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Dealer Sales Procedures New Zealand

Nautilus Marine Underwriting Agency Ltd

21 September 2020

Our Brands

NAUTILUS MARINE BOAT INSURANCE

NATIONAL MOTORCYCLE INSURANCE

PROTEUS MARINE INSURANCE

1. Background & objectives

1.1 Financial services regulation

The financial services industry is highly regulated.

Companies and individuals can only provide financial services if they are a registered Financial Services Provider (**FSP**) or are appointed as a representative of a registered FSP.

Nautilus Marine Underwriting Agency Ltd (**NM Insurance**) is a registered FSP.

1.2 The role of distributors

Distributors provide financial services because they **arrange** for people to purchase our products. This is a form of **dealing** in a financial product.

Distributors **can't** provide any **financial advice** (influencing statements) about the products they arrange.

NM Insurance appoints boat and motorcycle dealerships and the staff that work within them, as its **distributors** provided they meet certain eligibility criteria and comply with the terms and conditions of our Distributor Agreements and relevant policies and procedures.

As a condition of our FSP registration, we must ensure (among other things) that our distributors are adequately trained and competent and comply with financial services laws.

As a distributor you arrange insurance under our FSP registration. This means you are our representative and we are responsible for the financial services you provide.

1.3 These Sales Procedures

These Sales Procedures apply to all dealerships and individual dealers that are appointed as our distributors to arrange our products for their customers.

2. Arranging insurance

As a distributor you are authorised to arrange insurance through our online quote and bind platforms. In doing so, you must follow the Sales Process in these Sales Procedures. In particular **you must**:

- Obtain a customer's consent before discussing insurance with them (see Section 4 Step 1)
- Inform a customer that you can provide them with **factual information** about insurance but not any financial advice (see Section 4 Step 2)
- Consider whether a customer could be 'vulnerable' (see Section 4 Step 6)
- Provide a customer with a Policy Wording that contains important information about the terms and conditions of the insurance policy that is available for them to purchase (see Section 4 Step 7)
- Tell customers about their 'duty of disclosure' (see Section 4 Step 9)
- Comply with privacy laws including a requirement to give customers a 'privacy collection notice' before entering their details into our quote and bind platform (see Section 4 Step 10 and Section 7)
- Comply with the Fair Insurance Code (see Section 8)
- If a customer elects to finance their insurance premium to access our 'pay by the month' option – print out and provide the Pay by Month Insurance Request (loan agreement) to the customer (see Section 4 Steps 13 - 16).

When discussing insurance with a customer you **must not**:

- Make any statements intended or likely to influence a customer's decision to purchase insurance – this is **financial advice** (see Sections 5 and 6)
- Make any statement or take any action that is **misleading, false or deceptive** (see Section 9)
- Use any **unfair** or **high pressure** sales tactics (see Sections 8 and 9).

3. How to use these Sales Procedures

You **must** follow the Sales Process when discussing and arranging insurance for a customer. This is set out in Section 4 and in the flowchart on the final page of these Sales Procedures.

Sections 5 to 9 provide further information about why and how certain steps in the Sales Process must be followed.

Follow the Sales Process when discussing and arranging insurance. Contact your NM Insurance business development manager immediately if you have any questions.

4. Sales Process

Step 1: Get consent to discuss insurance

You must not offer insurance in the course of or because of an unsolicited meeting or telephone call. This is known as 'hawking' and is aimed to prevent pressure selling.

This means you **must** have positive, clear and informed consent from a customer before discussing insurance with them.

Always obtain a customer's consent before discussing insurance with them, eg:

"I can arrange insurance for your [boat / bike]. Can I discuss this with you?"

Step 2: Clarify your role

As a 'distributor' you **can** provide customers with **factual information** about NM Insurance products but **not financial advice**. See Sections 5 and 6 for guidance on the difference between factual information and advice.

Always inform a customer upfront that you can provide factual information about insurance but not advice, eg:

"The information I provide is factual and not a recommendation or financial advice"

Steps 3 and 4: Provide a brief product overview

Provide a brief factual explanation of the policy's:

- Key features and benefits and
- Key conditions and exclusions.

ALWAYS:

- **Communicate in plain language – avoid using industry jargon and complex terminology**
- **Act in an honest, fair and transparent way and with integrity and utmost good faith towards customers.**

ONLY provide a customer with factual information about a product.

NEVER recommend the product or provide an opinion about it – this is financial advice.

Step 5: Confirm whether customer wants a quote

Ask the customer whether they'd like an insurance quote. If they don't, the Sales Process ends here.

Step 6: Is the customer 'vulnerable'?

We take extra care with customers who experience vulnerability. You **must** do the same. This is because a person's vulnerabilities can give rise to unique needs.

A person may be vulnerable due to a range of factors such as:

- Age
- Disability
- Mental health conditions
- Physical health conditions
- Family violence
- Language barriers
- Cultural background
- Aboriginal or Torres Strait Islander status
- Remote location or
- Financial distress.

You **must not** arrange insurance for vulnerable customers.

So, before preparing a quote for a customer, consider whether they could be vulnerable.

If they clearly fall within one of the above categories, or you believe they might – refer them immediately to NM Insurance for further discussion and management of their insurance needs.

If there's no indication that the customer is or may be vulnerable, continue to Step 7.

Don't arrange insurance for vulnerable customers. Immediately refer them to NM Insurance. Here's how:

1. Tell the customer:
"I'm going to provide your name and contact details to NM Insurance. They'll call you asap to discuss your insurance needs. Is that ok with you?"

2. Contact the relevant NM Insurance customer service team and explain the situation – they'll contact the customer asap to discuss their insurance needs.

For vulnerable or potentially vulnerable customers, the Sales Process ends here.

Step 7: Give the Policy Wording

All customers **must** be given a Policy Wording before they purchase insurance.

The Policy Wording contains all the features, benefits, conditions and exclusions that apply to a policy.

The Policy Wording enables customers to make an informed decision about whether to purchase a particular product.

Always give a customer a Policy Wording to read before they decide whether to buy insurance. Here's how:

"Here's a Policy Wording. It contains the features, benefits, conditions and exclusions of the policy. Please read it carefully to decide if the insurance is right for you"

Step 8: Start a quote

Log in to the relevant NM Insurance quote and bind platform using your allocated login ID.

NEVER:

- **Use someone else's login ID to provide a quote or**
- **Give your login ID to someone else.**

Step 9: Tell the customer about their 'duty of disclosure'

A person purchasing insurance, has a legal duty to tell the insurer anything they know that could affect the insurer's decision about whether to provide insurance and if so, on what terms. This is known as the 'duty of disclosure'.

You **must** inform a customer about the nature and effect of the duty of disclosure before providing them with an insurance quote or arranging insurance for them.

Our quoting platforms include a 'duty of disclosure notice'. You **MUST** read this to a customer word for word, before arranging a quote for them.

How to give the duty of disclosure notice:

"I just need to tell you about your duty of disclosure. Please listen carefully …"

Step 10: Give the customer a 'privacy collection notice'

You **must** comply with privacy laws when arranging insurance for a customer. In particular, before collecting personal information from them, you **must** tell them why we collect this and let them know certain things about the way we'll manage their information.

Our quoting platforms include a 'privacy collection notice'. You **MUST** read this to a customer word for word, before arranging a quote for them.

How to give the privacy collection notice:

"I also need to give you some information about how NM Insurance manages personal information …"

Section 7 explains other privacy law requirements that you must always comply with.

If a customer asks for our Privacy Policy, refer them to the Privacy section on our website.

Steps 11 and 12: Provide the quote

Ask the customer to answer all questions within the quote and bind platform. You **must** take care to enter their responses accurately.

If you identify an error or mistake in an insurance application or information or documents that we have or will rely on in assessing an application – you MUST correct it immediately.

Tell the customer:

- What their annual insurance premium will be
- That they can finance their premium through IQumulate Premium Funding Pty Ltd (**IQumulate**) or another financier, if they would prefer to pay for insurance in monthly instalments plus interest. If the customer chooses this option, make sure they understand that they will be financing their premium and that interest will be payable.

IMPORTANT: Click the 'Email Quote' button to ensure that the quote is sent to the customer.

Steps 13 to 16: Process insurance sale

Give the customer time to read the Policy Wording. Offer them a quiet place to do so.

When the customer is ready, ask them if they'd like to purchase insurance based on the quote you've provided. If they do:

- Confirm that the information they have provided is accurate
- Process the purchase and payment information.

If the customer decides to finance their premium through IQumulate (to access our pay by the month option):

- Tell them that they will be financing their premium through a loan from IQumulate and to which interest charges (which are included in the monthly instalment quoted) will apply and
- Print out and provide the customer with a copy of the IQumulate Pay by the Month Insurance Request Form (loan application).

NEVER use your own or a dealership credit card to pay for insurance on a customer's behalf. This is strictly prohibited.

Insurance payments must be made directly from a customer's credit card to NM Insurance. This means you CAN NOT include the cost of insurance in your own invoice to a customer.

We monitor payment transactions to identify violations of this prohibition.

NEVER:

- **Pressure a customer to buy insurance**
- **Ask a customer to sign an acknowledgment to the effect that they have decided not to buy insurance or**
- **Use high pressure sales tactics. This is illegal!**

5. What is factual information?

You **can** provide factual information about an insurance product. To be factual, information must be objectively ascertainable such that its truth or accuracy can't be reasonably questioned.

The best way to stay factual is to stick to and read from the relevant Policy Wording.

If a customer asks you a question about a product, answer it by referring them to the relevant section of the Policy Wording. If they ask for your opinion on something, explain that you can only provide factual information not financial advice.

To respond to a question about the cover provided by a policy either:

- **Refer a customer to the relevant section of the Policy Wording or**
- **Tell them to contact the relevant NM Insurance customer service team.**

The next section contains examples of factual information (that can be provided).

5.1 Examples of factual information

Nautilus Marine Boat Insurance

"Nautilus Marine comprehensive boat insurance covers accidental loss or damage to your boat including impact, sinking, fire and storm damage"

"If you select comprehensive boat insurance cover you are also covered for things like lost keys, repatriation costs and salvage charges"

Personal Watercraft

"You can choose either comprehensive cover or legal liability cover only"

"Legal liability cover provides cover for your legal liability for injury to other people or damage to their property when using your watercraft"

Motorcycle Insurance

"You can choose comprehensive cover, third party fire theft and transit cover, third party liability only cover or off road unregistered bike cover"

"Comprehensive cover provides a number of additional benefits including relating to salvage costs, riding gear and emergency repairs"

6. What is financial advice?

You **can't** provide financial advice to a customer.

Financial advice is any statement of recommendation or opinion about the purchase or disposal of an insurance product.

Financial advice usually involves a judgement about the quality of a product. For example, you can't say that you have 'approved' or decided to only distribute a particular product as this would imply that you have made a qualitative judgment about it – so would be advice.

An intention to influence a customer's decision can also be inferred from the way information is presented, for example if the features of two products are described in such a way that suggests one compares more favourably than the other.

The next section contains examples of comments that would be **financial advice** (and which **can't** be made).

Examples of financial advice

"I recommend this insurance."

"I'd buy it if I were you"

"It provides the best cover"

"The extra benefits are fantastic"

"Comprehensive cover would be best for you"

"It provides market leading cover"

"They always pay claims"

"They're the best in the market"

NEVER provide a recommendation or your opinion on insurance. Here's how to respond if a customer asks what you think, or what you'd do:

"I'm afraid I can't provide any advice. It's important that you read the Policy Wording to decide if the product is right for you. If you've still got questions you can contact NM Insurance – their contact details are in the Policy Wording".

7. Privacy laws

You must comply with privacy laws when arranging insurance for customers. In particular you **must**:

- Manage personal information in an open and transparent way
- Give customers a privacy collection notice before collecting their personal information – see Section 4 Step 10
- Provide customers with access to our Privacy Policy if they request this – refer them to the Privacy section on our website
- Only collect personal information that is reasonably necessary to enable us to provide insurance – only request the information required by our quote and bind platforms
- Only collect personal information from the actual individual to whom it relates (eg not from a relative or friend)
- Only use a customer's personal information to provide an insurance quote or process a policy sale and not for any other purpose
- Only provide a customer's insurance related personal information to us and not to any other person or entity
- Take reasonable steps to ensure that the personal information you collect from a customer is accurate, up to date, relevant and not misleading – take care when entering it into the quote and bind platform
- Take reasonable steps to protect personal information from misuse, interference, loss and unauthorised access, modification and disclosure
- If a customer wants to access or correct any personal information we hold about them or make a privacy related complaint – immediately refer them to the relevant NM Insurance customer service team.

NEVER:

- **Use paper to record a customer's personal information - record this in the quote and bind platform to ensure it is secure**
- **Give your platform log in ID to anyone else**
- **Give a customer's insurance related personal information to anyone other than us.**

If a customer:

- **Asks for our Privacy Policy – refer them to the Privacy section on our website**
- **Wants to access or correct the personal information we hold about them - refer them to our customer service team immediately.**

8. Fair Insurance Code

The insurer that underwrites our products, subscribes to the Fair Insurance Code (the **Code**). This means that we (and you) must comply with its provisions.

The Code sets minimum standards in relation to the way that insurance is sold.

To comply with the Code you must do the following when discussing and arranging insurance:

- Act transparently and with integrity and utmost good faith towards customers
- Treat customers honestly and fairly
- Take all reasonable steps to help people with disabilities, or people who have English as a second language (see Section 4 Step 6)
- Sell products responsibly
- Communicate clearly - avoid using industry jargon and complex terminology
- Give customers a clear summary of the key features of a policy, including the things it does not cover (see Section 4 Steps 3 and 4)
- Explain the information we need when a customer applies for insurance and:
    - the customer's responsibility to disclose information that is honest, complete, up to date and relevant and
    - what may happen if they don't meet their responsibilities to us (see Section 4 Steps 8, 10 and 11)
- Tell customers that:
    - we expect them to provide all material information whether or not we specifically request this and
    - information is material information if it is of enough importance to make a difference to our decision about whether we should offer cover and if so, on what terms
    - if they fail to disclose material information it may affect their ability to make a valid claim

      (this information is included in the 'duty of disclosure notice' - see Section 4 Step 8).

9. Unacceptable sales practices

Strict legal standards apply in relation to the way that insurance is sold. The following sections describe conduct that is illegal and therefore, strictly prohibited.

9.1 Unconscionable conduct

You must not engage in 'unconscionable' conduct. Conduct will be unconscionable if it is particularly harsh or oppressive, exploitative or unethical.

Examples of unconscionable conduct

- **Processing insurance for a customer who's English is limited and where it is obvious that he/she can't read or understand the Policy Wording.**
- **Using high pressure sales tactics such as:**
    - **Rushing the sales process so customers don't have time to read the Policy Wording**
    - **Pressuring customers to pre-commit to purchasing insurance before the collection of their [boat / bike].**

9.2 Misleading and deceptive conduct

You **must not** engage in misleading or deceptive conduct or conduct that is likely to mislead or deceive.

Examples of misleading and deceptive conduct

- **leading a customer to believe that they must purchase a particular policy to get their finance approved.**
- **Including insurance in a customer's purchase without them explicitly requesting this.**
- **Allowing a customer to believe that a policy covers something that it does not cover.**

9.3 False or misleading representations

You **must not** make any false or misleading statements about insurance or our or your insurance related services.

Examples of false / misleading representations

- **Exaggerating the features and benefits of a policy.**
- **Telling a customer that they must make an immediate decision to secure the premium quoted.**
- **Telling a customer that a policy covers something that it does not cover.**
- **Telling a customer that you can get them a discounted price.**

10. Breach and incident reporting

You must tell us **within 24 hours**, of any breaches or incidents of non-compliance with:

- Financial services or privacy laws
- Our Distributor Agreements or
- Our Sales Procedures.

Email your NM Insurance business relationship manager within 24 hours if you identify a breach or incident of non-compliance.

We investigate and manage breaches and incidents in accordance with our incident management procedures.

Failure to report a breach or incident in accordance with these procedures will be treated seriously and may lead to increased monitoring and supervision and/or termination of your Distributor Agreement.

11. Complaint reporting

You must tell us in writing **within 24 hours**, of any complaints you receive about:

- Us
- Our products or services or
- The insurance services you provide on our behalf.

11.1 What is a complaint?

A complaint is an expression of dissatisfaction, in circumstances where a response or resolution is explicitly or implicitly expected. It may be about:

- Your or your dealership's conduct or activities in relation to insurance
- Us
- Our products or services
- Our staff, representatives or service providers or
- Our handling of a complaint.

NEVER respond to a complaint yourself. Instead:

- **Thank the customer for raising their concerns with you**
- **Tell the customer that their complaint will be handled through our complaints process – this is described in the Complaint Management Policy on our website**
- **Tell the customer that an NM Insurance representative will acknowledge their complaint within 5 business days and generally provide a response within 10 business days.**

We investigate, manage and respond to complaints in accordance with our complaint handling procedures.

Email your NM Insurance business relationship manager within 24 hours if you receive an insurance related complaint.

Failure to report a complaint in accordance with these procedures will be treated seriously and may lead to increased monitoring and supervision and/or termination of your Distributor Agreement.

12. Monitoring and audit

We monitor the activities of our distributors to ensure that they comply with:

- Financial services and privacy laws
- The terms of our Distributor Agreements and
- Our policies and procedures including these Sales Procedures.

Our monitoring activities may include:

- Monitoring completion of allocated training modules
- Mystery shopping and customer experience surveys
- Bi-annual distributor reviews
- Distributor surveys, questionnaires, assessments and/or declarations
- On-site compliance observation and audits.

Failure to comply with these Sales Procedures will be treated VERY seriously and may lead to termination of your Distributor Agreement.

13. Review

These procedures are reviewed by us from time to time. Any new or amended version will be provided to you.

Dealer Sales Process

Step 1

Obtain consent to discuss insurance

Step 2

Tell customer the information you provide is factual

Steps 3

Briefly explain key policy features and benefits

Step 4

Briefly explain key policy conditions and exclusions

Step 5

Ask customer if they want a quote

Step 6

Is the customer vulnerable?

Step 7

Provide the Policy Wording

Step 8

Log in to NM Insurance calculator

Step 9

Read duty of disclosure notice to customer

Step 10

Read privacy collection notice to customer

Step 11

Enter relevant information about customer & asset

Step 12

Provide quote to customer verbally and by email

Step 13

Give customer time to read the Policy Wording

Step 14

Ask customer if they'd like to purchase insurance

Step 15

Confirm all customer & asset information

Step 16

Process purchase and payment

Notes

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