

Appendix A - Hollard and its relevant entities - Misconduct								
Item	Incidence	Period	Inquiry or investigation	Culture or governance issue for entity	Broader culture or governance issue	Is the incidence impacted by other practices (risk management/recruitment/remuneration)	Remedial action for customers	Remedial action to prevent recurrence
	Hollard and relevant entities other than PetSure (Australia) Pty Ltd							
1	<p>Pay As You Drive and Drive Less, Pay Less These are innovative products (introduced by Hollard as the first Australian "trust-based", pay as you go, motor insurance products), designed to offer savings where customers are willing to limit the number of kilometres they expect to drive in the forthcoming insurance period. The products operate by requiring, at time of purchase, that customers declare "up-front" their odometre reading and then purchase kilometres prospectively that they expect to use. Where the customer is within their declared odometre reading, and the expected kilometre target when making a claim, the customer is covered. These products won innovation awards in Australia. As commonly occurs with innovative products, experience and customer feedback (including complaints) showed areas where refinements to the products were required and/or desirable.</p> <p>Declining under-odometre claims Until June 2012, these products were sold through the call centre alone and the customer was requested to check and advise the odometre reading at the cover start date. This reduced the risk of a customer over-stating the odometre reading. From June 2012, when this product could be purchased online, it became apparent that customers were over-stating (deliberately or accidentally) the odometre reading. If they did this, and lodged a claim when the motor vehicle had an odometre reading which was less than the odometre reading disclosed when the product was purchased, the claim was denied.</p> <p>Over odometre Excess Until June 2012, if the claim occurred after the customer reached the expected kilometre target, the customer only received third party cover. Following revisions to the PDS in June 2012, the treatment of "over-odometre" claims changed to applying an additional excess of \$2,000 at claim time. Customers complained about the application of this excess, in particular where the excess could have been avoided if they had updated Hollard at the point when they reached their target kilometre cover limit.</p>	2008 to 2017	Internal Dispute Resolution (IDR) process and through External Dispute Resolution (EDR) process with Financial Ombudsman Service (FOS) following a FOS systemic investigation.	No.	No.	No.	We have identified and contacted the customers who were affected (18 declined claims and 254 application of excess claims) and are implementing remedial action.	Reviewed PDS and sales process to explain structure of the policy and how cover works. The Certificate of Insurance was also revised to show an end odometre reading and the maximum odometre cover limit.
2	<p>New car replacement "New car replacement" was a new product option offered to customers purchasing Hollard underwritten motor insurance policies sold under certain partner brands. This option allowed customers insuring a "new" vehicle (being a vehicle registered for the first time in the last 12 months) to have their vehicle replaced with a new vehicle if it had been insured with Hollard since new and was subject to a total loss claim in the first 24 months. Two issues emerged.</p> <p>1. It became apparent that the option was taken up by some customers who were ineligible to claim this benefit as they had not insured with Hollard since the vehicle was new. If the vehicle was not new, there was no system control to identify that the vehicle had not been insured by Hollard since new (and the customer was therefore paying for a benefit for which they could not claim).</p> <p>2. This benefit became part of the standard cover (no longer an option) from 2015. Some customers on renewal paid an additional cost as if it had continued as an option.</p>	2012 to 2015	Self diagnosed.	No.	No.	No.	We are identifying customers who have paid for a benefit they could not receive, or who have paid extra for an included benefit so we can refund the applicable premium.	"New car replacement" was changed from a product option to a standard product benefit. This removed the concern that a customer may not receive the benefit of the option. All customers entitled to receive the standard benefit will receive it at claim time. Product pricing was adjusted to cover the change in risk by reference to the age of the vehicle.
3	<p>Flood cover: Sub-limit Prior to the Queensland floods in 2011, Hollard issued policies of insurance to retail customers that offered flood cover only up to a sub-limit on the policy of \$15,000 or 25% of the sum insured, whichever was less. This cover was issued at a time when much of the industry did not offer flood cover at all. Initially Hollard provided capped cover to provide some flood cover, even though, at that time, Hollard could not adequately price the full risk. The PDS' disclosed the sub-limit, but this was not clear in some marketing material and FOS also determined that the sub-limit was given insufficient prominence in some PDS'.</p>	2008 - 2011	FOS investigation following customer complaints.	No.	Yes. Complaints occurred against a background of customer concern about the availability of flood cover across the industry.	No.	Where the FOS determination involved customer remediation, all relevant customers in the same situation (as the customer in the FOS determination in question) were identified and a consistent remediation approach was adopted.	For products which include flood cover, the sub-limits on flood cover have been removed.
4	<p>Victorian Fire Services Levy - Enforceable undertaking: Prior to its cancellation on 1 July 2013, Hollard collected Fire Services Levy (FSL) from Victorian customers as a component of its insurance premiums. The amount collected from customers was an estimate. This was because the FSL was determined with reference to information (such as the cost of providing the fire services and Hollard's market share (determined at the year end)) which was not known to Hollard at the time of collection. This was an industry-wide problem. The variability of the total industry amount to be collected, and the market share proportion to be met by Hollard, would necessarily mean that Hollard would either under or over-estimate the FSL component of the premium in any given year. In the year that the FSL was to end it emerged that Hollard, like many insurance companies, had over-estimated the levy component.</p>	1 July 2012 to 30 June 2013	Investigation undertaken by the FSL Monitor after the final year of FSL collection in Victoria.	No.	Yes. Industry wide.	No.	The amount overpaid by customers was either refunded or paid to certain approved consumer interest groups pursuant to an enforceable undertaking issued by the FSL monitor.	The Victorian FSL ceased 30 June 2013.
5	<p>FSL Monitor Victoria: Whilst an associated entity, an AFS licensee was subject to enforcement proceedings for contraventions of s26 and 31 of the FSL Act (Vic). FSL collections continued after the levy ceased.</p>	1 July 2013 to 31 May 2014	FSL Monitor commenced proceedings which were subsequently taken on by Director of Consumers Affairs Victoria in the Supreme Court.	No.	No.	No.	Refunds were made to all persons affected.	The Victorian FSL ceased 30 June 2013.

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6	Inappropriate avoidance of policies: Policies were avoided due to customer's breach of the duty of disclosure (DoD) where FOS determined that the DoD had not been correctly explained. Letters to customers notified that the policy had been cancelled when in fact the policy had been correctly voided in accordance with the Insurance Contracts Act 1984. In some cases this could imply that the cancellation was due to a fraudulent claim.	July 2008 to November 2009	FOS investigation.	No.	No.	No.	Where a policy was incorrectly avoided the policy was reinstated and the claim reopened. In the case of an incorrect letter the customer was sent a replacement letter.	The DoD notice was updated on call centre scripts and recordings. Training and feedback provided to business areas.
7	General Insurance Code of Practice (the Code) Breaches: Hollard became a signatory to the Code in August 2011 and has since that date implemented Code auditing practices across the business with a strong commitment to identifying points of non-compliance, as well as improving business processes and our responsiveness to customers. As a consequence of Hollard's proactive internal monitoring process a number of operational breaches of the Code have been identified. Key areas of the Code where Hollard has identified the most operational breaches are <i>Section 7.13: We will keep you informed about the progress of your claim at least every 20 business days.</i> <i>Section 7.16: Once we have all relevant information and have completed all enquiries, we will decide whether to accept or deny your claim and notify you of our decision within ten business days.</i> <i>Section 7.2: We will conduct claims handling in an honest, fair, transparent and timely manner, in accordance with this section.</i>	Since becoming a signatory to the Code in August 2011 to date	Ongoing internal Code compliance audits.	No.	There have been inconsistent Code monitoring protocols applied across the industry.	No.	Ongoing improvements to business processes. If a customer has suffered a financial detriment, it is remediated.	Continuous improvements to enhance Code compliance.
8	Policy Interpretation Queensland total losses: When determining whether a vehicle is a total loss, Hollard compares the cost of repairing against its agreed value. Where the cost of repairs exceeds the agreed value, Hollard determines the vehicle a total loss and proceeds accordingly, paying out amounts payable under the insurance contract. In Queensland, the legislation requires the repair cost be compared against the fair/ reasonable market value at the time of the loss. While under Hollard's normal process, it could have concluded that the vehicle was repairable (calculated the maximum repairs percentage against a higher agreed value) in some cases this could be inconsistent with Queensland legislation. Legal advice is currently being sought to ensure Hollard complies with legislation in Queensland (as well as all other States and Territories).	2008 to 2016	FOS systemic investigation.	No.	We understand this issue is under review by other key industry stakeholders in order to achieve a consistent national approach.	No.	Having regard for the outcome for customers, FOS did not recommend any remediation in respect of the 8 affected customers identified in Queensland.	If outcome of legal review is that Hollard has not met requirements of Queensland and any other legislation, procedures will be revised to ensure compliance.
9	Privacy: Other than in the following cases, issues of technical non-compliance were identified but did not involve any systemic issues or significant customer impacts. 1) The customer alleged that an unidentified person called to change information on the customer's policy, allegedly to improperly gain access to the customer's bank account. The caller's identity had not been sufficiently verified. 2) A divorcee updated her contact details and removed her former husband as joint policy holder. The updated policy was incorrectly emailed to the former husband, thereby disclosing her personal information and new address without consent. 3) A small number of customers had their policy documentation sent (electronic as well as normal mail) to an incorrect address due to human error. 4) A number of call centre agents neglected or omitted to do security checks with customers.	Varied (although most cited instances occurred from November 2015 to October 2017)	Internal compliance monitoring and/or customer complaints.	No.	No.	No.	Engagement with the customer and, in some cases, a letter of apology issued and/or financial settlement agreed.	Procedures reviewed and adjusted, and additional training given, where required.
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10	Cancellation fees and retention of premium instalments PetSure has collected cancellation fees where premiums are payable annually to cover administrative costs of policy cancellation and provide a part premium refund, but the cancellation fee was not disclosed in some, but not all, of the Product Disclosure Statements (PDS) when issued. For premiums paid periodically (fortnightly or monthly) the balance of the period for which the last instalment is paid is not refunded where cancellations occur during that period. As the system does not allow forward cancellations (ie cancellation at a date later than the date on which the notification is given), cover is not provided for the period for which the premium is paid. This process was disclosed in some, but not all, the PDS's when issued.	2012 to 2017	Cancellation fees and retention of premium errors (2017) were self diagnosed and self reported to ASIC.	No.	No.	No.	Where the cancellation fee was not disclosed in the applicable PDS, a process to refund the cancellation fee is scheduled to commence in March 2018 on the basis agreed with ASIC.	PDS disclosure, call centre scripts corrected and staff training conducted. PDS compliance process reviewed and upgraded to minimise risk of material mis-statements or omissions.
11	Incorrect prescribed time period given to customers in which to lodge a dispute with Financial Ombudsman Service (FOS): In 2013, FOS identified a systemic issue whereby 117 customers were provided with an incorrect template format concerning the prescribed time frame within which a dispute must be referred to FOS.	2013	FOS Systemic Investigation.	No.	No.	No.	Updated disclosure to properly reflect FOS timeframe.	Updated disclosure to properly reflect FOS timeframe.
12	New system implementation: In 2013, in implementing a new insurance administration platform, customers experienced delays in the assessment of their claims, or in implementing policy cancellation instructions. This was identified by FOS.	2013	FOS systemic issue.	No.	No.	No.	All the relevant customer transactions were corrected as soon as possible. Apart from the inconvenience associated with the delay, customers did not suffer any detriment.	Remedial work was expeditiously undertaken on the new administration platform.
13	Administration platform: The administration platform caused the automatic decline of a claim lodged after the applicable policy had been cancelled, even though the insured event which was the subject of the claim occurred prior to cancellation.	2017	Self diagnosed.	No.	No.	No.	All affected customers are being identified and, once identified, the affected claim will be processed in accordance with the policy terms.	System issue for cancelled policies still being addressed.

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14	<p>Insufficient disclosures on PDS' and websites: The information given in the PDS, and/or displayed on websites, did not sufficiently explain the following.</p> <p>1) The co-payment system (where the customer agrees to meet a percentage of the claimable amount). 2) Optional excesses (where the customer can agree to a nominated excess amount). 3) Vaccine - preventable diseases. 4) Banned breeds. 5) If there is an outstanding premium when a claim is paid, the outstanding premium can be deducted from the claim payment.</p>	2012 to 2013	FOS systemic investigation and ASIC engagement.	No.	No.	No.	Customers who could be affected were identified and remediation action taken consistent with the FOS determination.	PDS disclosure, call centre scripts corrected and staff training conducted. PDS Compliance process reviewed and upgraded to minimise risk of material mis-statements or omissions.
15	<p>Pre-authorisation of claims: For a small number of insured items (where the value of the claim is likely to be relatively significant), the customer is required to obtain pre-authorisation of a proposed claim. A fee was charged to process the pre-authorisation, but this fee was not disclosed in the PDS.</p>	2008 to 2015	Self diagnosed.	No.	No.	No.	All affected customers are being identified and, once identified, remedial action will be considered.	Charging a pre-authorisation fee ceased in 2015.
16	<p>Inconsistency between the Insurance Contracts Act and the Corporations Act in relation to the electronic provision of contractual documents: The Insurance Council of Australia (ICA) has identified that electronic disclosure relief provided under the Corporations Act is inconsistent with the Insurance Contracts Act (the latter of which requires express consent for electronic communications and disclosure documents).</p> <p>Policy documentation is sent to customers who have provided an email addresses even if express consent has not been obtained. Customer feedback, however, indicates that they would generally expect this form of communication.</p>	2008 to current pra	Self diagnosed.	No.	No.	Yes. Industry wide issue.	PetSure would prefer to provide documents and other communication in the manner that the customer prefers to receive it.	PetSure would prefer to provide documents and other communication in the manner that the customer prefers to receive it.