

This Undertaking is no longer in force
It was withdrawn 13/12/00

Attached:

1. Original Undertaking,
2. Withdrawal, and
3. Undertaking to the Australian Securities and Investment Commission

**CONSENT TO WITHDRAW
SECTION 87B UNDERTAKING
GIVEN BY GIO GENERAL LIMITED (ACN 002 861 583)**

And

GIO AUSTRALIA LIMITED (ACN 052 179 996)

TO

THE AUSTRALIAN COMPETITION AND CONSUMER COMMISSION

BACKGROUND

GIO GENERAL LIMITED and GIO AUSTRALIA LIMITED have requested, by letter from their solicitors, Gilbert & Tobin, (see Annexure A) that the Australian Competition and Consumer Commission (“the Commission”) consent to their withdrawing or varying the undertaking given by them to the Commission on 1 April 1998 under section 87B of the Trade Practices Act, 1974 (“the ACCC undertaking”).

The request was made in anticipation of GIO GENERAL LIMITED providing to the Australian Securities and Investments Commission (“ASIC”) an undertaking (“the ASIC undertaking”) in the form attached to this Consent (see Annexure B).

CONSENT

The Commission pursuant to Section 87B(2) of the Trade Practices Act hereby consents to the withdrawal of the undertaking given by GIO GENERAL LIMITED and GIO AUSTRALIA LIMITED on 1 April 1998 subject to the following conditions:

- (i) a copy of this consent and the executed ASIC undertaking will be placed on the Commission’s public register on the date the consent becomes effective;
and
- (ii) the Commission may publicly refer to the ACCC undertaking, the ASIC undertaking and this consent from time to time;

The Commission's consent to the withdrawal of the undertaking will become effective seven (7) days after the date upon which an executed copy of the ASIC undertaking is delivered to the Commission's office at Level 5, 77 Castlereagh Street, Sydney and a receipt issued for same.

Dated this 13 day of December 2000

CONSENTED TO BY THE AUSTRALIAN COMPETITION AND CONSUMER COMMISSION
PURSUANT TO SECTION 87B(2) OF THE TRADE PRACTICES ACT 1974


.....
Professor Allan Fels – Chairperson

'A'

**GILBERT
TOBIN**

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20 November 2000

Ms Roslyn McMaster
 Assistant Director – Enforcement NSW
 ACCC
 GPO Box 3648
 SYDNEY NSW 2000

BY FACSIMILE: 9223 1092

Dear Ms McMaster

ACCC SECTION 87B UNDERTAKING SIGNED 1 APRIL 1998

We act for GIO General Limited regarding a proposed undertaking to the Australian Securities Investment Commission (ASIC) under section 93AA of the *Australian Securities and Investment Commission Act 1989* (the proposed ASIC Undertaking). We also act for GIO Australia Limited.

As you may be aware, GIO General Limited and GIO Australia Limited (together referred to herein as GIO) signed an undertaking under section 87B of the *Trade Practices Act 1974* on 1 April 1998 with the ACCC on a separate issue (the ACCC Undertaking). I note that the ACCC undertaking was varied early this year (as confirmed in a letter from Nick Ellis dated 22 March 2000) to specify an end date of 1 April 2003 for the specific paragraphs which did not otherwise have expiry dates. We note that in July 1998 responsibility for regulating and enforcing insurance related consumer protection issues was transferred from the ACCC to ASIC.

With a view to consolidating the obligations under the ACCC Undertaking and the proposed ASIC Undertaking, and prevent duplication of regulator involvement concerning some obligations, GIO requests the withdrawal/variation of the ACCC Undertaking from the date when

the proposed ASIC Undertaking commences. I have enclosed a copy of the proposed ASIC Undertaking as currently approved by ASIC.

The particular provisions of the two Undertakings which are likely to be duplicated in the absence of variation/withdrawal are those concerning compliance reviews, negotiating terms for those reviews, and regulator response to those review reports.

GIO has sought to incorporate the unexpired obligations under the ACCC Undertaking into the proposed ASIC Undertaking to allow ASIC to administer those provisions, as the relevant regulator at this time. In particular, I refer to paragraphs 1.2, 2.9, 2.10, 2.11, 2.12, 2.13, and 2.14 of the proposed ASIC Undertaking.

I make the following comments concerning the proposed ASIC Undertaking:

1. The ACCC Undertaking required a compliance review beginning on 1 January 2001 and reporting on 31 March 2001 (paragraphs 36 and 38). Under the proposed ASIC Undertaking, that compliance review would instead commence by 31 July 2001 and report on 30 October 2001 (see paragraph 2.12). The reasons for the proposed change in date is to:
 - allow a more thorough internal review of the GIO compliance program. The Deloitte review report dated January 2000, where Deloitte were engaged under the ACCC Undertaking to review GIO's trade practices compliance program, recommended that GIO conduct an internal review of the program. The business is committed to this review. The external review required under paragraph 2.12 of the proposed ASIC Undertaking would provide more constructive information, to ASIC and the business, if it reviewed the operation of GIO's revised arrangements;
 - accommodate the integration of the AMP/GIO commercial insurance businesses currently planned for 31 March 2001. The integration of AMP/GIO was not envisaged at the time of the ACCC Undertaking.
2. The specific ACCC 'conduct' paragraphs (paragraphs 1, 2 and 3 of the ACCC Undertaking) which constrain the representations which GIO may make, are incorporated into the proposed ASIC Undertaking as ongoing obligations for the same period as that agreed in the ACCC Undertaking as subsequently varied (as to the termination date only).

I also note that ASIC has requested that compliance with the ACCC 'conduct' paragraphs be specifically assessed by the external review in paragraph 2.13(e), which is in addition to GIO's obligations under paragraphs 36 and 38 of the ACCC Undertaking.

3. The proposed ASIC Undertaking provides in paragraph 2.15 for ASIC to gain access to GIO's books in the circumstances set out in the proposed ASIC Undertaking involving GIO's failure of comply with the proposed ASIC Undertaking. This paragraph grants ASIC additional powers with respect to apprehended breaches of the ACCC 'conduct' paragraphs, as well as the relevant ASIC paragraphs.

Additionally, GIO would like to bring the following matters to the attention of the ACCC in relation to this matter:

4. ASIC had initially proposed to incorporate the *internal* trade practices review considerations (ACCC Undertaking paragraph 34) into the review to be undertaken by the *external* auditor (under paragraph 2.12 of the proposed ASIC Undertaking). However, GIO has suggested that the external review should be more generally focussed on compliance with the Australian Standard 3806 - 1998 for compliance programs, rather than the issues listed at paragraph 34 of the ACCC Undertaking. This has been the position agreed to between ASIC and GIO, subject to ACCC review. Please refer to paragraph 2.13 of the proposed ASIC Undertaking.

GIO notes that this approach is consistent with paragraph 36 of the ACCC undertaking.

5. ASIC proposed that an obligation to maintain and audit GIO's complaint handling and dispute resolution system in accordance with the Australian Standard be incorporated into the ASIC Undertaking. ASIC proposed this obligation in light of the obligations in paragraph 33 of the ACCC Undertaking that GIO conduct an internal review and revision of GIO's customer complaints handling and dispute resolution procedures.

While GIO does maintain such a program, GIO is of the view that paragraph 33 of the ACCC Undertaking required only that it review and revise its existing program. As you will be aware, GIO has conducted this review and has provided a report to the ACCC in relation to the matter, as required. As a completed obligation, GIO is of the view that this paragraph should not be included in the proposed ASIC Undertaking nor any new additional obligation in relation to complaint handling. An obligation concerning complaint handling does not appear in the attached ASIC Undertaking.

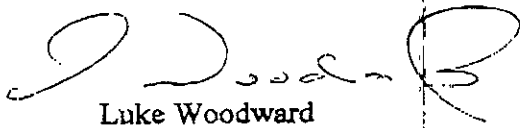
ASIC has requested that GIO quickly execute the proposed ASIC Undertaking. However, prior to the execution of the proposed ASIC Undertaking in its current form, GIO must be satisfied that it will not be required to meet in effect the same obligations in its undertaking to the ACCC.

Accordingly, GIO hereby formally requests that, pursuant to s 87B(2) of the *Trade Practices Act 1974*, the ACCC either:

- (a) consent to the withdrawal of the ACCC Undertaking on condition that GIO give the undertakings to ASIC in the form provided herewith, and GIO hereby so requests that withdrawal; or
- (b) consent to the variation of the ACCC Undertaking so that GIO shall not be required to give further effect to any and all of the undertakings in the ACCC Undertaking on condition that GIO give the undertakings to ASIC in the form provided herewith, and, in the alternative, GIO hereby so requests that variation.

Should you wish to discuss this issue further, I would be please to provide further information.

Yours sincerely



Luke Woodward

"B"

DRAFT:
DATE: 13/11/00

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 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 released 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. 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 earn an additional amount where they achieve certain sales targets in respect of GIO Business Insurance products which are in of the nature of the commissions.
- 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 clause 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 In accepting this Undertaking, ASIC has had regard to the fact that the amount of commission paid in respect of any individual premium would be small, and unlikely to affect, or significantly affect, the cost of the Business Insurance policy.
- 1.12 In January 2000, GIO was wholly acquired by AMP Limited (**AMP**). As a result the general insurance businesses of GIO and AMP are being integrated, including the compliance plans, compliance systems and the compliance training, education and awareness programs of GIO and AMP.

2. UNDERTAKINGS

GIO undertakes the following for the purposes of section s.93AA of the Act:

Disclosure and Corrective Action

- 2.1 GIO will, on or by 15 January 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 24 November 2000, 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 comply with the following obligations previously given to the ACCC in the Undertaking referred to in Clause 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.
- 2.6 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;
- 2.7 GIO will by 1 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 15 February 2001, 15 July 2001 and 15 December 2001 in relation to GIO's implementation of the undertakings in clauses 2.1 to 2.6.

- 2.8 GIO must implement the recommendations of the independent reports of 15 February, 15 July 2001 and 15 December 2001 referred to in paragraph 2.7 above within one month of receiving the report.

Compliance and Training Programs

- 2.9 GIO must implement by 31 December 2000 the recommendations in the independent audit report by Deloitte Touche Tohmatsu of January 2000, referred to in clause 1.2.
- 2.10 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) and will be in operation until at least 17 April 2003.
- 2.11 GIO must maintain a customer complaints handling and dispute resolution program. The program must comply with Australian Standard 4269-1995 (Complaints Handling), to ensure that all customer complaints received by GIO, whether in writing, in person or by telephone, are recorded and dealt with in a timely and appropriate manner.
- 2.12 GIO will by 1 April 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, on or by 31 July 2001, to both GIO and ASIC on:
- (a) the circumstances giving rise to the matters referred to in clauses 1.4 to 1.5, and the reasons for the failure of GIO's compliance systems, with the report including, but not limited to, a review of the due diligence procedures for promotional materials;
 - (b) the status and effect of the current integration of the GIO and the AMP insurance businesses referred to in clause 1.14: and

- (c) GIO's trade practices compliance program and the complaints handling program referred to in 2.10 and 2.11 (**the Programs**).

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

- (a) the effectiveness of the Programs;
- (b) any deficiencies in the Programs and the related remedial steps to be taken;
- (c) the additions or alterations which may be needed to improve the Programs or maintain their efficacy;
- (d) the ability of the Programs to:
 - (i) identify risk areas for trade practices breaches such as the representations in brochures, policy documents and the Internet site, and develop management systems to minimise these risks;
 - (ii) provide practical effective training for relevant staff and management on identified risk areas so that breaches and possible breaches may be prevented where possible, and otherwise be detected, referred and acted on;
 - (iii) ensure reporting and rectification of breaches and possible breaches of the Act, consistent with clear lines of responsibility and authority;
 - (iv) ensure record keeping is improved;
 - (v) embed compliance practice and create a culture of compliance.
- (e) the commitment of GIO to compliance, including the appointment of a suitably qualified compliance officer at senior management level; and

- (f) the adequacy of information services, including a suitably designed compliance manual which states explicitly that GIO will take action internally against those responsible for breaches of the Act.
- 2.14 GIO will, by 31 October 2001, implement all recommendations from the consultant arising from the review referred to in 2.12 and 2.13 and will provide written verification of the same, on or by 15 November 2001.
- 2.15 Where ASIC has advised GIO in writing, on a reasonable basis, that it has concerns about GIO's compliance with this Undertaking, GIO will provide ASIC with access to its books so as to enable ASIC to determine whether or not GIO has complied with this Undertaking.

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, 2.4 and 2.5.

EXECUTED on the _____ day of _____ 2000.

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

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:

.....
Delegates Name:

Delegates Title:

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 A

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.

TRADE PRACTICES ACT 1974
UNDERTAKING TO THE AUSTRALIAN COMPETITION AND
CONSUMER COMMISSION GIVEN FOR THE PURPOSES OF
SECTION 87B
BY
GIO GENERAL LIMITED ACN 002 861 583
GIO AUSTRALIA LIMITED ACN 052 179 996

BACKGROUND

1. GIO General Limited ACN 002 861 583 carries on business throughout Australia as a provider of personal insurance, business insurance and risk management and compensation insurance, including comprehensive motor vehicle insurance.
2. GIO Australia Limited ACN 052 179 996 provides support services to the GIO Group, including information technology, human resources, corporate services, group accounts and corporate communications.
3. Over the course of the past 18 months, the Australian Competition and Consumer Commission (the ACCC) has raised concerns with GIO General Limited over two issues:
 - i) misrepresentations as to the availability of benefits offered with GIO's comprehensive motor vehicle insurance in GIO brochures and policy documents, on the GIO Internet site and by GIO sales staff; and
 - ii) misrepresentations about the conditions attached to benefits offered with GIO's comprehensive motor vehicle insurance in GIO brochures and policy documents and by GIO sales staff.
4. On 20 September 1996, the ACCC wrote to GIO General Limited informing it that the ACCC had received a complaint about GIO's 'No Fault Discount' and 'No Fault Excess' benefits offered with the comprehensive motor vehicle insurance. The complainant alleged that he was not told by GIO that there were various conditions attached to these benefits, and the ACCC expressed concerns that this conduct may be misleading or deceptive and in breach of the *Trade Practices Act 1974* (the Act).
5. The ACCC subsequently investigated the allegations set out in paragraph 4. In letters to GIO in the period 20 September 1996 to 31 January 1997 and in a meeting with staff and solicitors of GIO on 14 February 1997 the ACCC stated the following:
 - i) The ACCC considered that GIO had engaged in the conduct referred to in paragraph 3.
 - ii) It was obvious to the ACCC from its investigations that some GIO sales staff were either ignorant of or did not accurately disclose the availability and operation of the benefits.

- iii) The application of the benefits by GIO has been and would be, in the opinion of the ACCC, contrary to certain representations by GIO as to the availability and operation of the benefits.
 - iv) The ACCC considered this conduct to be in breach of the Act.
 - v) As a result of the conduct referred to in paragraph 3, the ACCC is of the opinion that some GIO comprehensive motor vehicle insurance policyholders have suffered or may suffer loss or damage and in some circumstances that loss or damage may have been significant.
6. On 23 May 1997, Notices under ss. 155 (1)(a) and (b) of the Act were served on GIO requiring it to provide the ACCC with information and documents in relation to alleged breaches of sections 52, 53(c), 53(g), and/or 55A of the Act.
7. GIO provided the ACCC with information and documents pursuant to these Notices on 30 June 1997 and 2 September 1997.
8. Following receipt of this information and documents the ACCC reached the view that GIO had engaged in the following conduct:

i) Misrepresentations as to Availability of Benefits in GIO Brochures and Policy Documents

GIO brochures and policy documents represented to consumers that certain benefits were available after they had been withdrawn by GIO. The benefits represented as available were referred to as:

- a) Family Discounts;
- b) Gold Customer; and
- c) Reduced Female Driver Excess.

ii) Misrepresentations as to Availability of Benefits on the GIO Internet Site

GIO placed information concerning the benefits available with the comprehensive motor vehicle insurance on its Internet site in September 1995 and did not update this information until it was brought to GIO's attention by ACCC officers in a meeting of 14 February 1997.

During this period the GIO Internet site represented to consumers that certain benefits were available after they had been withdrawn by GIO. The benefits represented as available were referred to as:

- a) Family Discounts;
- b) Gold Customer; and
- c) Reduced Female Driver Excess.

iii) Failure to explain Conditions or Exclusions Attached to the Benefits

In the period 15 March 1996 to 6 November 1996, GIO did not disclose to consumers the conditions attached to the benefits referred to as:

- a) Up to 60% No Claim Discount;
 - b) No Claim Discount Protection;
 - c) Excess Waiver;
 - d) Reduced Female Driver Excess;
 - e) Family Discounts;
 - f) Replacement Vehicle Options.
9. The ACCC considers that the conduct set out in paragraph 8 was misleading or deceptive or likely to mislead or deceive in contravention of sections 52, 53(c), 53(g) and 55A of the Act.
 10. Written records obtained from GIO General Limited indicate that a number of GIO comprehensive motor vehicle insurance policyholders have complained or suffered loss as a result of the conduct set out at paragraph 8.
 11. On 9 October 1997, the ACCC sent a letter of demand to GIO General Limited which set out the conduct described in paragraph 8 and requesting a settlement from GIO in a suitable enforceable form as an alternative to the ACCC commencing proceedings in the Federal Court.
 12. GIO General Limited responded on 22 October 1997, advising that it agreed to provide the ACCC with section 87B undertakings in the form set out in the letter of 9 October 1997.

Acknowledgements

13. GIO acknowledges that some consumers may have been misled by the conduct set out in paragraph 8.
14. The ACCC acknowledges that GIO has cooperated with the ACCC and has ceased the conduct referred to in paragraph 8.
15. The ACCC acknowledges that GIO has independently restructured its compliance program and has in the past 10 months put in place an extensive trade practices compliance program throughout the organisation and has taken steps to revise and review its procedures for dealing with the withdrawal of superceded and out-of-date brochures.

Commencement of Undertakings

16. These Undertakings come into effect when:

- i) the Undertakings are executed by GIO General Limited and GIO Australia Limited;
and
- ii) the Undertakings so executed are accepted by the ACCC.

UNDERTAKINGS

Definitions

The following definitions apply to the Background, the Undertakings and the Acknowledgements sections of this document.

“**ACCC**” means the Australian Competition and Consumer Commission.

“**the Act**” means the *Trade Practices Act 1974*.

“**Benefit**” means a benefit under or in addition to a policy for insurance.

“**Brochure**” includes a booklet, leaflet, pamphlet, brochure, or other written promotional material relating to insurance, but does not include policy or proposal documents.

“**GIO**” means collectively or individually the following companies:

- i) GIO General Limited;
- ii) GIO Australia Limited.

“**IEC**” means Insurance Enquiries and Complaints Ltd.

“**the Internet Site**” means:

- i) the information on the Internet now accessible by use of the address <http://www.gio.com.au>, being an address on the Internet; and/or
- ii) information accessible on the Internet at an Internet address maintained by or on behalf of GIO and which relates to the business conducted by GIO.

“**Policyholder**” refers to a former or current holder of a GIO comprehensive motor vehicle insurance policy.

Unless the contrary intention appears, the singular includes the plural and the plural includes the singular.

For the purpose of these Undertakings, any requirement to draft a policy or proposal document in plain English shall not apply to wordings, the form of which is provided by legislation, published industry standards or industry codes of practice.

GIO shall appoint an appropriately qualified senior executive, such as the general manager for compliance, to be responsible for overseeing the implementation and execution of these Undertakings.

GIO provides the following undertakings for the purposes of section 87B of the Act.

Availability of Benefits

1. GIO will not make representations in GIO brochures or policy and proposal documents that benefits offered with insurance are available after they have been withdrawn.
2. GIO will not make representations on the Internet site that benefits offered with insurance are available after they have been withdrawn.

Conditions or Exclusions Attached to the Benefits

3. For a period of three years, subject to Undertakings 4 and 5, where a material condition or exclusion is attached to a benefit available, 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 for the public.
4. GIO will, within 6 months of the commencement of these Undertakings, review and, if necessary, revise all generic product brochures to feature plain English disclosure of the contents and operation of the policy to which the brochure refers.
5. GIO will, within 18 months of the commencement of these Undertakings, review and, if necessary, revise all policy and proposal documents to feature plain English disclosure of the contents and operation of the policy to which the policy and proposal documents refer and the benefits available with that policy.

Information in the Marketplace

6. For a period of 12 months from the commencement of these Undertakings, the legal and compliance managers for GIO, or an external lawyer retained by GIO, will continue to review all current and future promotional material which GIO places in the marketplace to ensure that it complies with the Act and does not misrepresent the nature or availability of any benefits.
7. For a period of 12 months from the commencement of these Undertakings, GIO will conduct pre-launch market testing of all new or substantially amended policy and proposal documents and internet material which relate to insurance products in order to test that consumers generally can readily comprehend the representations as GIO intended. GIO's workers' compensation insurance business and CTP insurance business are not bound by this undertaking.

Brochures, Policy and Proposal Documents

8. GIO will, within 6 months of the commencement of these Undertakings, review and, if necessary, revise its procedures for withdrawal of superseded or out-of-date brochures and policy and proposal documents from the marketplace.

The Internet Site

9. GIO will, within 6 months of the commencement of these Undertakings, review and, if necessary, revise its procedures for the placement and update of information on the Internet site. It will devise and implement a system of control to ensure that the information is accurate and is updated as and when required.
10. GIO will, within 6 months of the commencement of these Undertakings, ensure that if policies are referred to on the Internet site, plain English summaries of the policies will be provided.

Report to the ACCC

11.
 - i) GIO will, within 4 months of the commencement of these Undertakings, provide a progress report to the ACCC on GIO's control of information in the marketplace as specified in Undertakings 4-10;
 - ii) GIO will, within 7 months of the commencement of these Undertakings, provide a final report to the ACCC on GIO's control of information in the marketplace as specified in Undertakings 4-10.

Restitution to Consumers

12. GIO will, within 21 days of the commencement of these Undertakings, identify and make known in electronic form to the ACCC the following policyholders:
 - i) those who in the period 1 October 1996 - 1 March 1997 took out or renewed a comprehensive motor vehicle insurance policy with GIO and may have been denied the benefit Reduced Female Driver Excess;
 - ii) those who in the period 1 October 1996 - 1 March 1997 took out or renewed a comprehensive motor vehicle insurance policy with GIO and may have been denied the benefit Family Discounts;
 - iii) those who in the period 1 March 1996 - 1 December 1996 took out or renewed a comprehensive motor vehicle insurance policy with GIO and may have been denied the benefit No Claim Discount Protection and Excess Waiver because the conditions attached to the benefits were not disclosed;
 - iv) those who, since 1 March 1996, have qualified for Gold Customer status but have not been granted Gold Customer status;
 - v) those who are eligible to obtain Gold Customer status upon satisfying the requirements;
 - vi) those who have taken out a comprehensive motor vehicle insurance policy for the first time in the period since 1 March 1996 - 1 March 1997 and are therefore eligible to obtain Gold Customer status upon satisfying the requirements.
13. The procedure by which the people in undertaking 12 are to be identified is described in Attachment A.

14. GIO will provide a free telephone service for a period of at least 3 months to answer enquiries relating to these Undertakings.
15. For a period of 3 months from the date on which the letters referred to in Undertakings 16, 18, 19, 20, 24 and 25 are sent, GIO will place a link in a prominent position on the home page of its Internet site which contains the words "Customers seeking details of ACCC settlement click here". The linked page or pages will contain the following information:
 - a) the text of the letters referred to in Undertakings 16, 18, 19, 20, 24, 25 and 26 modified appropriately as approved by the ACCC;
 - b) the text of the 87B undertakings; and
 - c) a summary of the categories of policyholders for whom refunds are available.

Reduced Female Driver Excess

16. GIO will, within 35 days of the commencement of these Undertakings, send to each person identified in Undertaking 12 (i) a letter, the substance of which is the text at Attachment B.
17. GIO will provide these policyholders with financial compensation equal to the amount of any loss with the letter referred to in Undertaking 16.

Family Discounts

18. GIO will, within 35 days of the commencement of these Undertakings, send a letter to each person identified in Undertaking 12 (ii) who had the same surname and resided at the same address as another GIO policyholder, the substance of which is the text at Attachment C and will provide these policyholders with financial compensation equal to the amount of any loss referred to in undertaking 12 with this letter.
19. GIO will, within 35 days of the commencement of these Undertakings send to all persons identified in Undertaking 12 (ii) and who may have been denied the benefit family discounts because they have the same address as another GIO policyholder, but who bear a different surname, a letter, the substance of which is the text at Attachment D.

Conditions Attached to the Benefits

20. GIO will, within 35 days of the commencement of these Undertakings, send to each person identified in Undertaking 12 (iii) a letter, the substance of which is the text at Attachment E.

21. GIO will provide these policyholders with financial compensation equal to the amount of any loss sustained with the letter referred to in undertaking 20.

Gold Customer

22. GIO shall grant Gold Customer status to each policyholder identified at Undertaking 12 (iv).
23. Where a policyholder identified in Undertaking 12 (iv) has been denied a claim or has suffered a financial loss or other disadvantage because they were not granted Gold Customer status immediately upon qualification, GIO will provide the policyholders with appropriate financial compensation equal to the amount of any loss.
24. GIO will, within 35 days of the commencement of these Undertakings, send to each person identified in Undertaking 12 (iv) who is due financial compensation in accordance with undertaking 23, a letter, the substance of which is the text at Attachment F.
25. GIO will, within 35 days of the commencement of these Undertakings, send to each person identified in Undertaking 12 (iv) who is not due financial compensation in accordance with undertaking 23, a letter, the substance of which is the text at Attachment G.
26. GIO will send to each person identified in Undertaking 12 (v) and (vi) a letter, the substance of which is the text at Attachment H. This letter will be sent to these persons with notification of renewal of their policy.
27. Where a policyholder identified in Undertaking 12 (v) and (vi) has made a claim or claims since 1 March 1996 and before receiving the letter referred to in Undertaking 26, and such claim or claims individually are \$1,000 or less, GIO shall notify the policyholder that for the purpose of their claims record for achieving Gold Customer status, the claim shall be disregarded. The notification will be in the form of a letter, the substance of which is the text at Attachment I.

General

28. Where a dispute arises in respect of compensation to be provided pursuant to Undertakings 17, 18, 19, 21, 23 and/or 27, GIO will, at its own expense, appoint a mediator acceptable to the ACCC to resolve the dispute. GIO will supply to the mediator all material relevant to the dispute and will instruct the mediator to inquire into the matter and recommend to GIO and the ACCC what compensation, if any, should be paid in settlement of the policyholder's dispute.
29.
 - i) In the event that a policyholder complains to GIO that they were misled by GIO as to the existence of GIO's benefits or the conditions attached to these benefits, whether or not such policyholder is identified at undertaking 12, GIO will, within 10 days of receiving the complaint, write to the policyholder acknowledging receipt of the complaint and informing the policyholder of the procedure set out below for

referring the complaint to the mediator, in the event that GIO is unable to resolve the complaint within the time frame allowed in the procedure.

- ii) GIO will within 21 days after receiving the complaint (such 21 days to commence no earlier than the date of these Undertakings), reach an agreed basis for resolution of the dispute and thereafter may enter into an agreement in writing with the policyholder in full and final settlement of the dispute.
 - iii) If, within the 21 days referred to in sub-para (ii) above. GIO fails to reach an agreement with the policyholder for the resolution of the dispute. then, GIO shall refer the dispute to the mediator.
 - iv) If GIO has been unable to reach an agreement with the policyholder for the resolution of a dispute within the 21 days referred to in sub-para (ii) and the policyholder agrees to a request by GIO to extend the time by an additional 14 days to allow GIO to attempt to reach agreement, then the time limitation for GIO to reach agreement with the policyholder will be extended by an extra 14 days, after which, if a basis for resolution of the dispute has not been agreed, GIO shall refer the dispute to the mediator.
 - v) In the event that the mediator is unable to resolve the dispute, the matter shall be referred to the IEC for determination in accordance with its Terms of Reference attached and marked Attachment J together with a copy of these Undertakings.
30. The costs associated with the provision of the compensation by GIO and the financial consequences of the application of these Undertakings will not be reflected in setting future premiums for insurance policies.
- 31.
- i) In the event that any payment made in association with these Undertakings is returned to GIO on the basis that the policyholder has changed address, GIO will adopt the procedure set out in paragraphs (a) - (d) below to locate and pay the policyholder. The procedure will be followed on at least 2 occasions by GIO, these occasions to be between 12 months and 18 months apart:
 - a) a check of current policy records for that policyholder will be undertaken to attempt to ascertain a current address;
 - b) if no current address is forthcoming from the agent, a check will be made of the White Pages;
 - c) if no current address is forthcoming from the White Pages, a check will be made of the Commonwealth Electoral Roll;
 - d) if no current address is found, an enquiry of the GIO officer last assigned to service the policyholder will be undertaken.
 - ii) The procedure referred to in (a) - (d) above will only be carried out on one occasion if the payment is for an amount less than \$100.
 - iii) If, following the completion of the procedure in these Undertakings, policyholders remain untraced and if the payment is for an amount of at least \$100, GIO will arrange for an advertisement to be placed in *The Australian* newspaper and in a

major daily newspaper in each State and Territory capital city, listing such untraced policyholders and inviting them to contact GIO.

- iv) No further steps need be taken by GIO if the above procedure does not reveal a current address for the policyholder.

Systems Review

32.

- i) Within three months of the commencement of these Undertakings, GIO will produce a written report on the circumstances leading to the conduct and identifying any failing in the company's systems of internal control or management reporting. GIO will provide the ACCC and the auditor referred to in undertaking 36 with a copy of the report.
- ii) Within three months of the commencement of these Undertakings, GIO will review its internal procedures for the development, approval and distribution of advertising and promotional material and will provide a report to the ACCC and the auditor referred to in undertaking 36 on ways in which it considers these procedures may be improved.

Complaints Handling

- 33. GIO will review and revise its customer complaints handling and dispute resolution procedures with reference to Australian Standard 4269-1995 (Complaints Handling) attached and marked Attachment K to ensure that all customer complaints received by GIO whether in writing, in person or by telephone are recorded and dealt with in an appropriate and timely manner. GIO's workers' compensation insurance business and CTP insurance business are not bound by this undertaking.

Trade Practices Compliance Program

- 34. GIO will review, at its own expense, its trade practices compliance program by reference to Australian Standard 3806-1998 (Compliance Programs) attached and marked Attachment L. In summary, the review shall consider whether the existing compliance program contains measures sufficient to:
 - i) analyse and respond to the trade practices matters resulting in this Undertaking by taking necessary steps including those stated in undertakings 4-10;
 - ii) identify risk areas for trade practices breaches such as the representations in brochures, policy documents and the Internet site, and develop management systems to minimise these risks;
 - iii) demonstrate commitment of GIO to compliance, and appoint a suitably qualified compliance officer at senior management level;
 - iv) provide practical and effective training for relevant staff and management on identified risk areas, so that breaches and possible breaches may be prevented where possible, and otherwise be detected, referred and acted on;

- v) develop information services including a suitably designed trade practices compliance manual;
 - vi) embed compliance practice and create a culture of compliance;
 - vii) ensure reporting and rectification of breaches and possible breaches of the Act, consistent with clear lines of responsibility and authority;
 - viii) state explicitly that the company will take action internally against those responsible for breaches of the Act; and
 - ix) improve record keeping.
35. The results of the review shall be submitted to the ACCC within 3 months of the commencement of these Undertakings, and comments settled with the ACCC within 4 months of the commencement of these Undertakings. The revised program shall be fully in place and operational within 6 months of the commencement of these Undertakings. It shall remain in operation for 5 years from the commencement of these Undertakings and may be amended as appropriate with any amendments being notified to the Commission.

Compliance Audit

36. GIO shall cause, at its own expense, an independent audit of its compliance program to be conducted at the times required by undertaking 38. The audit shall be carried out by a suitably qualified compliance professional who is independent of GIO and is acceptable to the ACCC. Such a professional shall be considered 'independent' only if the person is not a present or past member of staff or management of GIO, has not in a professional capacity acted and does not act for GIO, and has not and does not currently provide consultancy or other services for GIO.
37. The matters which the audit must address include:
- i) the effectiveness of the current program;
 - ii) any deficiencies in the program and the related remedial steps to be taken; and
 - iii) the additions or alterations which may be needed to improve the program or maintain its efficacy.
38. The date for the completion of the first such audit, and the provision of the auditor's report to the ACCC, shall be two years after the commencement of these Undertaking. The second audit report shall be prepared and presented three years after the commencement of these Undertakings.
39. Subject to ACCC approval, GIO will implement all auditor's recommendations arising from that review process except those which GIO shows, to the satisfaction of the ACCC, are commercially impracticable.

Community Service Obligation

40. GIO undertakes to perform a community service obligation (CSO). The function of the CSO is to increase consumers' knowledge in relation to the sale of insurance products.

41. GIO shall carry out a community awareness program to address the needs of purchasers of motor vehicle insurance. The program is to consist of brochures as described in Attachment M to be distributed by mail out and in GIO branches in New South Wales and the Australian Capital Territory and for the text of the brochure to be placed on the GIO Internet site.
42. The CSO is to be designed in conjunction with the ACCC. A plan detailing the implementation of the CSO shall be lodged with the ACCC within 2 months after the commencement of these Undertakings. Comments on the plan are to be settled in conjunction with the ACCC within 3 months of the commencement of these Undertakings. The implementation of the CSO shall begin within 6 months of the commencement of these Undertakings and continue for 18 months from the commencement of these Undertakings and may be amended as appropriate, with any amendments being approved by the ACCC.

ACKNOWLEDGMENTS

1. GIO acknowledges that the ACCC may make a public announcement of the matters contained in these Undertakings.
2. GIO further acknowledges that the ACCC will make these Undertakings available for public inspection.
3. GIO further acknowledges that the ACCC will from time to time publish and publicly refer to these Undertakings at its discretion.
4. GIO further acknowledges that these Undertakings in no way derogates from the rights and remedies available to any third parties arising from the alleged conduct.
5. GIO further acknowledges that summary versions of the reports referred to in undertakings 11, 32 and 38 above will be held with these Undertakings on the public register.



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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

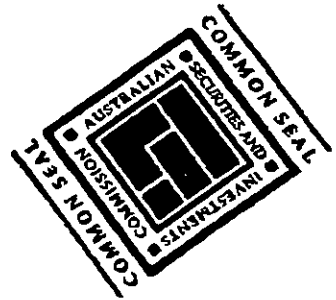
Office held

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.