



**ENFORCEABLE UNDERTAKING
AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION
AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION ACT**

SECTION 93AA

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

Tower Life Australia Limited (ABN 70 050 109 450)
80 Alfred Street
SYDNEY NSW 2000

1. BACKGROUND

1.1 InsuranceLine Pty Limited ("InsuranceLine"), formerly known as Australian InsuranceLine Pty Limited, is an agent of Tower Life Australia Limited ("Tower") and markets, on behalf of Tower, a product known as the Funeral Plan.

1.2 The Funeral Plan is a term insurance product that provides a lump sum benefit of up to \$10,000 if a life insured dies. There are two main exclusions under the terms of the Funeral Plan. Death from causes other than accidental death during the first 12 months of the policy and death from suicide during the first 13 months of the policy are excluded ("the Exclusions").

1.3 InsuranceLine promotes the Funeral Plan through a number of mediums including television, print media and radio.

1.4 Between February 1999 and October 2000 InsuranceLine published or caused to be published certain print advertisements that included representations to the following effect,

"..GUARANTEED ACCEPTANCE – NO STRINGS ATTACHED: When we say "no strings attached", we mean it – no medicals, no blood tests, no fine print, no exceptions. Just take out your policy before your 70th birthday and you're guaranteed complete cover, for life.."

1.5 Tower asserts that this wording was intended to indicate that cover would be granted under the terms of the policy regardless of the intended insured's health and that cover would continue "for life" provided premiums were paid.

1.6 On or about 28 August 2000, ASIC advised InsuranceLine and Tower that it was concerned about certain print advertisements and brochures published and distributed by InsuranceLine ("the Advertisements").

1.7 In particular, ASIC was concerned:

- (a) the Advertisements did not disclose the operation of the Exclusions;
- (b) the Advertisements promoted the Funeral Plan in a manner that had the potential to mislead or deceive consumers about the extent of the cover; and

- (c) the documentation provided to consumers at the point of sale did not clearly and prominently disclose the operation of the Exclusions and may have been in breach of section 37 of the Insurance Contracts Act.
- 1.8 Under sections 12GD, 12GE of the ASIC Act, ASIC may, inter alia, seek injunctions preventing a person from engaging in certain conduct, require that person to do any act or thing and/or place corrective statements. Under sections 12 GM and 50 of the ASIC Act, ASIC may commence proceedings for or on behalf of consumers who have suffered damage by reason of any default, including a breach of the ASIC Act.
- 1.9 Tower asserts that the point of sale material, including the key features statement as well as the policy document adequately disclosed the Exclusions and complied with the relevant law.
- 1.10 Tower asserts that the Advertisements did not breach the ASIC or the Insurance Contracts Act, however, it acknowledges the concerns of ASIC in relation to the matter and has offered the undertakings set out in section 2 in the interests of its policyholders.
- 1.11 ASIC has agreed to accept the commitments in this Enforceable Undertaking as an alternative to the exercise of the power referred to in clause 1.8 above and has taken into account that Tower has co-operated at all times with ASIC's enquiries.

2. UNDERTAKINGS

Pursuant to section 93AA of the ASIC Act, Tower offers the following undertakings to ASIC.

- 2.1 Tower will immediately:
 - (a) withdraw the Advertisements;
 - (b) cease the publication and/or distribution of the Advertisements or any advertisements, brochures or other promotional material that does not clearly and prominently disclose the Exclusions; and
 - (c) take all steps necessary to ensure that InsuranceLine also ceases to publish and/or distribute the Advertisements or any advertisements, brochures or other promotional material that does not clearly and prominently disclose the Exclusions.
- 2.2 Tower will ensure that all future advertisements, brochures and other promotional material in relation to the Funeral Plan clearly and prominently disclose the nature and extent of the Exclusions.
- 2.3 Tower will ensure that any employees or agents involved in the selling or promotion of the Funeral Plan:
 - (a) are aware of the terms of this Undertaking, and
 - (b) comply with clauses 2.1 and 2.2 of this Undertaking.
- 2.4 Tower will, on or by 22 December 2000, send a letter in the form of Attachment A or B (as the case may be) to the estate of the policyholders referred to in Schedule 1, being those policyholders in respect of which a claim under the Funeral Plan has been rejected as a result of Tower relying on the Exclusions and where the Funeral Plan the subject of the claim was purchased as a result of the Advertisements referred to in clauses 1.4 and 1.6. Attachment A will be sent where a claim has been made and all relevant details have been provided by the claimant. Attachment B will be sent where a claim has not

yet been made or insufficient details have been provided by the claimant to allow Tower to assess the claim.

- 2.5 If a policyholder, executor or beneficiary is not included in Schedule 1 or Schedule 2 but Tower receives or has received a claim for payment under the Funeral Plan in respect of a policy purchased in the period 1 February 1999 to 30 October 2000, Tower will:
- (a) immediately investigate the claim to determine whether the Funeral Plan the subject of the claim was purchased as a result of the Advertisements referred to in clauses 1.4 and 1.6, such determination to be completed within five (5) working days of receipt of the claim, and
 - (b) send, within 14 days after the determination, a letter in the form of Attachment A or B (as the case may be) to the estate of the relevant policyholder, executor or beneficiary where it appears that the Funeral Plan the subject of the claim was purchased as a result of the Advertisements referred to in clauses 1.4 and 1.6.
- 2.6 For the purposes of clause 2.5, a claim will be deemed to be one relating to a Funeral Plan that was, or appears to be, "purchased as a result of the Advertisements referred to in clauses 1.4 and 1.6 " if Tower is not able to establish, within the time period allowed for the determination, that the Funeral Plan was otherwise purchased as a result of advertisements through the electronic media or in magazine inserts referred to in Attachment E and will send Attachment A or B to the estate of the relevant policyholder, executor or beneficiary in accordance with sub-clause 2.5(b).
- 2.7 Tower will not rely on the Exclusions when assessing claims made or notified or to be made or notified in respect of the policyholders, executors or beneficiaries identified in Schedule 1 or pursuant to clauses 2.5 and 2.6 and will pay those claims as soon as practicable after they are made or notified to Tower.
- 2.8 Tower will, on or by 22 December 2000, send a letter in the form of Attachment C to the policyholders identified in Schedule 2, being those policyholders where the Funeral Plan was purchased as a result of the Advertisements referred to in clauses 1.4 and 1.6.
- 2.9 If a policyholder is not included in Schedule 2 but Tower is notified of a complaint or otherwise has it brought to its attention that a policyholder alleges he or she purchased the Funeral Plan as a result of the Advertisements referred to in clauses 1.4 and 1.6, Tower will:
- (a) immediately investigate the allegation to determine whether the Funeral Plan was so purchased, such determination to be completed within five (5) working days of receipt of the claim, and
 - (b) send, within 14 days after the determination, a letter in the form of Attachment C to the relevant policyholder where it appears that the Funeral Plan the subject of the claim was purchased as a result of the Advertisements referred to in clauses 1.4 and 1.6.
- 2.10 For the purposes of clause 2.9, a claim will be deemed to be one relating to a Funeral Plan that was, or appears to be, "purchased as a result of the Advertisements referred to in clauses 1.4 and 1.6 " if Tower is not able to establish within the time period allowed for the determination that the Funeral Plan was otherwise purchased as a result of advertisements through the electronic media or in magazine inserts referred to in Attachment E and will send Attachment C to the relevant policyholder in accordance with sub-clause 2.9(b).

- 2.11 If Tower sends a letter in the form of Attachment C to a policyholder and is subsequently notified that the policyholder has died prior to 15 February 2001, Tower will not rely on the Exclusions when assessing the claim and will send a further letter to the estate of the policyholder in the form of Attachment A or B (as the case may be) within 14 days of that notification.
- 2.12 Where a policyholder requests a refund of premiums in accordance with the procedure set out in Attachment C Tower will cancel the policy and refund the premium paid within 14 days of receiving the request.
- 2.13 Tower will, on or by 22 December 2000, take all steps necessary to ensure that all sales representatives, call centre or customer service staff who are contacted by customers in relation to any of the matters the subject of this Undertaking follows the procedures the substance of which are set out in Attachment D.
- 2.14 If a dispute arises in relation to clauses 2.5, 2.6, 2.9 and 2.10 Tower will agree to refer the dispute to the Financial Industry Complaints Service Limited ("FICS") for resolution.
- 2.15 Tower will, on or by 31 January 2001, cause a review to be undertaken and a report to be prepared in relation to the circumstances which gave rise to the matters referred to in clauses 1.4, 1.6 and 1.7, such report to include the steps taken by Tower to rectify any deficiencies in compliance that have been identified as a result of the review.
- 2.16 The Compliance Manager of Tower will, on or by 15 January 2001, 15 February 2001, 31 March 2001 and 30 June 2001 provide a written report to ASIC addressed to the New South Wales Director of DISC which is to be approved by the Managing Director detailing the steps taken by Tower to implement, and verifying compliance with, the obligations under clauses 2.1 to 2.15 of this Undertaking.

3. ACKNOWLEDGMENTS

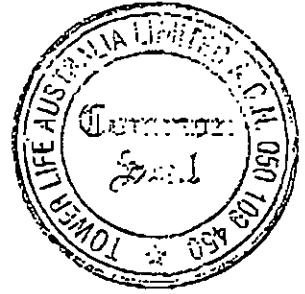
3.1 Tower acknowledges that ASIC:

- (a) may issue a media release on execution of this Enforceable Undertaking referring to the terms of the Enforceable Undertaking and the concerns of ASIC which led to its execution;
- (b) may from time to time publicly refer to this Enforceable Undertaking; and
- (c) will make this Enforceable Undertaking, save for the Schedules which are to remain confidential, available for public inspection.

3.2 Tower acknowledges that:

- (a) subject to clause 1.11, this Undertaking in no way derogates from the rights and remedies available to ASIC or any other person or entity arising from any conduct described in this undertaking;
- (b) ASIC's acceptance of this undertaking does not affect ASIC's power to investigate a contravention arising from future conduct, or pursue a criminal prosecution or its power to lay charges or seek a pecuniary civil order; and
- (c) this undertaking has no operative force until accepted by ASIC.

THE COMMON SEAL of TOWER)
LIFE AUSTRALIA LIMITED ABN)
70 050 109 450 was affixed to this)
undertaking in the presence of:)



K.A. Boag
.....
Director

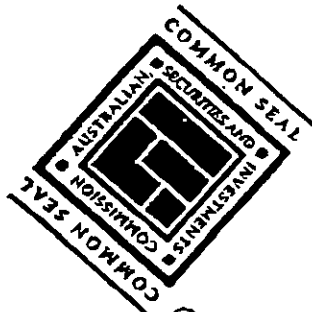
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Director/Secretary

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

Jan Redfern
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Jan Redfern
Regional General Counsel



Dated: 14 December, 2000

"Attachment A"

Dear Policyholder/Estate

Funeral Plan

I am writing to you in reference to the Funeral Plan policy marketed by the Australian Insurance Line.

I understand that someone close to you has recently passed away and this person was insured under the Funeral Plan.

It has become apparent that there may have been some confusion over the circumstances in which a benefit would be paid under the policy. The Funeral Plan provides a benefit in the first twelve months only if the life insured dies as a result of an accident.

Because there has been some confusion over the policy conditions TOWER, after consultation with the Australian Securities and Investments Commission, has agreed to pay any claim you may have under the policy regardless of the cause of death of the life insured.

It is TOWER's sincere hope that this undertaking will alleviate your concerns regarding the Funeral Plan and TOWER apologises for any distress this matter may have caused.

Please find enclosed a cheque for the benefit amount payable under the Funeral Plan.

I hope that this information is helpful to you, however should you have any questions in relation to this matter please do not hesitate to contact our Customer Service Centre on 1800 226 364. Our Customer Service team is familiar with the Funeral Plan and will do their utmost to assist you.

Yours sincerely

Steve Hitchcock
Manager Direct Sales

"Attachment B"

Dear Policyholder/Estate

Funeral Plan

I am writing to you in reference to the Funeral Plan policy marketed by the Australian Insurance Line.

I understand that someone close to you has recently passed away and this person was insured under the Funeral Plan.

It has become apparent that there may have been some confusion over the circumstances in which a benefit would be paid under the policy. The Funeral Plan provides a benefit in the first twelve months only if the life insured dies as a result of an accident.

Because there has been some confusion over the policy conditions TOWER, after consultation with the Australian Securities and Investments Commission, has agreed to pay any claim you may have under the policy regardless of the cause of death of the life insured.

It is TOWER's sincere hope that this undertaking will alleviate your concerns regarding the Funeral Plan and TOWER apologises for any distress this matter may have caused.

Please complete the enclosed claim form and return it along with the birth certificate, death certificate or other proof of death of the Life Insured to Tower Life at the following address:

The Claims Manager
TOWER Life Australia Ltd
PO Box 142
Milsons Point 2061
SYDNEY NSW

On receipt of these outstanding requirements a cheque will be sent to you for the benefit amount payable under the Funeral Plan.

I hope that this information is helpful to you, however should you have any questions in relation to this matter please do not hesitate to contact our Customer Service Centre on 1800 226 364. Our Customer Service team is familiar with the Funeral Plan and will do their utmost to assist you.

Yours sincerely

Steve Hitchcock
Manager Direct Sales

Dear Policyholder

Funeral Plan

I am writing to you in relation to your Funeral Plan policy which you have recently purchased.

After consultation with the Australian Securities and Investments Commission it has become apparent that there may be some confusion over the circumstances in which a benefit will be paid under your policy. Therefore we would like to take this opportunity to clarify this matter and allay any concerns that you may have.

The Funeral Plan provides a benefit in the first twelve months if the life insured dies as a result of an accident (for example a car accident). Death by natural causes is not covered in the first twelve months of the policy and death by suicide is not covered for the first thirteen months of the policy. After the first twelve months of the policy the Funeral Plan will pay a benefit if the life insured dies for any reason other than by suicide. After thirteen months a benefit will be paid regardless of the cause of death.

If you have not fully understood the cover provided under your Funeral Plan policy TOWER is prepared to cancel the policy from commencement and refund all premiums paid to date without question.

However, if you wish to maintain the valuable cover provided by the Funeral Plan there is no requirement to do anything. Provided the premiums continue to be paid, cover under the terms of your policy will continue.

To summarise, the benefits of your Funeral Plan are as follows:

- it provides affordable cover to meet the expenses of a funeral;
- it provides cover for death by an accident in the first twelve months of the policy;
- it provides cover for any cause of death after thirteen months of the policy; and
- cover continues under the policy regardless of age and state of health provided premiums continue to be paid.

This offer will only remain open until 15 February 2001. Any request for cancellation must be received by TOWER by this date.

If you wish to exercise the option to cancel your Funeral Plan policy from commencement please write to The Manager, Client Administration, TOWER Life Australia Limited enclosing your policy document at the following address:

The Manager
Client Administration
TOWER Life Australia Limited
PO Box 4737
Melbourne VIC 3001

Once again, to retain your Funeral Plan and the benefits it offers you need do nothing but continue to pay your premiums as they are due.

We trust that this information is helpful to you and apologise for any confusion or concerns this may have caused. Thank you for your attention to this matter and if you have any questions please do not hesitate to contact our Customer Service Centre on 1800 999 345.

Our Customer Service Centre team is familiar with the Funeral Plan and will be happy to assist with answers to your questions.

Yours faithfully

Stephen Hitchcock
Manager Direct Sales

InsuranceLine: Funeral Plan

1. Instructions for any operator who takes a call from a policyholder who has been mailed a letter in the form of attachment "C"

A letter, in the form of attachment "C", will be mailed out to all in-force policyowners who purchased their policy from advertisements identified by the Australian Securities and Investments Commission ("ASIC") and where such a policy is less than 13 months old.

A list of all persons who will receive attachment "C", will be forwarded to you shortly ("List").

Policyowners who receive attachment "C" have the option of requesting to have their policy cancelled and their premiums repaid or continuing their policy.

Instructions for all Operators:

- If you take a call from one of the policyowners on the List and they request a refund of premiums, please ask him/her to put their request in writing, together with their policy document and to forward it to the address below, for attention:

The Manager
Direct Sales
TOWER Life Australia Limited
PO Box 142
Milsons Point NSW 1565

1. Instructions for any operator who takes a call about a death under a policy.

Instructions for Operators from the following Departments:

- SalesForce InsuranceLine Call-centre Team;
- Tower Call-centres (North and South);
- Tower Alterations Departments (North and South); and
- Tower Direct Sales.

A letter in the form of attachment A or B will be mailed to the policy holder, partner, next of kin and or the executor where a claim is to be paid.

A list of persons who will receive attachment A or B will be given to your shortly.

"Attachment D"

Upon taking a call from the partner or next of kin and or the executor of the deceased life insured, the operator should in the first instance attempt to forward the call to Claims. No indication should be given by the call recipient as to whether or not there is a valid claim under the Funeral Plan.

- If the call cannot be forwarded onto Claims, the operator must take down the policy number, the name of the caller and the name of the deceased, for subsequent referral to Claims. Claims will send out the relevant forms.
- The operator must never suggest whether or not any benefit is payable, nor prompt the caller into expecting, or not expecting, a benefit payment.

Instructions for Tower Claims Department

- No claim should be denied in the first instance by claims without appropriate investigation and regard for the Terms of the Undertaking.

"Attachment E"

Insert Media Plan

MEDIA	ON SALE DATE
Burke's Backyard	30/08/2000
Readers Digest	23/08/1999 26/07/2000
Royal Auto	23/08/2000
Take 5	27/09/2000
That's Life	04/08/1999 20/09/2000
Woman's Day	04/09/2000