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4 April 2018

By email: [REDACTED]@standrews.com.au

Mr Matthew Way  
 Chief Executive Officer  
 St Andrews Insurance  
 P O Box 7395  
 CLOISTERS SQUARE WA 6850

cc: Anthony Rose and Patrick Moore

Dear Matthew

This letter is in response to your letter of 14 March 2018. As discussed with you, Select disagrees with the matters raised in your letter of 14 March 2018 and is disappointed that St Andrews has chosen to ventilate these issues in correspondence and to copy the same to the Australian Securities & Investment Commission (**ASIC**), without first discussing the matters in detail with us.

Select has no option now but to set out in detail its response to the serious allegations made in your letter. In doing so, Select has had regard not only to the rights and obligations of the parties under the Distribution Agreement between St Andrews and Select dated 1 January 2018 (**Distribution Agreement**) but also to the background and history of the matter.

### **Background**

Attached to this letter ("Annexure A") is a chronology of some of the events which have occurred since commencement of our relationship in April 2013 to January 2018 as I believe it is important that a fulsome and accurate description of the relationship, and St Andrews' role in approving scripts and reviewing call quality is provided.

Like St Andrews, customer outcomes are of the highest importance to Select and Select has at all times worked hard to ensure that its conduct and that of the agents it employs not just meets but exceeds community expectations, as well as complying with the law.

Under the heading "Background" in your letter, a number of bald assertions have been made in relation to Select's sales conduct without any examples to support such broad criticisms. If one looks at the chronology, this is clearly at odds with St Andrews' comments to Select.

It is also surprising that St Andrews would feign surprise regarding Select's sales practices given the intimate involvement of St Andrews in relation not only to overseeing the same but in determining how Select would conduct its business. Select notes that St Andrews has both increased the frequency of its monitoring and oversight and is willing to provide appropriate access for the conduct of the same.

### **Engagement with ASIC**

Select considers that it has at all times informed St Andrews appropriately of its engagement with ASIC. This is to be contrasted with St Andrews' conduct, which has in most instances not been

discussed with Select in advance and where correspondence is copied to ASIC, Select has not been provided with an opportunity to comment before the correspondence has been sent. Your letter of 14 March 2018 is a prime example.

Select is very concerned that St Andrews would write to us, copying the letter to ASIC, making allegations in relation to breach of applicable laws, harm to St Andrews' reputation and reserving rights in relation to available remedies etc. Select would have expected that such comments would have been made first to Select and Select given an opportunity to respond before involving ASIC.

Select believes that St Andrews' engagement with ASIC in this manner is calculated to colour ASIC's view of Select and to put St Andrews' conduct in a light which the detailed chronology attached to this letter does not bear out.

It is particularly egregious that St Andrews would write to ASIC stating that references in Select's correspondence to St Andrews were misleading and inaccurate without giving Select details of the specific references to which reference is made. Put simply, Select cannot respond appropriately unless it has visibility to the matters which St Andrews is raising. Such conduct is not in accordance with the implied duty of good faith and the express duty in "not to wilfully act in a manner which is reasonably likely to damage the good name and reputation of the other party" which exists in the distribution agreement between Select and St Andrews.

St Andrews' demands in relation to informing St Andrews of the nature and specific details of any engagement with ASIC can be overcome by agreeing a protocol in which a representative of St Andrews will be present during any such engagement and a representative of Select will be present during any engagement between St Andrews and ASIC regarding Select's conduct.

It is not, however, appropriate for us to have comments pre-approved by St Andrews in relation to matters which are clearly a matter of record relating to the conduct of St Andrews.

#### **Select response dated 23 February 2018**

St Andrews complains that it was not provided an opportunity to review information pertaining to St Andrews prior to Select's response being provided to ASIC on 23 February 2018. Select finds this particularly surprising given that at no stage has St Andrews ever provided it with an opportunity to review information which St Andrews has provided to ASIC.

We are also very concerned that St Andrews would write, in a letter which has been carefully crafted to convey a message to ASIC, that it objects strongly to the "inaccurate and misleading statements made in relation to St Andrews' approving Select's scripts and the comments that Select "took comfort from St Andrews that our call quality was compliant and satisfactory".

When one reviews the chronology in Annexure A which is attached to this letter, it is clear that St Andrews played an ongoing role in reviewing and approving Select's scripts. Select received positive feedback at the end of each audit carried out by St Andrews or Munich Re, for example "I continue to be impressed by the high quality of Let's Insure/BlueInc's managers, systems and processes". In addition we received numerous congratulations from yourself and senior managers regarding our performance and the strength of the relationship.

Furthermore, as recent as the 1 December 2017 Samantha Carroll of BOQ and Patrick Moore of St Andrews, conducted an onsite visit to Select to conduct a compliance review *"for the purpose of assessing the overall compliance culture and the effectiveness and embeddedness of key compliance controls..."* and *"to particularly focus on the lead generation and sales performed by Select"*.

The full scope of the visit (which is set out in full in Annexure A) included "reviewing documents and evidence of compliance with relevant procedures; interviews with key personnel (MD, CRO, Compliance Manager, Head of Marketing, QA staff, sales personnel, retention staff), listening to random sales calls (advised on arrival); and listening to live retention calls.

There were no items in the Action Plan (provided to Select on the 17 January 2018 and included in Annexure A) regarding sales conduct or the culture of the business.

It is therefore not misleading for Select to state that it took comfort from St Andrews that its call quality was compliant and satisfactory – that is in fact the truth and Select has taken that comfort.

### **Remediation Estimate**

Select is happy to provide the information requested by St Andrews as soon as its remediation program is agreed with ASIC.

We are furthermore happy to keep St Andrews “apprised of any ongoing dialogue with ASIC as to the nature of the remediation programme” provided St Andrews commits to Select to do the same.

### **Munich Re**

Select notes the comments made in relation to Munich Re and, as discussed, has already had discussions with Munich Re in relation to the same.

### **Voluntary disclosure to the Royal Commission**

As previously advised, should the correspondence between St Andrews and ASIC become a relevant matter for the Royal Commission and should Select be requested to provide such documents to the Royal Commission, it will do so.

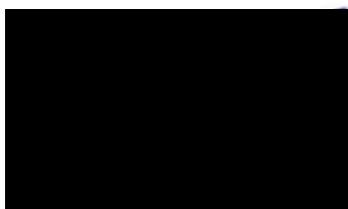
We reiterate our earlier statement on the 21 February in our response email to Kerensa Sneyd of BOQ (please refer to Annexure “B” for a full transcript)

“In particular, we do not consider there to have been any misconduct or falling short of community standards or expectations arising out of any matter which would bring it within the scope of the Banking Royal Commission.”

The fact that St Andrews has chosen to comment about this matter in a letter which is copied to ASIC once again raises Select's concerns regarding the real motives behind St Andrews' letter of 14 March 2018.

A copy of this letter will be provided to ASIC.

Yours sincerely



Russell Howden  
Managing Director

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Annexure A

Annexure B