

Specialised Broking Associates Pty Ltd

Guide to Standard Terms of Trade



December 2011

GUIDE TO STANDARD TERMS OF TRADE

This Guide to our Standard Terms of Trade contains information about our services and charges, your rights as a client and other things you need to know in relation to insurance matters including how any complaints you may have will be dealt with.

We trust it will assist you in deciding whether to use our services.

If you ask us to act as your general insurance broker, we will do so on the terms set out in this Guide. Unless you tell us otherwise in writing, we assume that you agree with these terms. If there is any change to these terms, we will also provide you with a Letter of Engagement which, together with this Guide, will record the basis of our relationship.

Depending on the type of insurance, you might also receive some other documents after or at the time we advise you about your insurance needs including:

- Statements of Advice – these will be summaries of our advice and the basis on which it was provided;
- Product Disclosure Statements – these will contain information about the products we recommend to you; and
- Confirmation notices – these will confirm the details of transactions we have arranged on your behalf.

If you need more information or have any questions, please feel free to telephone us.

This Guide was prepared on 1 December 2011.

ABOUT US

Specialised Broking Associates Pty Ltd holds Australian Financial Services Licence No 227119 under the Corporations Act 2001 to provide Financial Product Advice and Deal in a Financial Product, being General Insurance, for Wholesale Clients. We specialise in the areas of Mining, Construction, Energy and mid to large Corporate.

The Wholesale Client condition in our license means that we are unable to act in respect of certain classes of insurance for either individuals or small businesses. As we are not licensed for Retail Clients, this Guide does not contain information on some requirements that apply only to such customers, such as Product Disclosure Statements and Cooling Off Periods.

Australian Mining Insurance Brokers, Australian Energy Insurance Brokers, Australian Construction Insurance Brokers, SBA Corporate and SBA Gallagher are registered trading names of Specialised Broking Associates Pty Ltd.

OUR SERVICES

We offer a range of services to assist you to protect your assets. These include:

- Reviewing and advising on your insurance needs
- Arranging and renewing insurance contracts on your behalf
- Arranging premium funding, if required
- Assisting with insurance claims

We can advise about and arrange all classes of insurance on your behalf, provided that such advice or dealing is not for Retail Clients.

To enable us to provide advice which is appropriate to your circumstances, we will need you to provide us with complete information about the risk(s) to be insured, your situation and your needs and objectives. You should also tell us about any relevant changes as they occur

If you are unable or choose not to provide some information to us, we will be unable to comprehensively review your circumstances. As this may limit our ability to make appropriate recommendations, you will need to assess the appropriateness of our advice to your needs before acting on it.

CONFLICTS OF INTEREST

Specialised Broking Associates Pty Ltd (SBA) has in place comprehensive policy and procedures to identify and manage any possible conflict of interest in the provision of our services.

Unless we tell you otherwise, we will be remunerated by commission from the insurer when you enter into an insurance contract that we arrange (this includes renewal and some variations). We may also charge you a fee.

The commission is a percentage of the premium (excluding government charges, levies and taxes). Some insurers may pay us more than others. The rate of commission can vary according to the type of insurance and cover provided and the way the transaction is arranged.

The commission does not represent our profit as it also reimburses the administrative and other expenses involved in providing our services.

In some cases we may also receive an amount based upon volume or the profitability of insurance placed across our entire portfolio with that insurer over a period of time.

SBA currently has a profit share arrangement with McGriff/Millers which places business into the APEX Facility for oil and gas related insurance placements. SBA may receive a profit share at the end of the financial year depending on total premium versus claims paid into the facility. This profit share arrangement may apply for 'Operators Extra Expenses' insurance and 'Oil and Gas Contract Works' policies placed with any insurer on the APEX panel.

If we arrange premium funding for you, we may earn a commission from the premium funder. This is usually calculated as a percentage of the premium (excluding government charges, levies and taxes).

Your insurance adviser will be paid a salary and may receive a bonus based on meeting our staff performance criteria.

We sometimes pay money to others who refer you to us. These payments are made from the commission and fees you pay us.

Please ask us if you would like further information about our remuneration.
Important relationships

SBA is owned by AJ Gallagher Australia Pty Ltd which wholly owns an underwriting agency called Australis Group (Underwriting) Pty Ltd (AFSL 238170). SBA may place business with this underwriting agency.

Your broker may be invited to attend hospitality events by various underwriters (eg flights, accommodation, conferences, golf days) up to the value of approximately \$2,000 per annum.

As an insurance broker, we act for you and not the insurer.

Please ask us if you would like more information about how we are paid or potential conflicts of interest.

HOW WE WILL LOOK AFTER YOUR INSURANCE NEEDS

You can provide us with instructions in person, by telephone or email or in writing.

New Business

Contact us as soon as possible if you need cover for a risk or property that is not insured. If you need immediate cover, we can usually obtain an interim contract of insurance (which is generally valid for a month or less). To arrange this, we will need details of the property or risk and all other information which you need to disclose to the insurer.

We will then send you a proposal for completion. You will need to complete and sign this and return it to us as soon as possible and before the interim cover expires.

We will send the original insurance contract documents as soon as they are issued correctly by your insurer. As these are legal documents, you should keep them in a safe place.

Renewals

We will give you at least 14 days notice of expiry of any insurance contract which we arranged or last renewed for you.

At that time we will send you an offer to renew the insurance contract and invoice you for the cost of renewal. If you want to change the details of the cover, contact us as soon as you receive the renewal offer. If you wish us to renew the contract on your

behalf, you must provide us with written instructions to do so and/or pay the premium and other charges before the date shown on the invoice.

In some circumstances we may be able to arrange for the insurer to cover you temporarily before payment is received, but we cannot guarantee this.

We will notify you when renewal has been effected.

If you arranged or renewed insurance directly with an insurer or through another broker, we will not be responsible for notifying you of expiry or arranging renewal unless you ask us to do so.

Variations

You should carefully monitor and review that your insurance contract is adequate to cover your assets or business activities.

If you want to vary any cover, eg by increasing the sum insured or adding other property, please provide us with details of the changes you require and any other information you need to disclose to the insurer.

We will arrange the variation with the insurer and provide you with written confirmation.

Claims

We will receive your claims notifications, assist and advise you regarding the scope of cover and pass the information to the insurer.

If a loss adjustor is appointed we shall, with your permission, pass on your contact details and co-ordinate meetings. In the case of a major loss, we can attend the initial meeting with the loss adjustor if you wish us to.

We will promptly forward to you all claims documentation, insurance company settlement cheques and other information.

If any claims are outstanding when you terminate our appointment as your insurance broker, we will provide details of the claim(s) to your new insurance broker so that they may continue to negotiate settlement on your behalf

Insurer Documentation

We will provide to you Insurer original policy documents and other Insurer documents that materially change the nature of the cover provided.

If you require other types of Insurer documentation than specified above we will provide these to you on request.

FEES FOR OUR SERVICES

You are entitled to know how and what we will charge for our services and what other benefits we receive.

Our remuneration

Unless we advise you otherwise, we will be remunerated by commission from the relevant insurer when you enter into an insurance contract that we arrange on your behalf (this includes renewal and some variations). The commission does not represent our profit as it also reimburses the administrative and other expenses involved in providing our services.

As a general rule, the insurer will pay us an amount based on a percentage of the premium (excluding government charges, levies and taxes) The rate of commission can vary according to the type of insurance and cover provided and the way the transaction is arranged.

If we accept a commission, we may also charge you an arrangement or service fee.

Alternatively, we may rebate all commissions to you and charge you a fee based upon the nature of the service we provide.

Should you so request, we will provide you with specific information about the basis upon which you will be charged before or at the time we arrange your insurance. Some insurers may pay us more than others. If the level of commission differs from the “Industry standard” we will advise you the type of commission that we receive.

If a person has referred you to us, we may pay them a part of any fees or commission received. This will not increase the amount you pay us.

We may accept a commission or other remuneration for referring a client to another business, If we do so, we will ensure that this does not increase the amount you pay to them.

Our charges exclude GST. Some of our charges may be tax deductible.

If we hold your money in trust pending payment to the insurer, we also receive the interest earned.

How are our advisers paid

We recognise that it is sometimes necessary and desirable to motivate staff on a performance basis, but that in some cases this can create a conflict of interests between the interests of the employee and the interests of the client.

We will not remunerate our employees and authorised representatives solely on the basis of the amount of insurance contracts, sums insured or premium income they arrange. Our advisers are usually paid in two ways – salary, and a bonus or incentives which are based on a number of factors including achievement of company goals.

We avoid remuneration arrangements with our suppliers and for our employees and authorised representatives which place our interests in direct conflict with our clients.

TERMS OF PAYMENT

Invoices

We will invoice you for the premium, statutory charges (eg stamp duty, fire services levy, etc) and any fees we charge for arranging your insurances. You must pay us within 30 days of the date of the invoice.

If you do not pay the premium on time, the insurer may cancel the contract of insurance and you will not be insured. The insurer may also charge a short term penalty premium for the time on risk.

Premium funding

Premium funding products enable you to pay your premiums by instalments. Although they do not usually require any security, premium funders do charge interest.

We can arrange premium funding on your behalf if you require it. We may receive a commission or other remuneration for doing so. Should you so request, we will tell you the basis or amount of any such payment either before or at the time the premium funding is arranged.

Cancellation and Refunds

We cannot cancel a contract of insurance without written instructions from a person(s) who is authorised to represent each of the parties who are named as insureds in the contract of insurance. We cannot cancel any contract of insurance which is subject to the Marine Insurance Act 1909, or certain other classes of insurance such as statutory Workers Compensation

If a contract of insurance is cancelled before expiry of the period of insurance, we will refund the net premium we receive from your insurer. We will not normally refund our fees or commission for arranging the insurance.

If an amendment to your policy results in a refund or premium from the insurer, we will refund the premium (less any commission) to you as soon as this is received by us from the insurer. We do not refund commission or fees as these have been earned by us in placing and servicing the relevant policies, irrespective of the period they have been in force.

IMPORTANT INFORMATION

Duty of Disclosure

In order to make an informed assessment of the risk and calculate the appropriate premium, your insurer needs information about the risk you are asking it to insure.

For this reason, before you enter into a contract of insurance, you have a duty under the Insurance Contracts Act 1984 to disclose to your insurer every matter that you know, or could reasonably be expected to know, that is relevant to the insurer's decision whether to accept the risk and, if so, on what terms. The duty also applies when you renew, extend, vary or reinstate a contract of insurance.

You do not have to disclose anything that:

- Reduces the risk to be undertaken by the insurer;
- Is common knowledge;
- Your insurer knows, or in the ordinary course of its business, ought to know; or
- If the insurer has waived your obligation to disclose.

If you do not comply with your duty of disclosure, your insurer may be entitled to reduce its liability in respect of a claim or may cancel your contract of insurance. If the non-disclosure was fraudulent, the insurer may be able to avoid (or cancel) the contract of insurance from its beginning. This would have the effect that you were never insured.

One important matter to be disclosed is the history of losses suffered by the person seeking insurance or any closely associated person or entity. As you are responsible for checking that you have made complete disclosure, we suggest that you keep an up to date record of all such losses and claims.

If you have any questions about whether information needs to be disclosed, please contact us.

Material Changes

You must also notify your insurer of any significant changes which occur during the period of insurance. If you do not, your insurances may be inadequate to fully cover you.

We can assist you to do this and to ensure that your contract of insurance is altered to reflect those changes.

Privacy

We are committed to protecting your privacy. We use the information you provide to advise about and assist with your insurance needs. We only provide your information to the insurance companies with whom you choose to deal (and their representatives). We do not trade, rent or sell your information.

You can check the information we hold about you at any time. If you require more information about our Privacy Policy, please ask us for a copy

Sums Insured – Average and Co-Insurance

Some insurance contracts require you to bear a proportion of each loss or claim if the sum insured is inadequate to cover the amount of the loss. These provisions are called 'average' or 'co-insurance' clauses.

If you do not want to bear a proportion of any loss, when you arrange or renew your contract of insurance, you must ensure that the amount for which you insure is adequate to cover the full potential of any loss. If you insure on a new for old basis, the sum insured must be sufficient to cover the new replacement cost of the property

Interests of other Parties

Some insurance contracts do not cover the interest in the insured property or risk of any one other than the person named in the contract. Common examples are where property is jointly owned or subject to finance but the contract only names one owner or does not name the financier.

Please tell us about everyone who has an interest in the property insured so that we can ensure that they are noted on the contract of insurance.

Waiver of Rights

Some insurance contracts seek to limit or exclude claims where the insured person has limited their rights to recover a loss from the person who was responsible for it, eg by signing an agreement which disclaims or a limits the liability of the other party.

Please tell us about any contracts of this type which you have or propose to enter into.

Standard Covers

The Regulations to the Insurance Contracts Act set out standard terms for the cover which is provided by motor vehicle, home buildings, home contents, sickness and accident, consumer credit and travel insurance (including a minimum amount of insurance).

If an insurer wants to alter these terms or offer less than the minimum amount of insurance they must clearly inform you in writing that they have done so. They can do this by providing you with a Product Disclosure Statement or a copy of the insurance contract.

Claims Made Policies

Some insurance policies (principally Professional Indemnity & Liability) operate on a so called “claims made” basis. This means they only provide cover for claims made against you during the period for which you are insured.

Unusual Terms

If an insurer wants to rely on a term in a contract of insurance which is not usually included in contracts that provide similar cover, they must clearly inform you in writing of that term. Again, they may do so by providing you with a copy of the insurance contract.

Several Liability of Underwriters

Where more than one Underwriter is named in the Schedule, each Underwriter's liability is limited to the extent of their individual subscription. No Underwriter is liable for the share of any other co-subscribing Underwriter who for any reason does not satisfy all or part of their obligations under the policy.

Unauthorised Foreign Insurer

Some insurers are not licensed under the Insurance Act 1973 to conduct insurance business in Australia and are not subject to the provisions of that Act which establishes a system of financial supervision of general insurers in Australia. In the event your insurance is arranged with an Unauthorised Foreign Insurer you may wish to consider obtaining further information including:

- Whether the country in which the insurer is incorporated has a system of financial supervision of insurers;
- The paid up capital of the product; and
- Which country's laws will determine disputes in relation to the contract of insurance.

COMPLAINTS AND DISPUTES

If you are not fully satisfied with our services, please call us. We will endeavour to resolve your problem within 15 days. If you are unhappy with the decision about your complaint, ask us to treat it as a “dispute”. We will then give you our Internal Dispute Resolution (IDR) decision in writing within 15 business days from the day you request it to be treated as a dispute.

If you are still not satisfied, you are able to contact the Financial Ombudsman Service (FOS) which handles complaints against brokers relating to a variety of small business processes. The FOS will conciliate with a view to seeking a solution that is acceptable to both parties. FOS's contact details are as follows:

Delivery Address:

Financial Ombudsman Service
Level 12, 717 Bourke Street
Docklands Vic 3008
Phone – 1300 780 808
Fax – 03 9613 6399
Email – info@fos.org.au
Website – www.fos.org.au

Mailing Address:

Financial Ombudsman Service
GPO Box 3
Melbourne Vic 3001

Further information about the FOS is available from our office.