

Financial Services Guide

THE FINANCIAL SERVICES REFERRED TO IN THIS FINANCIAL SERVICES GUIDE (FSG) ARE BEING OFFERED BY:

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Timothy Cooper is an Individual Authorised Representative (AR No. 409283) of EAG.

EAG is responsible for the financial services that Challenge Insurance Services provides to you. EAG is also responsible for the content and distribution of this FSG. The distribution of this FSG by Challenge Insurance Services is authorised by EAG.

This FSG sets out the services that we can offer you. It is designed to assist you in deciding whether to use any of those services and contains important information about:

- the services we offer you.
- how we and others are paid.
- any potential conflict of interest we may have.
- our internal and external dispute resolution procedures and how you can access them.

From when does this FSG apply?	This FSG applies from 26th February 2014 and remains valid unless a further FSG is issued to replace it. We may give you a supplementary version of this FSG. It will not replace this FSG but will cover services not covered by this FSG.
How can you instruct us?	You can contact us to give us instructions by post, phone, fax or email on the contact number or details mentioned above.
What kinds of financial services are you authorised to provide to me and what kinds of financial product/s do those services relate to?	We are authorised to advise and deal in general insurance products for wholesale and retail clients* under EAG's Australian Financial Service Licence. We will do this on your behalf as your broker unless we tell you otherwise.
Will I receive tailored advice?	<p>Typically we only provide General Advice to Retail Clients*. General Advice does not take into account your particular needs and requirements and you should consider the appropriateness of this advice to your circumstances prior to acting upon it. We will provide you with a General Advice Warning in such cases.</p> <p>If you are a new Retail Client* purchasing Personal Accident or Sickness insurance and obtain Personal Advice, that is, advice that takes into account your particular circumstances, we will give you a Statement of Advice (SOA), that sets out the advice provided and the basis on which the advice is made and our remuneration should you purchase the product. For existing Retail Clients* we may not provide an SOA but rather provide the advice to you orally. In such cases you may request us to provide you with a Record of Advice (via phone or in writing) which we will provide to you within 28 days of such request.</p> <p>When you ask us to recommend an insurance policy for you, we will usually only consider the policies offered by the insurers or insurance providers that we deal with regularly. In giving you advice about the costs and terms of recommended policies we have not compared those policies to other policies available, other than from those insurers we deal with regularly.</p> <p>If we recommend the purchase of a particular financial product, Retail Clients* will also be given a Product Disclosure Statement at that time, which sets out details specific to that product and the key benefits and risks in purchasing the product.</p>
What information do you maintain in my file and can I examine my file?	<p>We will maintain a record of your personal profile, including details of insurance policies that we arrange for you. We may also maintain records of any recommendations or advice given to you. EAG will retain this FSG and any other FSG given to you as well as any SoA*, PDS* or short-form PDS* that we give or pass on to you for the period required by law.</p> <p>We are committed to implementing and promoting a privacy policy, which will ensure the privacy and security of your personal information. A copy of EAG's privacy policy is available on request.</p> <p>If you wish to look at your file please ask us. We will arrange for you to do so.</p>
How will I pay for the services provided?	For each insurance product, the insurer will charge a premium that includes any relevant taxes, charges and levies. EAG will receive a payment based on a percentage of this premium (excluding relevant taxes, charges

and levies) called commission, which is paid to EAG by the insurers. In some cases, we will also charge you a fee. These will all be shown on the invoice that is sent to you.

You can choose to pay for our services by any of the payment methods set out in the invoice. You are required to pay within the time set out on the invoice.

If there is a refund of premium owed to you because of a cancellation or alteration to a policy, we will retain any fee we have charged you. We may also retain commission depending on their arrangements with the insurer.

Payment for the services we provide you are payable directly to EAG.

When you pay your premium it will be banked into EAG's trust account. EAG will retain the commission from the premium you pay and remit the balance to the insurer in accordance with EAG's arrangements with the insurer. EAG will earn interest on the premium while it is in their trust account or EAG may invest the premium and earn a return. EAG will retain any interest or return on investment earned on the premium.

How are any commissions, fees or other benefits calculated for providing the financial services?

EAG's commission will be calculated based on the following formula:

$$X = Y\% \times P$$

In this formula:

X = EAG's commission

Y% = the percentage commission paid to EAG by the insurer. EAG's commission varies between 5 – 50% of product base premium.

P = the amount you pay for any insurance policy (less any government fees or charges included in that amount).

Challenge will receive 75% of the commission paid to EAG by the insurers.

Any fee that you are charged will be based on the complexity of the insurance contract being arranged but will normally be in the range of \$30-250 plus GST. This fee can increase depending on the size and complexity of the insurance being arranged.

Challenge will receive 75% of any fee paid to EAG by you.

We may pay commissions, fees or benefits to others who refer you to them or refer them to an insurer.

If we give you personal advice (retail clients* only), we will inform you of any fees, commission or other payments we, our associates or anyone referring you to us (or us to any insurer) will receive in relation to the policies that are the subject of the advice.

If remuneration or other benefits are calculable at the time personal advice (retail clients* only) is given, the remuneration or other benefits the person receives on specific financial products to which the personal advice relates will be disclosed at the time that the personal advice is given or as soon as practicable after that time. Where the remuneration or other benefits are not calculable at the time the personal advice is given, the manner in which the remuneration or other benefits are to be calculated will be disclosed at the time the personal advice* is given or as soon as practicable after that time.

See below for information on the Steadfast association and commission.

Do we have any relationships or associations with the insurers who issue the insurance policies or any other material relationships?

EAG is a shareholder of Steadfast Group Limited (Steadfast). Steadfast has exclusive arrangements with some insurers under which Steadfast will receive between 0.5-1% commission for each product arranged by EAG and its representatives with those insurers. These payments are used to operate Steadfast.

Depending on the operating costs of Steadfast (including the costs of member services provided by Steadfast to EAG and other Steadfast shareholders) and the amount of total business EAG places with the participating insurers in any financial year, EAG may receive a proportion of that commission at the end of each financial year.

As a shareholder of Steadfast EAG has access to member services including model operating and compliance tools, procedures, manuals and training, legal, technical, banking and recruitment advice and assistance, group insurance arrangements, product comparison and placement support, claims support and group purchasing arrangements. These member services are either funded by Steadfast, subsidised by Steadfast or available exclusively to shareholders for a fee.

Steadfast is also a shareholder of Miramar Underwriting Agency Pty Limited (Miramar). As a shareholder, Steadfast may receive dividends from Miramar. These amounts will indirectly contribute towards the benefits we receive from Steadfast.

Steadfast has a shareholding in Macquarie Premium Funding. If we arrange premium funding with Macquarie Premium Funding for you, under its agreement with Macquarie Premium Funding, Steadfast will receive 0.5% of your insurance premium (including government fees or charges). As an equity shareholder of Macquarie Premium Funding, Steadfast may also receive dividends from profits of Macquarie Premium Funding. The amount of the Steadfast dividend is based on the share of profit attributable to funding arranged by Steadfast shareholders. The payments (commission and dividends) that Steadfast receives from Macquarie Premium Funding are used to operate Steadfast. Depending on the operating costs of Steadfast and the amount of total business we place with Macquarie Premium Funding in any financial year, we may receive a portion of those amounts at the end of each financial year.

You can obtain a copy of Steadfast's FSG at www.steadfast.com.au

If we arrange premium funding for you EAG may be paid a commission by the premium funder. We may also charge you a fee (or both). The commission that EAG is paid by the premium funder is usually calculated as a percentage of your insurance premium (including government fees or changes). If you instruct us to arrange or issue a product, this is when EAG becomes entitled to the commission.

EAG's commission rates for premium funding are in the range of 1-4% of funded premium. When we arrange premium funding for you, you can ask us what commission rates EAG is paid for that funding

arrangement compared to the other arrangements that were available to you.

Challenge receives 100% of any commission paid to EAG by a premium funder for premium funding arranged by him

For many products EAG has negotiated special rates and terms for clients with one particular insurer and will therefore only recommend insurance with this insurer. Examples include Business Pack and Accident and Health Insurance arranged through AlltradesCover.com.au and most insurance arranged through the Elliott Insurance Services website.

What should I do if I have a complaint?

1. Contact us and tell us about your complaint. We will do our best to resolve it quickly.
 2. If your complaint is not satisfactorily resolved within 20 days, please contact EAG's Complaints Officer at the contact details for EAG on page 1 of this FSG or put your complaint in writing and send it to the address noted for EAG at the beginning of this FSG. EAG will try and resolve your complaint quickly and fairly.
 3. EAG is a member of the Financial Ombudsman Service (FOS). If your complaint cannot be resolved to your satisfaction by EAG you have the right to refer the matter to FOS. FOS can be contacted at Level 5, 31 Queen St, Melbourne VIC 3000 on 1300 780 808, fax 03 9613 6399, email info@fos.org.au or website www.fos.org.au.
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What arrangements do you have in place to compensate clients for losses?

EAG has a professional indemnity insurance policy (PI policy) in place.

The PI policy covers EAG and EAG's representatives (including EAG's authorised representatives and contractors) for claims made against EAG and EAG's representatives by clients as a result of the conduct of EAG's employees or representatives in the provision of financial services.

EAG's PI policy covers EAG and EAG's representatives (including EAG's authorised representatives) for claims relating to the conduct of representatives who no longer work for us.

Electronic Delivery of Disclosure Notices

Please note that we may at times provide correspondence and disclosure notices (including Financial Services Guides and Product Disclosure Statements) to you electronically, via email or links to websites etc. If you have provided your email address to us we may use that email address for correspondence and disclosure notices. Should you not wish to be sent correspondence electronically please advise us and we will update our records accordingly.

Contact Agreement

To ensure that we provide you with appropriate products and services, you agree to us calling you to discuss any new products and services. If you do not wish to receive such calls please advise us and we will place you on our Do Not Call Register.

EAG will occasionally send promotional material to you to ensure you are up to date with our latest services and offerings. Please let us know if you would rather not receive promotional material from us and we will remove your name from our distribution list.

Any questions?

If you have any further questions about the financial services we can provide, please contact us.

Please retain this document for your reference and any future dealings with us.

* **Retail clients** are individuals or those who purchase an insurance product for use in connection with a small business (ie less than 20 employees, or 100 if the business manufactures goods) AND they purchase a general insurance contract which has been designated as a retail product, including motor vehicle, home building and contents, sickness and accident, consumer credit, travel, personal and domestic property, pleasure craft, any other kind of insurance prescribed in the Corporations Regulations. All other clients are wholesale clients.

HOW WE WILL LOOK AFTER YOUR INSURANCE NEEDS

New Business

Contact us as soon as possible if you need cover for a risk or property that is not insured. If you need immediate cover, we can usually obtain an interim contract of insurance (which is generally valid for a month or less). To arrange this, we will need details of the property or risk and all other information which you need to disclose to the insurer. We will then send you a proposal for completion. You will need to complete and sign this and return it to us as soon as possible and before the interim cover expires. We will send the original insurance contract documents as soon as they are issued correctly by your insurer. As these are legal documents, you should keep them in a safe place.

Renewals

We will, as soon as practical after renewal terms are received from the underwriter, notify you of the expiry of any insurance contract which we arranged or last renewed for you. At that time we will send you an invoice for the cost of renewal, which serves as our invitation to renew the insurance contract for you. This will become your confirmation of renewal once your premium is received by us. If you want to change the details of the cover, contact us as soon as you receive the renewal offer. If you wish us to renew the contract on your behalf, you must provide us with written instructions to do so and/or pay the premium and other charges before the date shown on the invoice.

We will notify you when renewal has been effected.

If you arrange or renew your insurance directly with an insurer or through another broker, we will not be responsible for notifying you of expiry or arranging further renewals unless you ask us to do so.

Variations

You should carefully monitor and review that your insurance contract is adequate to cover your assets or business activities. If you want to vary any cover, eg by increasing the sum insured or adding other property, please provide us with details of the changes you require and any other information you need to disclose to the insurer. We will arrange the variation with the insurer and provide you with written confirmation.

Claims

We will receive your claims notifications, assist and advise you regarding the scope of cover and pass the information to the insurer. If a loss adjuster is appointed we shall, with your permission, pass on your contact details and co-ordinate meetings. In the case of a major loss, we can attend the initial meeting with the loss adjuster if you wish us to. We will promptly forward to you all claims documentation, insurance company

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

TERMS OF PAYMENT

Invoices

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

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

Cancellation

We cannot cancel a contract of insurance on your behalf without instructions from a person(s) who is authorised to represent each of the parties who are named as insureds in the contract of insurance. We cannot cancel any contract of insurance which is subject to the Marine Insurance Act 1909. If a contract of insurance is cancelled before expiry of the period of insurance, we will refund the net premium we receive from your insurer. We will not refund our fees or commission for arranging the insurance.

IMPORTANT INFORMATION

Your Duty of Disclosure – in FSG as well as back of invoice

To make an informed assessment of the risk and calculate the appropriate premium, your insurer needs information about the risk you are seeking to insure.

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

You do not have to disclose anything that:

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

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

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

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

Utmost Good Faith

Utmost good faith must be adhered to by all parties.

Material Changes

You must also notify your insurer of any significant changes that occur during the period of insurance. If you do not, your insurances may be inadequate to fully cover you. We can assist you to do this and to ensure that your contract of insurance is altered to reflect those changes.

Sums Insured – Average and Co-Insurance

Some insurance contracts require you to bear a proportion of each loss or claim if the sum insured is inadequate to cover the amount of the loss. These provisions are called 'average' or 'co-insurance' clauses. If you do not want to bear a proportion of any loss, when you arrange or renew your contract of insurance, you must ensure that the amount for which you insure is adequate to cover the full potential of any loss. If you insure on a new for old basis, the sum insured must be sufficient to cover the new replacement cost of the property.

Interests of Other Parties

Some insurance contracts do not cover the interest in the insured property or risk of any one other than the person named in the contract. Common examples are where property is jointly owned or subject to finance but the contract only names one owner or does not name the financier. Please tell us about everyone who has an interest in the property insured so that we can ensure that they are noted on the contract of insurance.

Waiver of Rights

Some insurance contracts seek to limit or exclude claims where the insured person has limited their rights to recover a loss from the person who was responsible for it, eg by signing an agreement which disclaims or a limits the liability of the other party. Please tell us about any contracts of this type which you have or propose to enter into.

Standard Covers

The Regulations to the Insurance Contracts Act set out standard terms for the cover which is provided by motor vehicle, home buildings, home contents, sickness and accident, consumer credit and travel insurance (including a minimum amount of insurance). If an insurer wants to alter these terms or offer less than the minimum amount of insurance they must clearly inform you in writing that they have done so. They can do this by providing you with a Product Disclosure Statement or a copy of the insurance contract.

Unusual Terms

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