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**UNDERTAKING TO THE
AUSTRALIAN SECURITIES AND
INVESTMENT COMMISSION**

**GIVEN FOR THE PURPOSES OF
SECTION 93AA OF THE
AUSTRALIAN SECURITIES AND
INVESTMENT COMMISSION
ACT 1989**

**by GIO General Limited
ABN 22 002 861 583**

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION ACT 1989

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

The commitments in this Undertaking are offered to the Australian Securities & Investments Commission ("ASIC") by:

GIO General Limited ABN 22 002 861 583

1. BACKGROUND

- 1.1 GIO General Limited ABN 22 002 861 583 (GIO) carries on business throughout Australia as an insurer including providing business insurance.
- 1.2 On 1 April 1998, the Australian Competition and Consumer Commission (ACCC) accepted an Undertaking from GIO pursuant to s.87B of the *Trade Practices Act 1974* (ACCC Undertaking). The ACCC Undertaking was given as a result of representations by GIO in relation to benefits offered with its comprehensive motor vehicle insurance policies and included an obligation to conduct an independent audit of its compliance program (which was undertaken by Deloitte Touche Tohmatsu in January 2000).
- 1.3 The Australian Securities and Investment Commission (ASIC) is now responsible for regulating providers of financial services, including GIO, in respect of certain matters, and the ACCC has agreed that any ongoing obligations arising out of the ACCC Undertaking should be varied by the ACCC and incorporated into this Undertaking.
- 1.4 During the period August 1999 to March 2000, GIO placed advertising in a campaign relating to its Business Insurance products. An additional advertisement relating to this campaign was placed by a third party in error in a regional newsletter, in July 2000, despite instructions from GIO not to place this version of the advertisement. Business Insurance products means the following GIO products purchased by small business customers – Business Cover package, Country Cover

package, Special Indemnity package, and other insurance policies covering cargo, construction risks, electronic equipment, fidelity bonds, industrial special risks, personal accident and illness, multi-person accident and illness, public liability, Queensland electricians warranty and motor vehicle fleet.

- 1.5 In that campaign, GIO published in the Yellow pages, and promoted through Sydney press and radio outlets a series of advertisements which featured representations about dealing directly with GIO Business Insurance sale representatives who are employees and not intermediaries. Part of GIO's website made similar references. Part of the representations in the advertising was that no broker or middleman commissions were involved in the sale of its Business Insurance products. Some of the advertisements represented that no commissions were payable as a result of the sale of these policies, and in one instance it was represented that all the money paid by the consumer went towards insuring their business.
- 1.6 GIO directly employs sales representatives to sell Business Insurance products to small businesses. In this Undertaking, Direct Distribution Channel means the division within GIO that provides Business Insurance products to small business through directly employed sales representatives.
- 1.7 GIO's Direct Distribution Channel sales representatives are remunerated by way of a package of salary and other benefits. The representative can, and does also earn performance based payments, including commissions on sales of GIO Business Insurance products when they achieve a sales performance above a certain level.
- 1.8 ASIC raised concerns with GIO about:
 - (a) the representations concerning commissions which were published by GIO in this advertising campaign; and
 - (b) the adequacy of GIO's systems, particularly for reviewing advertisements, documents and information for compliance with the law prior to such material being released to the public.

- 1.9 ASIC sought information and documents from GIO using its powers under the *Australian Securities and Investment Commission Act 1989* (the Act). GIO cooperated with ASIC during the investigation.
- 1.10 ASIC considers the advertisements referred to in clauses 1.4 and 1.5 to be misleading or deceptive or likely to mislead or deceive in breach of section 12DA of the Australian Securities & Investments Commission Act ("the Act") in that customers may conclude that GIO Business Insurance sales representatives do not receive commissions or commission like payments.
- 1.11 GIO acknowledges ASIC's concerns set out in this Undertaking in relation to the conduct set out in clauses 1.4 and 1.5 and offers this Undertaking in relation to those concerns.
- 1.12 GIO and ASIC have agreed to resolve this matter by GIO giving and ASIC accepting the Undertaking in the terms and conditions herein, as an alternative to ASIC commencing court action.
- 1.13 In accepting this Undertaking, ASIC has had regard to the fact that the amount of commission paid in respect of overall premiums received would be small, and unlikely to affect the price of Business Insurance policies.

2. UNDERTAKINGS

GIO undertakes, until 1 April 2003, the following for the purposes of section s.93AA of the Act:

Disclosure and Corrective Action

- 2.1 GIO will, on or by 7 February 2001, send a letter to each person who is a customer of GIO's Direct Distribution Channel at the commencement date. The substance of the letter will be in the form of the text at Attachment A.
- 2.2 GIO will, for 12 months from the date of completing the mail-out referred to in Clause 2.1 and where requested by a customer who receives the letter referred to in Clause 2.1, cancel their Business

Insurance policy, and will, within 14 days of receiving such a request, refund any premium for the remaining period of the policy.

- 2.3 GIO will, on or by 10 January 2001, for a period of 12 months, cause Direct Distribution Channel sales staff, including any call centre staff, customer service staff, and sales representatives, to give the substance of the text at Attachment B to customers who contact GIO expressing an interest in purchasing a Business Insurance product.
- 2.4 GIO will not make representations to the effect that no commissions are paid to its Direct Distribution Channel sales representatives in respect of its Business Insurance products without ensuring that any representations are appropriately qualified or explained, so that it does not mislead customers or create a misleading impression.
- 2.5 GIO will take all reasonable steps to ensure that persons employed by GIO in the Direct Distribution Channel and whose responsibilities include the preparation or placement of advertising for Business Insurance products or whose responsibilities include making representations to customers about Business Insurance products, are aware of GIO's obligations under these undertakings.
- 2.6 GIO will by 31 January 2001 engage an external independent consultant, whose appointment and terms of reference are to be approved by ASIC, to review, assess, make recommendations and report in writing to both GIO and ASIC on or by 14 April 2001 and 31 January 2002 in relation to GIO's implementation of the undertakings in clauses 2.1 to 2.5.
- 2.7 GIO will implement, and will agree with ASIC a timetable to implement, any recommendations of the independent reports of 14 April 2001 and 31 January 2002 referred to in paragraph 2.6 above.
- 2.8 GIO will cause an internal review to be undertaken and report to be prepared by AMP Risk Management, or such other internal department as agreed with ASIC, in relation to the circumstances of the publication of the Business Insurance advertisements referred to in clauses 1.4 and 1.5 and will provide such report to the New South Wales Director, DISC, of ASIC, by 31 March 2001.

2.9 GIO will comply with the following obligations in the ACCC Undertaking referred to in paragraph 1.2 above:

- (a) GIO will not make representations in GIO brochures or policy or proposal documents that benefits offered with insurance are available after they have been withdrawn,
- (b) GIO will not make representations on its Internet site at <http://www.gio.com.au> (or any other Internet site maintained by or on behalf of GIO and which relates to the business conducted by GIO) that benefits offered with insurance are available after they have been withdrawn, and
- (c) For the period to 1 April 2001, where a material condition or exclusion is attached to a benefit available under an insurance policy with GIO, the condition or exclusion will be disclosed. Such disclosure is to be clear, explicit, legible, stated in plain English, and clearly linked to the benefit it qualifies. This applies to benefits represented as available in any brochures, policy and proposal documents, internet material or promotional letters prepared or distributed by GIO by the public.

The words used in this paragraph are defined according to the definitions used in the ACCC Undertaking.

Compliance and Training Programs

- 2.10 GIO will implement, and will agree with ASIC a timetable to implement, the recommendations in the independent audit report by Deloitte Touche Tohmatsu of January 2000, referred to in clause 1.2.
- 2.11 GIO must maintain a trade practices compliance program incorporating ongoing training to its staff as to compliance with consumer protection legislation, including Part 2 of the Act. The program must comply with Australian Standard 3806-1998 (Compliance Programs).
- 2.12 GIO will engage an external independent consultant by 31 July 2001, whose appointment and terms of reference are to be approved by ASIC, to review, assess, make recommendations and report in writing, on or

by 31 October 2001, to both GIO and ASIC on GIO's trade practices compliance program referred to in 2.11 (the Program).

2.13 The review referred to in clause 2.12 must include consideration of the following matters:

- (a) compliance of the Program with the Australian Standard 3806-1998,
- (b) effectiveness of the Program;
- (c) any deficiencies in the Program and the related remedial steps to be taken,
- (d) the additions or alterations which may be needed to improve the Program or maintain their efficacy, and
- (e) compliance with paragraph 2.9.

2.14 GIO will implement, and will agree with ASIC a timetable to implement, all recommendations from the consultant arising from the review referred to in 2.12. Within fourteen days of the last date in the timetable agreed with ASIC, GIO will provide written verification of the steps taken to implement the recommendations to ASIC.

2.15 Where ASIC has reason to believe that GIO has failed to comply with this Undertaking, ASIC may request in writing that GIO provide ASIC with access to its books in so far as they relate to this Undertaking, so as to enable ASIC to determine whether or not GIO has complied with this Undertaking and GIO will comply with such request.

3. ACKNOWLEDGMENT

3.1 GIO acknowledges that ASIC:

- (a) May from time to time publicly refer to this Undertaking;
- (b) May issue a media release on execution of this Undertaking referring to its terms and the concerns of ASIC which led to its

execution; and

(c) Will place a copy of the executed Undertaking on a Public Register;

3.2 Further, GIO acknowledges that:

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

(b) This Undertaking has no operative force until executed by ASIC.

3.3 GIO and ASIC acknowledge that if substantial changes are made to the existing law by the Financial Services Reform Bill, or other relevant legislation such that there is an obligation upon GIO with respect to disclosure of commissions that is inconsistent with, or more onerous than, this Undertaking, then that legislation will take precedence over the Undertakings in clauses 2.3 and 2.4.

EXECUTED on the 13th day of December 2000

The Common Seal of GIO General Limited (ABN 22 002 861 583) was duly affixed to the undertaking in the presence of:

GIO GENERAL LIMITED AEN: 22 002 861 583. The undersigned Attorneys (who have not received notice of the revocation of the Power of Attorney Registered No. Book under the authority of which this instrument has been signed in Sydney this 13th day of December 2000.

[Signature]

 Witness to above signature

[Signature]

 Witness to above signature

Signature of Authorised Person

Signature of Authorised Person

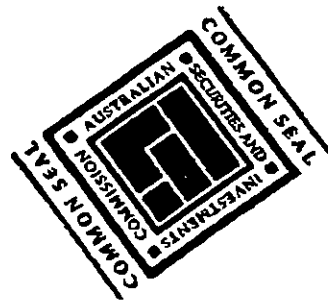
Office held

Office held

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

[Signature]

 Delegates Name: *Tan Redfern*
 Delegates Title: *Non General Counsel*



ATTACHMENT A

IMPORTANT NOTICE OF CORRECTION

Dear Customer

During the period August 1999 to March 2000, GIO placed advertising in a campaign in the Yellow pages and through Sydney press and radio outlets, to promote its small business insurance products. Part of GIO's website also made similar references. Those products are Business Cover package, Country Cover package, Special Indemnity package, and other insurance policies covering cargo, construction risks, electronic equipment, fidelity bonds, industrial special risks, personal accident and illness, multi-person accident and illness, public liability, Queensland electricians warranty and motor vehicle fleet.

The advertising campaign emphasised that there were no broker fees or commissions to pay.

The Australian Securities and Investments Commission (ASIC) has alerted us to the view that some of the GIO advertisements relating to business insurance products may imply that GIO does not pay commissions or commission like payments to its business insurance sales staff.

We are sending you this letter to make sure you are aware of the true position as to whether our sales staff are paid commission. As such, GIO would like to advise you that while its business insurance staff are predominantly remunerated by way of salary and other benefits, they can and do receive performance based payments, including commissions on sales of GIO business insurance products where they achieve a sales performance above a certain level.

GIO wishes to apologise to any of its customers who may have been misled in that they were not made aware that GIO's business insurance sales staff can receive commissions for the sale of insurance.

If, after receiving this notice you do not wish to continue your business insurance policy please contact [name] on [phone number and or email]. We will arrange for your policy to be cancelled. Upon cancellation you will cease to be covered and will be refunded the proportion of your premium paid which is attributable to the unexpired period of the cover.

Yours sincerely

Sue Hutchinson
General Manager, Sales and Service Direct

ATTACHMENT B

Call Centre and Sales Support staff to say, on transferring a call to a representative:

I'll put you on to an employed representative who may receive performance based remuneration including commissions on sales of products.

Sales Representative to say during any call or contact:

I'm an employed representative who may receive performance based remuneration including commissions on sales of products.