduct as well as proscribing unacceptable conduct. These expectations are reinforced through various mechanisms in Youi's conduct framework.

Our employee intranet, 'Your Voice', is an important way we recognise our people demonstrating Youi's values in service of our customers and each other. For example, every employee is encouraged to recognise colleagues who demonstrate "awesome service" to our customers and each other.

Youi's remuneration framework includes a balance of customer, quality and commercial measures. Youi's consequence management framework ensures that conduct which does not meet our expectations is managed through coaching or disciplinary measures.

1.4 Youi's control environment

Youi's control environment to detect conduct, practice or behaviour that does not meet Youi's values, strikes a balance between direct and open customer feedback, front line and service quality assurance, data-led risk controls and employee reporting channels, including whistle-blower mechanisms and employee surveys. Examples of some of these mechanisms are:

- Team manager audits of customer interactions (both scheduled monthly audits and targeted audits generated from quality indicators and customer feedback) and, additionally, second line assurance audits by our internal service quality team;
- Our operations departments capture insights from customers when they contact us to make general enquiries, purchase a policy, or amend or cancel an existing policy. This helps us understand our competitive position in the market as well as where we may not have met the needs or expectations of our customers;
- Following the majority (circa 70%) of customer interactions, Youi sends customers a survey to assess the service experience; this is internally referred to as the Customer Service Index. This helps Youi understand how satisfied our customers are with our products, services and the timely delivery of claims services to our customers;
- 'Youi Wall', a social media site featured on Youi's own website, enables Youi customers to transparently rate and comment on their service experience both positively or negatively. It is a real-time interface (receiving, on average, 150 comments a day) and allows Youi, its customers and potential customers to easily access unfiltered opinions about Youi's performance. Management receive regular insights from the Youi Wall and other social media forums, which are fed back into the business to ensure we are delivering excellent service and acting on opportunities to enhance products, features and services;

- Youi has an internal hotline and email address monitored by the Risk Management department, as well as an external service provided by KPMG for employees to raise concerns about any wrongdoing, misconduct or unethical behaviour; and
- Youi provides comprehensive training and development to its employees on its policies and expectations including how to conduct themselves in every customer interaction. Youi also provides new sales employees mandatory accredited training leading to a Certificate III in Customer Engagement and has partnered with the Australian College of Commerce & Management, a registered training organisation.

Youi's control environment is underpinned by a combined assurance model to identify, manage and monitor the risks affecting Youi's business. As part of this, Youi has adopted a Three Lines of Defence model. Youi's second line of defence, which includes its risk management, compliance, service quality and legal divisions, is guided by:

- Youi's Risk Management Strategy (**RMS**), which provides the structural framework to effectively manage the risks involved with Youi's business. The RMS describes Youi's risk management philosophy, risk culture, board risk appetite and risk management framework; and
- Youi's Compliance Management Framework (**CMF**), which provides the framework for identifying regulatory and compliance risk and assessing the control environment. The CMF assists Youi to ensure overall enterprise-wide compliance and conforms with the International Standard – ISO 19600-2015.

Since 2008, Youi's governance structures have continued to evolve to reflect the growing size and complexity of Youi's business. Further, Youi also engages independent external advisors to confirm its compliance with prudential standards.

1.5 Youi's outstanding claims service and disputes handling

Youi prides itself on providing excellent service to its customers, especially at claims time where we regularly receive positive feedback. This is demonstrated in our Customer Service Index, which for home claims and car claims averages above 90%. Youi is committed to resolving valid claims fairly, accurately and quickly, thereby ensuring customers receive a favourably memorable experience, with our average turnaround time for authorisation of home and contents claims under 5 days and approximately 3 days for car claims.

Where a customer does complain, we are committed to fulfilling our obligations under the General Insurance Code of Practice. Youi has a robust complaint and dispute handling process and maintains a positive relationship with the Financial Ombudsman Service (**FOS**).

Youi is proud of its record with the FOS. Table 2 contains FOS 2016/17 financial year comparative information which displays an average chance of dispute that is well below the industry median across Youi's three key general insurance products.

2016 - 2017		
BUI	CON	CAR
45.7	13.0	109.5
41.7	8.9	78.6
38.0	8.2	54.1
37.0	7.3	43.5
36.7	7.2	37.1
33.6	6.7	28.3
30.7	6.6	24.1
28.5	5.8 industry median	19.5
26.8	4.9	13.9
23.5	4.3	13.0 industry median
23.5 industry median	4.1	12.7
19.4	3.2 Youi	12
16.6	3.0	10.6
14.2	3.0	9.8
12.9	2.7	9.5
12.8 Youi		8.8
8.6		6.3
8.5		5.9 Youi
7.0		4.9
7.0		
6.1		

*Financial Ombudsman Service Comparative Tables 2016 – 2017: Chance of a Dispute (per \$10,000) Building, Contents & Car Insurance

Table 2 - FOS 2016/17 chance of dispute data

1.6 Youi's regulatory relationships

Since 2008, Youi has had appreciable oversight from and interaction with both the Australian Securities Investment Commission (**ASIC**) and the Australian Prudential Regulatory Authority (**APRA**). The regulatory oversight has benefited Youi during its period of rapid growth and increasing business complexity. Youi is committed to continuing an open and respectful relationship with both ASIC and APRA in their supervisory roles to ensure that Youi's business and control systems continuously improve and adapt as community and legislative standards evolve.

1.7 Collation of information

In providing this response to the Commission, in the time provided, Youi has for the relevant period:

- reviewed its compliance, risk and audit reporting, incident and breach register reporting, human resources summary data, completed a high-level analysis of customer complaints and FOS dispute data, and reviewed its whistle-blower reporting;
- taken a wide view of matters which may fall within the scope of the Letter;
- interpreted the word "inquiry" and "investigation" as including responding to questions, concerns and/or requests for information from regulators which led to Youi taking some form of action thereafter;

- not included: non-observances of its own internal policies, for example non-significant deviations from telephone scripts associated with human error; isolated or individual instances of potential workplace issues such as bullying, harassment or unfair dismissal; or matters relating to disciplinary actions taken against employees or former employees, save to the extent that their actions were linked to matters listed in the annexures;
- included matters which it considers may fall below “community standards and expectations” noting the subjectivity of this category. If there are any specific issues the Commission wishes Youi to additionally consider as falling within what the Commission considers to be “community standards”, Youi would be pleased to do so; and
- has not responded to question 4 within the Letter as Youi is not a licensee of a registrable superannuation entity (as defined in the *Superannuation Industry (Supervision) Act 1993 (Cth)*) and it does not have a relevant connection to any such entity.

PART B

- 1 **Excluding cases of theft from the entity itself, or from an associated entity, has the entity identified any misconduct by the entity (including by its directors, officers or employees, or by anyone otherwise acting on its behalf) which occurred at any time since 1 January 2008? If so, what is the nature, extent and effect of that misconduct?**

Annexure 1 details the nature, extent and effect of potential misconduct identified by Youi in response to this question.

- 2 **Has the entity identified any conduct, practice, behaviour or business activity it has engaged in (including by its directors, officers or employees, or by anyone otherwise acting on its behalf) since 1 January 2008, which it considers has fallen below community standards and expectations? If so, what is the nature, extent and effect of that conduct, practice, behaviour or activity?**

Annexure 2 details the nature, extent and effect of conduct which potentially could be regarded as falling within question 2 of the Letter identified by Youi in response to this question.

- 3 **If yes to either or both of questions one and two:**

- (a) **Is the identified conduct, practice, behaviour or activity the subject of another inquiry or investigation, or a criminal or civil proceeding?**

See Annexures 1 and 2.

- (b) **Does the entity attribute any of the identified conduct, practice, behaviour or activity to the particular culture or governance practices of the entity? If so, describe that culture or governance practice.**

See Annexures 1 and 2.

- (c) **Does the entity attribute any of the identified conduct, practice, behaviour or activity to some broader cultural or governance practices in the industry or sector of the industry in which the entity operates? If so, describe those cultural or governance practices.**

See Annexures 1 and 2.

- (d) **Does the entity consider that the identified conduct, practice, behaviour or activity results from other practices (including risk management, recruitment or remuneration practices)? If so, describe those practices.**

See Annexures 1 and 2.

- (e) **What steps has the entity taken to:**

- I. **remedy the consequences for customers or other businesses of the identified conduct, practice, behaviour or activity;**
- II. **prevent recurrence of conduct, practice, behaviour or activity of the kind identified?**

See Annexures 1 and 2.

Annexure 1 – Instances that may fall within the scope of misconduct as defined by the Commission

No.	Date of occurrence	Nature, extent and effect	Other inquiries, culture and governance practices and steps to remedy and prevent misconduct
1.	May 2010 to February 2011	<p>Nature</p> <p>In February 2011, the Financial Ombudsman Service of Australia (FOS) Code Governance Committee (CGC) conducted its annual Desktop Audit which resulted in the following breaches of section 4.5 of the General Insurance Code of Practice as amended from time to time (Code) being noted:</p> <ul style="list-style-type: none"> ▪ failure to notify customers, whose property claims were finalised within one month of a catastrophe or disaster, of their entitlement to seek a review of their claim, if they thought the assessment of their loss was not complete or accurate; and ▪ failure to provide those customers with information about the company's complaints handling procedures. <p>Extent</p> <p>Approximately 71 catastrophe claims were settled during the period of occurrence. While the CGC did not consider that Youi's template correspondence for catastrophe claims settlement and claims rejections contained the relevant information, information regarding the complaints process was available on the Youi website during that time.</p> <p>Effect</p> <p>Customers had to review the Youi website for the section 4.5 Code information.</p>	<p>Is the conduct, practice, behaviour or activity the subject of another inquiry, investigation or proceedings? [Q.3(a)]</p> <p>The matter was the subject of a CGC annual audit which has been finalised.</p> <hr/> <p>Does Youi attribute the conduct, practice, behaviour or activity to its culture or governance practices? [Q.3(b)]</p> <p>No.</p> <hr/> <p>Does Youi attribute the conduct, practice, behaviour or activity to some broader Industry, culture or governance practice? [Q.3(c)]</p> <p>No.</p> <hr/> <p>Does Youi consider the conduct, practice, behaviour or activity results from other practices? [Q.3(d)]</p> <p>No.</p> <hr/> <p>What steps has Youi taken to remedy the consequences? [Q.3(e)(i)]</p> <p>No customer detriment was identified in Youi's investigation. During the period of occurrence customers had access to details of the complaints process on Youi's website. All customer-facing employees receive complaints handling training.</p> <hr/> <p>What steps has Youi taken to prevent recurrence? [Q.3(e)(ii)]</p> <p>Youi amended affected correspondence templates to include reference to entitlement to review and to its complaints process. Youi now conducts periodic departmental compliance assurance reviews, which cover Code compliance, to ensure Code and legislative changes are reviewed and changes implemented where required.</p>

No.	Date of occurrence	Nature, extent and effect	Other inquiries, culture and governance practices and steps to remedy and prevent misconduct
2.	June to October 2012	<p>Nature</p> <p>Some policies were issued to customers in the Australian Capital Territory for which incorrect stamp duty had been applied on insurance premiums during the stepped abolition of stamp duty that commenced in 2012. Youi identified this error internally when reducing the stamp duty rate in July 2013.</p> <p>Extent</p> <p>104 policies with incorrect stamp duty were identified, including both new policies and renewals.</p> <p>Effect</p> <p>Customers were over-charged on average \$5.00 per affected policy.</p>	<p>Is the conduct, practice, behaviour or activity the subject of another inquiry, investigation or proceedings? [Q.3(a)]</p> <p>No. The matter was identified internally.</p> <hr/> <p>Does Youi attribute the conduct, practice, behaviour or activity to its culture or governance practices? [Q.3(b)]</p> <p>No.</p> <hr/> <p>Does Youi attribute the conduct, practice, behaviour or activity to some broader industry, culture or governance practice? [Q.3(c)]</p> <p>No.</p> <hr/> <p>Does Youi consider the conduct, practice, behaviour or activity results from other practices? [Q.3(d)]</p> <p>No. Youi had misinterpreted a circular from the Insurance Council of Australia that it relied on in deciding when to apply the stepped reduction in stamp duty, meaning there was a 4-month period where the incorrect duty was applied. It was an isolated, inadvertent error arising from the introduction of new legislation.</p> <hr/> <p>What steps has Youi taken to remedy the consequences? [Q.3(e)(i)]</p> <ul style="list-style-type: none"> ▪ The affected customers were contacted by telephone to advise them of what had occurred. ▪ Affected policies were amended and correct stamp duty shown. ▪ New policy schedules and tax invoices were issued. ▪ Customers were fully remediated. <hr/> <p>What steps has Youi taken to prevent recurrence [Q.3(e)(ii)]</p> <p>None required.</p>

No.	Date of occurrence	Nature, extent and effect	Other inquiries, culture and governance practices and steps to remedy and prevent misconduct
3.	August 2013	<p>Nature</p> <p>In August 2013, the Australian Communications and Media Authority (ACMA) advised that a customer had complained about Youi allegedly breaching the Do Not Call (DNC) legislation.</p> <p>The customer who complained received 4 calls from Youi although he was listed on the DNC register and complained about the timing of calls being made between 6:30 and 7:00am. Further investigation indicated that the contact number on the lead was used by someone other than the person who complained to ACMA. That is, another person provided a false telephone number to Youi, which belonged to the customer in question.</p> <p>Extent</p> <p>Limited to one customer.</p> <p>Effect</p> <p>Potential breach of customer's rights under the <i>Do Not Call Register Act 2006</i> (Cth) and <i>Do Not Call Register Regulations 2006</i>.</p>	<p>Is the conduct, practice, behaviour or activity the subject of another inquiry, investigation or proceedings? [Q.3(a)]</p> <p>No. While the initial contact was made from the ACMA, no further inquiries have been made since 11 August 2013.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to its culture or governance practices? [Q.3(b)]</p> <p>No.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to some broader industry, culture or governance practice? [Q.3(c)]</p> <p>No.</p> <p>Does Youi consider the conduct, practice, behaviour or activity results from other practices? [Q.3(d)]</p> <p>Yes. Youi attributes the identified conduct to the practice of customers on some occasions providing incorrect telephone numbers as part of the quotation process. Those incorrect phone numbers may be listed on the DNC Register.</p> <p>What steps has Youi taken to remedy the consequences? [Q.3(e)(i)]</p> <p>The customer's complaint was escalated and reviewed. An explanation and apology was provided and the customer's telephone number was placed on Youi's do not call list.</p> <p>What steps has Youi taken to prevent recurrence? [Q.3(e)(ii)]</p> <ul style="list-style-type: none"> ▪ Youi conducted a review of current business procedures and processes. ▪ Youi's actuaries analysed data and compiled an internal do not call list, removing false contact numbers in Youi's system so that only customers who had solicited telephone calls would receive them.

No.	Date of occurrence	Nature, extent and effect	Other inquiries, culture and governance practices and steps to remedy and prevent misconduct
4.	<p>March 2009 to September 2013</p> <p>and</p> <p>March 2015 to January 2017</p>	<p>Nature</p> <p>Between March 2009 and September 2013, Youi unintentionally failed to apply or delayed in applying a discount for multiple policy holders (Multi Policy Discount or MPD). The MPD was advertised for holders of Home Contents insurance and motor vehicle insurance with Youi, with the Home Contents policy being eligible for a 20% discount.</p> <p>As of January 2017, Youi has identified a further category of customers potentially entitled to a MPD, which were not identified by the initial remediation plan: those customers who purchased or renewed a vehicle policy on or after 5 March 2015 and held a Home Contents policy from prior to 9 March 2010 which was renewed after 5 March 2015.</p> <p>Extent</p> <p>11,250 policies in total identified as being affected, including both active and cancelled policies.</p> <p>Effect</p> <p>Overcharged amounts (including interest):</p> <ul style="list-style-type: none"> ▪ 66% of policyholders refund amount not exceeding \$80; ▪ 32% of policyholders refund amount between \$80- \$200; and ▪ 2% of policyholders refunded more than \$200. 	<p>Is the conduct, practice, behaviour or activity the subject of another inquiry, investigation or proceedings? [Q.3(a)]</p> <p>Yes. Youi reported the matter to ASIC, together with FOS CGC and APRA. There are no outstanding information requests on this issue.</p> <hr/> <p>Does Youi attribute the conduct, practice, behaviour or activity to its culture or governance practices? [Q.3(b)]</p> <p>No.</p> <hr/> <p>Does Youi attribute the conduct, practice, behaviour or activity to some broader industry, culture or governance practice? [Q.3(c)]</p> <p>No.</p> <hr/> <p>Does Youi consider the conduct, practice, behaviour or activity results from other practices? [Q.3(d)]</p> <p>Yes. Youi identified that there was an inadvertent error in the actuarial process for applying the MPD, which meant that some policies were not identified as being eligible, when in fact, they were.</p> <hr/> <p>What steps has Youi taken to remedy the consequences? [Q.3(e)(i)]</p> <ul style="list-style-type: none"> ▪ Youi conducted a comprehensive review of policyholder profiles to identify any matching profiles. ▪ Youi communicated with affected customers explaining the position. ▪ In October 2013, Youi implemented a remediation process to refund the advertised discount which had not been applied, to entitled customers, with interest. ▪ When the additional category of affected customers was identified in January 2017, they also received communication from Youi informing them of the error and were given refunds, with interest. <hr/> <p>What steps has Youi taken to prevent recurrence? [Q.3(e)(ii)]</p>

No.	Date of occurrence	Nature, extent and effect	Other inquiries, culture and governance practices and steps to remedy and prevent misconduct
			<p>In 2013, internal systemisation and exception reports were implemented to prevent a reoccurrence, including actuarial run reports that identify possible eligible customers based on the policy holder's residential address.</p> <p>In 2017, Youi reassessed its terms and conditions which apply for multi-policy discounts and its advertisement of the same, including their inclusion in the Youi's Financial Services Guide, and published terms and conditions online improving customer transparency of the eligibility criteria for the discount.</p>
5.	2012 to August 2015	<p>Nature</p> <p>Youi did not provide customers a general advice warning (GAW) during the period of occurrence when giving general financial product advice (which only happened on limited occasions – see below), during Youi's telephone quote and sale processes.</p> <p>Youi also relied on incorporating its Financial Services Guide (FSG) by reference into Product Disclosure Statements (PDS) instead of providing it, or an equivalent statement, separately.</p> <p>Extent</p> <p>Of the approximately 20,000 audited calls in a 4-year period, just over 1% involved financial product advice, to which a GAW would be required.</p> <p>In calls in which financial product advice was provided, although customers were provided with a PDS after the call that incorporated the FSG by reference.</p>	<p>Is the conduct, practice, behaviour or activity the subject of another inquiry, investigation or proceedings? [Q.3(a)]</p> <p>Yes. These incidents were reported to ASIC by Youi and were the subject of requests for information. There are no outstanding requests for information on these issues.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to its culture or governance practices? [Q.3(b)]</p> <p>No.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to some broader industry, culture or governance practice? [Q.3(c)]</p> <p>No.</p> <p>Does Youi consider the conduct, practice, behaviour or activity results from other practices? [Q.3(d)]</p> <p>Yes. The GAW was inadvertently deleted from advisor scripting in 2011 during a review and change of script content. In relation to the FSG issue, Youi considers that the provision of the FSG was incorporated by reference into its PDS, which satisfied its statutory obligations to provide a FSG.</p> <p>What steps has Youi taken to remedy the consequences? [Q.3(e)(i)]</p> <ul style="list-style-type: none"> ▪ On 8 September 2015, Youi advised ASIC that it was undertaking a review of its GAW practice and had reinserted the GAW into its sales scripts.

No.	Date of occurrence	Nature, extent and effect	Other inquiries, culture and governance practices and steps to remedy and prevent misconduct
		<p>Effect</p> <p>Potentially, that some customers were not warned about risks of relying on general advice.</p> <p>Potentially, that some customers may not have reviewed the FSG.</p>	<ul style="list-style-type: none"> ▪ In September and October 2015. Youi conducted a review of its sales scripts and a sample of call recordings to determine whether general advice was being provided to retail clients. ▪ Youi reviewed its quarterly audits of sales calls (comprising over 20,000 calls), and determined that just over 1% of those audited calls involved the provision of general financial product advice. ▪ Given the difficulty with identifying affected customers, in respect of customers to which Youi may have provided advice without a GAW, Youi proposed to review individual cases as they arose (including sales recordings). Then, to the extent possible, Youi would remedy the impact of the customer having relied on the general advice (i.e. without the GAW) by adopting a policy of resolving claims and complaints in favour of the customer. <p>What steps has Youi taken to prevent recurrence? [Q.3(e)(ii)]</p> <ul style="list-style-type: none"> ▪ Youi reinserted the GAW into all telephone scripts immediately following 1 September 2015. ▪ Youi issued a compulsory policy and automatic software function for GAW wording to be included in scripts. It also set up a governance practice that any changes to scripts must be approved by Youi's Compliance and Legal departments. ▪ Youi included specific reference to the GAW in its induction program and employee learning modules. ▪ Youi implemented procedures to monitor the provision of the GAW, including random and spot audits of recordings for all sales employees. ▪ Youi sends the FSG to all customers, as well as incorporating the FSG by reference (via the Product Disclosure Statement).

No.	Date of occurrence	Nature, extent and effect	Other inquiries, culture and governance practices and steps to remedy and prevent misconduct
6.	July – September 2015	<p>Nature</p> <p>Due to an IT issue, renewal notices were not sent to customers within 14 days prior to policy expiry.</p> <p>Extent</p> <p>Approximately 360 renewal notices were not sent to customers. Those customers were refunded \$90,296.82 for the premiums that Youi collected between the date the policy was renewed automatically and the date Youi re-negotiated renewal terms with affected customers.</p> <p>Effect</p> <p>Customers were not provided with 14 days' notice before renewal, however, there was no break in their cover and customers were able to make a claim on previous policy terms.</p>	<p>Is the conduct, practice, behaviour or activity the subject of another inquiry, investigation or proceedings? [Q.3(a)]</p> <p>No.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to its culture or governance practices? [Q.3(b)]</p> <p>No.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to some broader Industry, culture or governance practice? [Q.3(c)]</p> <p>No.</p> <p>Does Youi consider the conduct, practice, behaviour or activity results from other practices? [Q.3(d)]</p> <p>Yes. Youi attributes the identified conduct to an IT system failure. Those IT failures were intermittent and the failures took place in October 2015 and have been rectified.</p> <p>What steps has Youi taken to remedy the consequences? [Q.3(e)(i)]</p> <p>The consequences were limited as affected customers were covered by the statutory protections under the <i>Insurance Contracts Act 1984(Cth)</i> (ICA) which provides that they are entitled to free insurance cover from their renewal date until their new insurance contract is provided, unless a claim is made. Further, a remediation program was implemented which included:</p> <ul style="list-style-type: none"> ▪ recreation of policy documentation for affected customers with the renewal terms; ▪ all affected customers refunded any premium collected by Youi for the time from renewal to either: the date of a claim; or the date Youi re-negotiated renewal with the customer; and ▪ affected customers received communications apologising, explaining the error and ensuring that the customers were comfortable with the process and understood their legal rights pursuant to the ICA.

No.	Date of occurrence	Nature, extent and effect	Other inquiries, culture and governance practices and steps to remedy and prevent misconduct
			<p>What steps has Youi taken to prevent recurrence? [Q.3(e)(ii)]</p> <p>IT corrective measures were put in place, including a process implemented by IT to monitor general document errors and create exception reports (IT receive SMS alerts if the number of errors exceeds set agreed rates).</p>
7.	2012 – September 2016	<p>Nature</p> <p>Youi received complaints from customers who were dissatisfied with Youi's automatic renewal process, who said that they did not authorise renewal/continued debiting of their account for insurance premium.</p> <p>Extent</p> <p>Of 52 complaints received:</p> <ul style="list-style-type: none"> ▪ 38 - There was no error (among those were 34 automatic renewal complaints, which is disclosed in policy documentations and sales scripts and follows ASIC's best practice expectations). ▪ 13 - Youi did not action an emailed cancellation request in time prior to the customer's account being debited. <p>Subsequently, FOS identified an additional five (5) complaints on their records that had similarities to the thirteen (13) identified.</p> <p>In the period between November 2015 and October 2016, Youi identified that less than 0.04% of actions into the relevant Youi department</p>	<p>Is the conduct, practice, behaviour or activity the subject of another inquiry, investigation or proceedings? [Q.3(a)]</p> <p>Yes. The identified conduct was the subject of a FOS and ASIC inquiry.</p> <hr/> <p>Does Youi attribute the conduct, practice, behaviour or activity to its culture or governance practices? [Q.3(b)]</p> <p>No.</p> <hr/> <p>Does Youi attribute the conduct, practice, behaviour or activity to some broader Industry, culture or governance practice? [Q.3(c)]</p> <p>No.</p> <hr/> <p>Does Youi consider the conduct, practice, behaviour or activity results from other practices? [Q.3(d)]</p> <p>Yes, Youi considers the identified conduct, practice, behaviour or activity was a historical internal process related issue. Historically, Youi would receive the email request and then attempt to confirm the request via telephone over a 4-6 day period with the relevant customer before cancelling the policy. The process was in place to clarify instructions and ensure the request was being sent by a person with appropriate authority to act on the policy.</p> <hr/> <p>What steps has Youi taken to remedy the consequences? [Q.3(e)(i)]</p> <p>Customer complaints were addressed and refunds were processed for customers where appropriate.</p>

No.	Date of occurrence	Nature, extent and effect	Other inquiries, culture and governance practices and steps to remedy and prevent misconduct
		<p>responsible for actioning the requests resulted in the issue occurring.</p> <p>Effect</p> <p>Customers affected had a direct debit from their bank/credit account which they may not have expected.</p>	<p>What steps has Youi taken to prevent recurrence? [Q.3(e)(ii)]</p> <ul style="list-style-type: none"> ▪ Youi implemented processes to ensure increased compliance oversight and assurance reviews. ▪ Youi amended its process of calling customers to confirm instructions to last only one business day. If contact could not be made then, as best as possible, Youi would act on the emailed instructions of the customer. ▪ Youi also notified FOS that it would be amending its processes as outlined above.
8.	Prior to May 2016	<p>Nature</p> <p>Upon the CGC review of Youi's submission of its annual Desktop Audit (focussed on Financial Hardship), the CGC considered that although Youi complied with the Code when considering individual financial hardship cases, Youi's training on financial hardship may not meet the Code standards as it did not clearly inform employees that Youi is obligated to comply with the Code.</p> <p>Extent</p> <p>Neither CGC nor Youi found that the inadequate training was affecting customers.</p> <p>Effect</p> <p>None identified.</p>	<p>Is the conduct, practice, behaviour or activity the subject of another inquiry, investigation or proceedings? [Q.3(a)]</p> <p>Yes. The identified conduct was the subject of a CGC inquiry.</p> <hr/> <p>Does Youi attribute the conduct, practice, behaviour or activity to its culture or governance practices? [Q.3(b)]</p> <p>No.</p> <hr/> <p>Does Youi attribute the conduct, practice, behaviour or activity to some broader industry, culture or governance practice? [Q.3(c)]</p> <p>No.</p> <hr/> <p>Does Youi consider the conduct, practice, behaviour or activity results from other practices? [Q.3(d)]</p> <p>No.</p> <hr/> <p>What steps has Youi taken to remedy the consequences? [Q.3(e)(i)]</p> <p>Youi updated its training material to include specific references to both the Code in the financial hardship sections of its training.</p>

No.	Date of occurrence	Nature, extent and effect	Other inquiries, culture and governance practices and steps to remedy and prevent misconduct
			<p>What steps has Youi taken to prevent recurrence? [Q.3(e)(ii)]</p> <p>Youi now conducts periodic departmental compliance assurance reviews, which cover Code compliance, to ensure Code and legislative changes are reviewed and changes implemented where required.</p>
9.	1 July 2015 to 23 November 2016	<p>Nature</p> <p>An internal review at Youi identified that Youi's systems continued to automatically calculate the cooling off period (during which customers were entitled to a full refund) for contracts entered post July 2015 using the pre-July 2015 PDS terms.</p> <p>Pursuant to section 4.9 of the Code, Youi was required to provide a premium refund to customers within 15 business days after their policy was cancelled. Youi had provided a portion of affected customers with a partial refund within the required timeframe or charged incorrect cancellation fees.</p> <p>Extent</p> <p>Approximately 9,000 customers were affected.</p> <p>Effect</p> <p>Customers received insufficient refunds of premiums paid.</p>	<p>Is the conduct, practice, behaviour or activity the subject of another inquiry, investigation or proceedings? [Q.3(a)]</p> <p>Yes. It was reported to CGC and ASIC by Youi. There are no outstanding requests for information on this issue.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to its culture or governance practices? [Q.3(b)]</p> <p>No</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to some broader Industry, culture or governance practice? [Q.3(c)]</p> <p>No</p> <p>Does Youi consider the conduct, practice, behaviour or activity results from other practices? [Q.3(d)]</p> <p>Youi attributes the incorrect cooling off period calculations to an insufficient change control procedure that required IT development.</p> <p>What steps has Youi taken to remedy the consequences? [Q.3(e)(i)]</p> <p>Youi paid all outstanding refunds due to customers, approximately \$353,620.41 in total, including \$17,123.26 for interest.</p> <p>What steps has Youi taken to prevent recurrence? [Q.3(e)(ii)]</p> <p>Automated refund process are now in place: Implementation of the IT required to automatically calculate refunds in accordance with the extended cooling off period, without charging a cancellation fee, removing the risk that this issue will be repeated.</p>

No.	Date of occurrence	Nature, extent and effect	Other inquiries, culture and governance practices and steps to remedy and prevent misconduct
			Youi has also improved its change control practices generally, with increased oversight from Youi's Compliance department, dedicated project management resources, and increased testing.
10.	2016	<p>Nature</p> <p>A concern was raised that some sales employees were charging customers for insurance policies without their consent to purchase. This included where customers only made an inquiry to get an insurance quote (Sales Issues).</p> <p>Extent</p> <p>Youi refunded in total approximately \$14,000 to 102 customers. For context, Youi had over 1,000,000 policies in force and in excess of 650,000 customers during the assessment period.</p> <p>Effect</p> <p>See above.</p>	<p>Is the conduct, practice, behaviour or activity the subject of another inquiry, investigation or proceedings? [Q.3(a)]</p> <p>Yes. Similar conduct had been the subject of enforcement action against Youi NZ Pty Limited¹ (Youi NZ) in New Zealand.</p> <p>In 2016, Youi commenced discussions with ASIC about the Sales Issues. Youi engaged EY to conduct a review of sales practices in connection with the Sales Issues. The matter is now resolved. Youi has agreed to provide a follow up report from EY to ASIC by 30 June 2018.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to its culture or governance practices? [Q.3(b)]</p> <p>Youi does not attribute the conduct to its culture or governance practices. EY conducted a review of Youi's risk culture and found Youi demonstrated a strong focus on values, behaviours and risk culture over the assessment period. EY made a number of recommendations and Youi has taken steps to strengthen its risk culture (see in particular 3(d) below).</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to some broader industry, culture or governance practice? [Q.3(c)]</p> <p>No.</p> <p>Does Youi consider the conduct, practice, behaviour or activity results from other practices? [Q.3(d)]</p>

¹ A wholly owned subsidiary of Youi Holdings Pty Ltd, and a New Zealand registered general insurance company which underwrites its own policies.

No.	Date of occurrence	Nature, extent and effect	Other inquiries, culture and governance practices and steps to remedy and prevent misconduct
			<p>Youi recognises that its risk management controls were not adequate to detect the full extent of the Sales Issues and that its remuneration structures at the time may have unintentionally contributed to the conduct. The steps Youi has taken (outlined below in 3(e)(ii)) comprehensively addressed any issues.</p> <p>What steps has Youi taken to remedy the consequences? [Q.3(e)(i)]</p> <p>Youi has refunded 102 customers approximately \$14,000.</p> <p>Youi has made a community benefit payment of \$150,000 to the Financial Rights Legal Centre's Insurance Law Service.</p> <p>What steps has Youi taken to prevent recurrence? [Q.3(e)(ii)]</p> <ul style="list-style-type: none"> ▪ <u>Changes to the training and compliance framework</u>: Youi evolved its training and compliance framework by developing a suite of 'values based training' materials to reinforce conduct expectations and Youi's commitment to compliant, professional, ethical and customer-focused sales practices. This compulsory training must be undertaken periodically and requires a 100% pass mark. ▪ <u>Sales processes</u>: Youi changed its sales processes and telephone scripts to more effectively segregate quoting and purchasing processes. ▪ <u>Employees</u>: Youi made changes to its legal, risk and compliance capability, including increasing compliance, risk and legal resourcing to more appropriately reflect Youi's growing size and business complexity. ▪ <u>Monitoring</u>: Youi introduced new controls and monitoring of sales employees, including increasing the frequency of sales audits. ▪ <u>Consequence management</u>: Youi updated its consequence management processes to ensure they were effectively integrated with its incident and breach processes. ▪ <u>Remuneration</u>: Youi updated its work allocation and remuneration framework to place greater emphasis on customer and quality outcomes and reduced the variable pay component of front line salaries.

No.	Date of occurrence	Nature, extent and effect	Other inquiries, culture and governance practices and steps to remedy and prevent misconduct
			<ul style="list-style-type: none"> ▪ <u>Further Review:</u> EY will conduct a follow-up review to assess the implementation and test the effectiveness of the recommendations made in their initial assessment of Youi's risk culture and review of sales practices by 30 June 2018.
11.	Various	<p>Nature</p> <p>The CGC raised possible individual instances of non-compliance with the Code in the claims handling process following customer complaints to FOS. In most instances, the issue related to third party liabilities or recoveries that may not have been handled in a timely manner and the communication with the customer did not meet standards. In a small number of instances, Youi advised the CGC that Youi had recorded individual instances where it did not comply with the Code on these particular issues.</p> <p>Extent</p> <p>Potential non-compliance has been isolated to individual insurance claims, with every customer complaint being addressed.</p> <p>Effect</p> <p>The customer on isolated occasions may not have been provided with service that meets Code standards.</p>	<p>Is the conduct, practice, behaviour or activity the subject of another inquiry, investigation or proceedings? [Q.3(a)]</p> <p>Yes. Inquiries were made by the CGC. Youi has no open inquiries with the CGC at present.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to its culture or governance practices? [Q.3(b)]</p> <p>No.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to some broader Industry, culture or governance practice? [Q.3(c)]</p> <p>No.</p> <p>Does Youi consider the conduct, practice, behaviour or activity results from other practices? [Q.3(d)]</p> <p>No.</p> <p>What steps has Youi taken to remedy the consequences? [Q.3(e)(i)]</p> <p>When a CGC inquiry is received, Youi's Compliance department review the claim file and ascertain whether the Code has been complied with. In all instances the customer complaint is escalated to management to review and address.</p> <p>What steps has Youi taken to prevent recurrence? [Q.3(e)(ii)]</p> <p>These are isolated incidents involving human error. In each instance, employees involved received coaching and retraining.</p>

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12.	26 September 2017	<p>Nature</p> <p>Where customers request postage of policy documents or incorrect email addresses have been captured requiring the policy documents to be posted, Youi has at times failed to provide an FSG or PDS.</p> <p>Extent</p> <p>Following a compliance review of active policies in September 2017, Youi identified 15 instances where a policy schedule was posted to a customer, but where Youi's records did not confirm that a PDS was also posted within the prescribed timeframes.</p> <p>Effect</p> <p>Some customers may not have received a PDS and/or FSG in the required timeframes, however, both documents were available online at all times.</p>	<p>Is the conduct, practice, behaviour or activity the subject of another inquiry, investigation or proceedings? [Q.3(a)]</p> <p>No.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to its culture or governance practices? [Q.3(b)]</p> <p>No.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to some broader Industry, culture or governance practice? [Q.3(c)]</p> <p>No.</p> <p>Does Youi consider the conduct, practice, behaviour or activity results from other practices? [Q.3(d)]</p> <p>No.</p> <p>What steps has Youi taken to remedy the consequences? [Q.3(e)(i)]</p> <p>Youi has improved its controls in relation to the postage of documents. It is also currently investigating automation options with external parties.</p> <p>What steps has Youi taken to prevent recurrence? [Q.3(e)(ii)]</p> <p>See above.</p>

Annexure 2 – Conduct, practices, behaviour or business activity that may fall below community standards and expectations

No.	Date of occurrence	Nature, extent and effect	Other inquiries, culture and governance practices and steps to remedy and prevent misconduct
1.	January 2009	<p>Nature</p> <p>Youi customer services representatives were not responding to requests to delay payments or cancel policies in a timely manner.</p> <p>Extent</p> <p>A small number of customers were affected and incurred collective losses of \$265.00.</p> <p>Effect</p> <p>Some customers were charged bank dishonour fees due to the administrative delays.</p>	<p>Is the conduct, practice, behaviour or activity the subject of another inquiry, investigation or proceedings? [Q.3(a)]</p> <p>No.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to its culture or governance practices? [Q.3(b)]</p> <p>No.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to some broader Industry, culture or governance practice? [Q.3(c)]</p> <p>No.</p> <p>Does Youi consider the conduct, practice, behaviour or activity results from other practices? [Q.3(d)]</p> <p>No.</p> <p>What steps has Youi taken to remedy the consequences? [Q.3(e)(i)]</p> <p>Youi has reimbursed the affected customers the cost of their dishonour fees (a total of \$265.00).</p> <p>What steps has Youi taken to prevent recurrence? [Q.3(e)(ii)]</p> <p>Youi implemented an automatic validation process for cancellations and delay requests, among other administrative functions.</p>
2.	July 2011 to June 2012	<p>Nature</p> <p>Prior to the Victorian Fire Services Levy (FSL) being abolished in Victoria, insurers were required to pay a FSL to the fire authorities. There was no prescribed rate for</p>	<p>Is the conduct, practice, behaviour or activity the subject of another inquiry, investigation or proceedings? [Q.3(a)]</p> <p>Yes. The identified conduct was the subject of the Victorian FSL Monitor inquiry (Monitor) which dealt with around 70 general insurers in total. It is now finalised.</p>

No.	Date of occurrence	Nature, extent and effect	Other inquiries, culture and governance practices and steps to remedy and prevent misconduct
		<p>FSL and insurers were tasked with estimating, in advance, what their FSL charge would be by:</p> <ul style="list-style-type: none"> ▪ estimating what their Gross Written Premium (GWP) would be for the financial year; and ▪ estimating what market share that GWP would represent; and ▪ applying that against the fire authorities' estimate of costs for the financial year. <p>The Monitor was appointed following the decision to abolish FSL, and under Regulations it was decided that insurers would be required to:</p> <ul style="list-style-type: none"> ▪ submit a more detailed annual return to the Monitor noting the amount of FSL that it had collected; and ▪ refund any over-collection of FSL during the abolition period to customers. <p>Extent</p> <p>Youi over-collected \$639,387.86 in total on approximately 22,000 policies. However, in its collection of FSL and subsequent refunding, Youi complied with the legislation and regulations in place at the time.</p> <p>Effect</p> <p>Customers were refunded, on average, around \$30 per affected policy.</p>	<p>Does Youi attribute the conduct, practice, behaviour or activity to its culture or governance practices? [Q.3(b)]</p> <p>No.</p> <hr/> <p>Does Youi attribute the conduct, practice, behaviour or activity to some broader Industry, culture or governance practice? [Q.3(c)]</p> <p>Yes. Some 70 other general insurers were affected by the overcharging of the levy. The Insurance Council provided an industry response to the FSL Monitor on behalf of those insurers.</p> <hr/> <p>Does Youi consider the conduct, practice, behaviour or activity results from other practices? [Q.3(d)]</p> <p>Yes. See above.</p> <hr/> <p>What steps has Youi taken to remedy the consequences? [Q.3(e)(i)]</p> <ul style="list-style-type: none"> ▪ On 7 February 2014, Youi confirmed it would refund over-collections. ▪ Youi implemented a remediation plan which was approved by the Monitor. ▪ Pursuant to the Monitor's standard process for over-collection, Youi signed an Enforceable Undertaking to refund overpayments and to, at Youi's expense, deliver a report into the implementation of the remediation plan. ▪ Youi complied with the requirements of the remediation plan and all over-collections have been refunded. <hr/> <p>What steps has Youi taken to prevent recurrence? [Q.3(e)(ii)]</p> <p>This was an isolated incident. The insurance-based FSL in Victoria has now been replaced by a property and rates based FSL collected by local councils, following the recommendations of the 2009 Victorian Bushfires Royal Commission. That process had commenced at the time the breach was identified and remedied, and was implemented in July 2013.</p>

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3.	Early 2014	<p>Nature</p> <p>In negotiating demands with third parties for property damage claims, Youi would, in some circumstances, offer the third party the ability to repay by instalments with a charge for the administrative and interest costs of maintaining an instalment plan.</p> <p>Extent</p> <p>Youi determined that approximately 500 customers were potentially affected, with an average administrative and interest cost of \$40.00 per affected customer. The total amount eventually refunded was \$20,991.84.</p> <p>Effect</p> <p>Parties in third party demand instalment payment plans were charged an administrative fee and interest.</p>	<p>Is the conduct, practice, behaviour or activity the subject of another inquiry, investigation or proceedings? [Q.3(a)]</p> <p>Yes, following an individual customer complaint to FOS the broader issue was the subject of an ASIC inquiry which has been finalised. After engagement with Youi, no further steps were taken by ASIC. The FOS complaint was resolved to the customer's satisfaction.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to its culture or governance practices? [Q.3(b)]</p> <p>No.</p> <p>Does Youi attribute the conduct, practice, behaviour or activity to some broader Industry, culture or governance practice? [Q.3(c)]</p> <p>No.</p> <p>Does Youi consider the conduct, practice, behaviour or activity results from other practices? [Q.3(d)]</p> <p>No</p> <p>What steps has Youi taken to remedy the consequences? [Q.3(e)(i)]</p> <ul style="list-style-type: none"> ▪ Youi ceased charging interest and administrative costs on third party instalment plans. ▪ Youi altered existing instalment plans to ensure only the initial debt amount was paid by third parties. ▪ As a gesture of good faith, Youi refunded the third parties who were affected and amended ongoing instalment plans. <p>What steps has Youi taken to prevent recurrence? [Q.3(e)(ii)]</p> <p>Youi does not charge interest on third party instalment plans anymore.</p> <p>What steps has Youi taken to prevent recurrence? [Q.3(e)(ii)]</p> <p>See above.</p>