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14 March 2018

Russell Howden
 Managing Director
 Select AFSL Pty Limited
 Level 11, North Tower
 1-5 Railway Street
 Chatswood NSW 2067

By email: [REDACTED]

Dear Russell

Thank you for on-sending the letter from ASIC dated 2 February 2018 (**ASIC Letter**) and your response to that letter dated 23 February 2018 (**Select Response**).

St Andrew's has now considered the issues raised by ASIC in light of the distribution agreement between St Andrew's and Select AFSL Pty Ltd (**Select**) dated 1 January 2018 (**Distribution Agreement**).

Background

Customer outcomes are of the highest importance to St Andrew's and Select's sales conduct falls considerably below St Andrew's expectations, community expectations and (in our view) corporate standards imposed by applicable financial services laws.

St Andrew's strong position is that Select immediately cease the sales activities identified by ASIC, undertake all actions necessary to fully rectify the issues raised by ASIC and remediate affected customers fairly and in accordance with the guidance provided by ASIC.

In light of the concerns regarding sales practices and the significant changes in sales processes and practices proposed by Select, as you are aware St Andrew's conducted an on-site visit last week to understand and assess the compliance with, and effectiveness of, the changes implemented by Select. St Andrew's is currently collating and considering the results of this visit but expects the increased frequency of its monitoring and oversight to continue to ensure customer and community expectations with respect of Select's sales activities are met and maintained. We expect Select's full support and assistance in this respect including appropriate on-site access (as required). These measures are over and above the changes in St Andrew's monitoring and oversight introduced in recent months as set out in the current Distribution Agreement.

St Andrew's Insurance (Australia) Pty Ltd ABN 89 075 044 656
 St Andrew's Life Insurance Pty Ltd ABN 98 105 176 243
 St Andrew's Australia Services Pty Ltd ABN 75 097 464 616



More broadly, please note that St Andrew's is:

- Reserving its decision with respect to the future renewal or extension of the Distribution Agreement after 30 June 2018 in light of ASIC ongoing investigation and the significant work involved in customer remediation and rectification of Select's sales model and practices; and
- Considering whether the conduct of Select amounts to a breach of Applicable Laws (clauses 3.1 and 17.2) or harms St Andrew's or any of its Related Body Corporate's reputation (clause 5.3) and associated remedies in these events. St Andrew's reserves its legal rights in this respect and all available remedies under the Distribution Agreement and in law including the recovery of any damages / loss it may incur as a result of Select's actions.

Select Response dated 23 February 2018

We note that St Andrew's was provided with a copy of the Select Response after it had been sent to ASIC and was not provided an opportunity to review the information pertaining to St Andrew's.

St Andrew's objects strongly to the inaccurate and misleading statements made in relation to St Andrew's approving Select Scripts and the comment that Select *'took comfort from St Andrew's that our call quality was compliant and satisfactory.'*

On the contrary, St Andrew's established position has been that there have been issues with the quality of calls not being compliant nor satisfactory. Specifically, as early as late 2016, St Andrew's raised concerns with sales practices and call quality in relation to a spike in funeral insurance sales in selected postcodes with a high indigenous population and continued to raise concerns throughout 2017.

It is important to note that, as the distributor selling under its own AFSL, Select, as the licensee, is responsible for maintaining compliance (at a minimum) with all applicable financial services laws and regulations associated with the sale of financial products. The statements made suggest that this responsibility was shared with St Andrew's which is misleading and inaccurate and St Andrew's specifically reserves its rights in relation to these statements.

Select's Ongoing Engagement with ASIC

As outlined in Select's Response, we note that you wish to maintain a cooperative dialogue with ASIC through the process of addressing the concerns raised by ASIC. St Andrew's support this approach and expects to remain informed of all engagement with ASIC in a timely manner, whether Select's contact with ASIC is verbal or in writing.

We would generally expect that Select would inform St Andrew's on the nature and specific details of any engagement with ASIC at least one business day after such engagement. To this end, we would request that you provide updates to either Patrick Moore or myself.

Furthermore, in light of the inaccuracies noted in the Select's Response regarding St Andrew's, we require that all representation or statements (verbal or written) made to ASIC that are attributed to St Andrew's and/or BOQ are discussed and pre-approved by St Andrew's.

Remediation Estimate

We note the proposed revised scope of Select's remediation program as set out in the Select Response (based on the parameters defined by Select), specifically the revised estimate of the number of affected customers and the cost of the remediation (~8,500 and ~\$1.3m respectively) in respect of customers that have already cancelled and/or allowed their insurance policy to lapse up to 22 February 2018.

To assist St Andrew's to understand and verify the estimate, we request that Select provide St Andrew's with the following information:

- A full list of the post codes with an Indigenous population in excess of 15% used to classify post codes;
- Policy-level information of the customers that fall within the revised scope of the remediation as set out in Appendix B of the Select Response including the components of the estimate (e.g. premium refund, bank fees incurred and interest cost); and
- Select's proposal as to the basis of funding the remediation cost estimate.

We would request that this information be made available as soon as practicable and that Select keep us apprised of any ongoing dialogue with ASIC as to the scope and nature of the remediation programme.

We would also appreciate an update on the current status of the independent review.

St Andrew's Engagement with ASIC

St Andrew's has verbally engaged with ASIC acknowledging the receipt of the ASIC Letter. We specifically advised ASIC that we had not received the Select Response prior to its submission and that the references to St Andrew's were misleading and inaccurate. St Andrew's shared with ASIC that St Andrew's had met with Select to understand the proposed scope of their remediation program, the priorities and approach to address the concerns raised in the letter.

St Andrew's stressed that they viewed the concerns raised by ASIC as serious and would be taking the necessary steps to ensure that customer remediation was appropriate and that current practices are addressed.

Munich Re

As discussed in our recent meetings, Munich Re is a key business partner both of St Andrew's and Select and has a significant reputational and commercial interest in the Let's Insure brand and associated products.

Accordingly, we believe it is critical that Munich Re are informed of the concerns raised by ASIC in relation to Select's licenced sales activities in a timely manner. Whilst it is Select's right as to when it informs Munich Re of the latest developments, as Select has now submitted its response to ASIC, we request that Munich Re be informed as a priority. Please confirm to us that this has been actioned.

Voluntary Disclosure to Royal Commission

On 19 February 2018, BOQ formally requested Select's consent to make a voluntary disclosure to the Royal Commission on the issues outlined in the ASIC Letter, as well as the issues relating to Select's distribution of St Andrew's funeral insurance. On 21 February 2018, you responded and advised that Select would not be providing its consent to this disclosure.

BOQ is disappointed with this response. As we outlined, it is highly likely that the Commission has received, or will receive, information on both matters from ASIC and will be aware of our relationship. We therefore view voluntary disclosure as a gesture of co-operation with the Commission, and one that signals our willingness to be open and transparent in respect of matters that may fall within the Commission's terms of reference. The Commissioner has publicly confirmed that notices to produce have been issued, and will continue to be issued. If the Commissioner becomes aware of the matters relating to Select's distribution of St Andrew's funeral insurance and life insurance policies, he may be minded to issue BOQ with a notice to produce materials relating to these issues. At this point, BOQ will have no option but to produce the material requested by the notice, irrespective of your position on consent. We therefore ask that you reconsider your position and provide Select's consent to disclose these issues.

Finally, please note that a copy of this letter will be provided to ASIC.

Yours sincerely



Matthew Way
Chief Executive Officer
St Andrew's Insurance

cc: Anthony Rose
Patrick Moore