

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION ACT
1989

Undertaking to the Australian Securities and Investments Commission
given for the purposes of section 93AA

by

Lowndes Lambert Australia Pty Ltd
ACN 002 822 148

1. Background

- 1.1 For some years, Lowndes Lambert Victoria ("Lowndes Lambert"), a division of Lowndes Lambert Australia Pty Ltd ("Lowndes Lambert") has promoted and sold insurance to Licensed Post Offices ("LPO"s).
- 1.2 It is a compulsory condition of licenses being granted or renewed by Australia Post that LPOs carry personal accident and public liability insurance which is to be taken out by LPOs by the first day in July of each year, providing cover for the following 12 months.
- 1.3 Lowndes Lambert is one of three competing companies offering insurance products acceptable to Australia Post for the purposes of LPO compulsory insurance. The Lowndes Lambert insurance product promoted and sold to LPOs is known as the Licensed Post Office Personal Accident and Public Liability Insurance Policy ("the Policy").
- 1.4 In early May 1999 Lowndes Lambert sent letters to all LPOs in Australia promoting the Policy ("the promotion").
- 1.5 The promotion comprised a letter making a series of claims about the advantages of the Policy; a draft version of the Policy insurance certificate, to which a remittance slip was attached; and a pre-paid envelope addressed to Lowndes Lambert. The annual premium for the Policy was stated to be \$150.00.

1.6 In late May the Australian Securities and Investments Commission ("ASIC") received a complaint making a number of allegations against Lowndes Lambert in regard to the promotion.

1.7 After investigation of the allegations against Lowndes Lambert, ASIC came to the view that the aspects of the promotion outlined at subparagraphs (a), and (b) below, breached section 12DA of the Australian Securities and Investments Commission Act 1989 ("ASIC Act"), in that they involved conduct, by a corporation, in trade or commerce, in relation to financial services, that was misleading or deceptive or likely to mislead or deceive.

(a) The promotion represents that the Policy is underwritten by two underwriters, Royal & Sun Alliance Insurance Australia Limited ("R & S"), and Accident & Health International ("Accident"). ASIC's investigations indicated that Accident & Health International is not an underwriter, but an underwriting agency acting exclusively for the Gerling Group of underwriting companies.

Lowndes Lambert has acknowledged that Accident is an underwriting agency, rather than an underwriter.

(b) The promotion represents that the underwriters for the Policy hold AAA ratings whereas both R & S and Gerling hold AA-ratings.

Lowndes Lambert has acknowledged that R & S and Gerling hold AA- ratings.

1.8 ASIC was also concerned that an overall impression created by the promotion was likely to mislead some LPOs into the erroneous impression that the Policy was the only insurance cover which would satisfy the requirements of Australia Post.

2. Undertakings

Lowndes Lambert Australia Pty Ltd undertakes for the purposes of section 93AA of the ASIC Act that:

- 2.1 It will not, from the date that this undertaking is accepted by ASIC, represent that any company is an underwriter when it is not an underwriter.
- 2.2 It will not, from the date that this undertaking is accepted by ASIC, represent that any company has a current rating from an independent ratings agency, which that company does not have.
- 2.3 It will, no later than 7 days after the date of acceptance of this undertaking by ASIC, send, by either Priority Post or by facsimile delivery, a notice to those licensed post office operators who took out compulsory insurance cover through Lowndes Lambert, a notice in the form of Attachment A to this undertaking
- 2.4 It will, effective from the time of notification by operators of LPOs who, within 42 days from the date that this undertaking is accepted by ASIC, write to Lowndes Lambert advising that they took out insurance through Lowndes Lambert on the basis of any erroneous understanding about the cover being offered, cancel all insurance under the Policy.
- 2.5 It will, within 7 days of receiving from an LPO the advice referred to in clause 3, cancel that LPO's insurance under the Policy and post a cheque

to that LPO in refund of the unused portion of premiums paid in advance to Lowndes Lambert, calculated on a pro-rata basis.

2.6 It will, within 60 days of the acceptance of this undertaking by ASIC, prepare and submit for consideration by ASIC, a written analysis and explanation of a compliance program ("the compliance program") designed to address Lowndes Lambert's obligations under the ASIC Act, relevant Australian insurance legislation and the General Insurance Code of Conduct ("the Code"), confirming or demonstrating that the compliance program has the following characteristics or objectives:

(a) *Aim*

To create a culture of compliance Lowndes Lambert, and to prevent so far as is reasonable possible, any contraventions of relevant legislation or the Code, by its directors, employees or agents;

(b) *Policy*

The formal adoption by the Board of Directors of Lowndes Lambert, of a policy of strict compliance with both the letter and spirit of relevant legislation and the Code within Lowndes Lambert;

(c) *Compliance Infrastructure*

The appointment of a senior manager or in-house lawyer as Lowndes Lambert Compliance Officer, with responsibility for the implementation of the Compliance Program;

(d) *Coverage*

The Compliance program is to cover all directors, employees and agents of Lowndes Lambert whose duties could result in

them being in conduct that might breach either relevant legislation or the Code;

(e) *Education*

Develop and implement, or reconfirm, an education program with the purpose of having relevant staff conversant with relevant legislation, to a level where general staff can avoid obvious contraventions and can identify more complex potential problems (especially with regard to the ASIC Act) for referral to appropriate persons in the Lowndes Lambert compliance infrastructure.

- 2.7 It will implement agreed revisions to the compliance Program within 30 days of ASIC notifying Lowndes Lambert that the Compliance Program is otherwise acceptable.

3. Acknowledgments

Lowndes Lambert acknowledges that ASIC:

- 3.1 May from time to time publicly refer to this undertaking;
- 3.2 May issue a media release on execution of this undertaking referring to its terms and the concerns of ASIC which led to its execution;
- 3.3 Will place a copy of the executed undertaking on a Public Register;

Further, Lowndes Lambert acknowledges that:

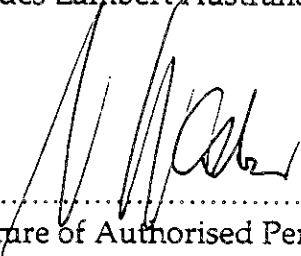
- 3.4 This undertaking cannot be understood to represent that ASIC approves of aspects of the Policy, or its promotion by Lowndes Lambert, which have are not subject of this undertaking;

3.5 This undertaking in no way derogates from the rights and remedies available to any other person arising from any conduct described in this undertaking;

3.6 This undertaking has no operative force until accepted by ASIC.

EXECUTED on the 14th day of September 1999

Signed for and on behalf of
Lowndes Lambert Australia Pty Ltd (ACN 002 822 148)


.....
Signature of Authorised Person

.....
Signature of Authorised Person

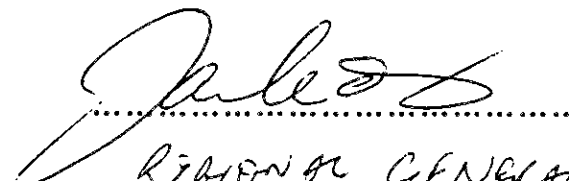
NOEL WESTON
.....
Office held
DIRECTOR

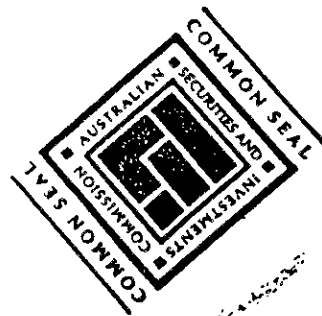
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Office held

Name of Authorised Person
(block letters)

Name of Authorised Person
(block letters)

ACCEPTED BY THE AUSTRALIAN SECURITIES AND INVESTMENTS
COMMISSION PURSUANT TO ASIC ACT S.93AA BY ITS DULY
AUTHORISED DELEGATE:


.....
REGIONAL GENERAL COUNSELLOR
Office held
JAN REDFERN
.....
Name of Delegate



"Attachment A"

NOTICE

TO ALL LICENSED POST OFFICE OPERATORS WHO HAVE PLACED INSURANCE THROUGH LOWNDES LAMBERT AUSTRALIA PTY LTD

1. In late May the Australian Securities and Investments Commission ("ASIC") received a complaint making a number of allegations against Lowndes Lambert in regard to certain representations made by it concerning its insurance broking services.
2. After investigation of the allegations against Lowndes Lambert, ASIC came to the view that the aspects of the promotion outlined at sub-paragraphs (a) and (b) below breached section 12DA of the *Australian Securities and Investments Commission Act 1989* ("ASIC Act"), in that they involved conduct, by a corporation, in trade or commerce, in relation to financial services, that was misleading or deceptive or likely to mislead or deceive.

The matters ASIC were concerned about were:

- (a) The promotion represented that the Policy is underwritten by two underwriters, Royal & Sun Alliance Insurance Australia Limited ("R&S"), and Accident & Health International ("Accident"). ASIC's investigations indicated that Accident is not an underwriter, but an underwriting agency acting exclusively for the Gerling Group ("Gerling") of underwriting companies.

Lowndes Lambert now acknowledges that Accident is an underwriting agency, rather than an underwriter.

- (b) The promotion represents that the underwriters for the Policy hold AAA ratings whereas R&S has been given a rating of AA-, and Gerling's German parent company has been given a Standard & Poors rating of AA-.

Lowndes Lambert now acknowledges that R&S holds a AA- rating and that Gerling has a Standard & Poors rating of AA-.

3. ASIC was also concerned that an overall impression created by the promotion was likely to mislead some LPOs into the erroneous impression that the Policy was the only insurance cover which would satisfy the requirements of Australia Post. Lowndes Lambert denies any such misleading impression was intended by it.
4. At no time did Lowndes Lambert intend in any way to mislead licensed post office operators as to the nature and type of their insurance cover and believes it has always acted in the best interests of operators to obtain the best insurance possible.

If you took insurance with Lowndes Lambert because of any representations which concerned ASIC, Lowndes Lambert is prepared to cancel your insurance and refund the premium owed, calculated on a prorata basis. If it is intended to do this, please forward written notice to Mr N Weston, Managing Director, Lowndes Lambert Victoria, 31 Queen Street, Melbourne, 3000, so as to arrive on or before 25 October 1999.