Retail Insurance Premium Funding Target Market Determination issued by Attvest Finance Pty Ltd ABN 37 169 039 221

In this document, the term **Attvest**, refers to the provider of the retail insurance premium funding credit facility services (**product**), Attvest Finance Pty Ltd ABN 37 169 039 221 (**issuer**).

This document is a Target Market Determination (**TMD**) for potential customers, customers, intermediaries, Attvest staff and ASIC, issued for the purposes of section 994B of the *Corporations Act 2001 (Cth)* and may not be used or relied on for any other purpose. The document defines the class of customer (**Archetype Retail Customer** or **ARC**) that comprises the target market for the product (**Target Market)** and the applicable conditions and methodology for distribution of the product (**Distribution Conditions**) such that it would be reasonable to conclude that if the product were to be: (i) sold to a customer in accordance with the Distribution Conditions it would be likely that the customer would be of the ARC class in the Target Market; and (ii) sold to the ARC it would likely be consistent with the likely objectives, financial situation and needs of the ARC.

This TMD must not be treated as a summary or full statement of the significant or applicable terms and conditions and does not take into account any person's actual objectives, financial situation or needs and is not the provision of general or personal financial advice or any other advice whatsoever. Potential customers and intermediaries must refer to the product terms and conditions, and any supplementary documents such as application forms, schedules, applicable codes, bulletins or other documents which incorporate additional information, terms or conditions, and otherwise ensure that they have properly informed themselves about the product when deciding whether the product is suitable and appropriate for their own objectives, financial situation and needs.

When is this TMD effective?
This TMD is effective from 5 October 2021.

What is the Archetype Retail Customer?
The Archetype Retail Customer (**ARC**) (i) is a natural person (individual) over the age of 18 years who can produce suitable identity verification documents; (ii) that has an unimpaired legal status and competency (with sufficient faculties and skills for decision making in respect of its own financial affairs); (iii) is lawfully and permanently ordinarily resident in Australia; (iv) is permanently employed or otherwise has a steady source of income or sufficient wealth; (v) has a bank account or credit card account or other type of transactional account with a licensed ADI or financial institution offering such facilities; (vi) that:

- owns personally and in respect of personal, domestic or household purposes, or otherwise has an interest in managing a personal, domestic or household financial risk associated with owning, or having an interest in, any one or more of the following items, as defined in the *Corporations Regulations 2001* (**the regulated items**), namely: (a) R.7.1.11 motor vehicle; (b) R.7.1.12 home building; (c) R.7.1.13 home contents; (d) R.7.1.14 sickness and accident; (e) R.7.1.15 consumer credit; (f) R.7.1.16 travel; (g) R.7.1.17 personal and domestic property; and (h) R.7.1.17A medical indemnity.
- is outside the low-economic-resources[i] class:
  - The individual may be in the low-wealth-only class. [ii]
  - The individual may be in the low-income-only class. [iii]
- is not suffering financial vulnerability[iv] at the time of making an application for the product.
- has not suffered financial stress[v] in the 12 months prior to making an application for the product.
- has not been bankrupt in the past seven years prior to making an application for the product.
- is not under a debt arrangement when making an application for the product.
- wishes to acquire a general insurance policy to cover a regulated item.
- does not wish to pay for that general insurance policy up-front and in a lump-sum.
- The ARC likely has personal objectives and is faced with a financial situation or needs that would benefit from:
  - smoothing spending generally.
    - A low-wealth-only classified ARC may have sufficiently high income to (i) acquire an interest in a regulated item and to (ii) manage the financial risk associated with that regulated item using insurance, but only if the cost of the insurance is smoothed.
    - A low-income-only classified ARC may have sufficient wealth to require time to convert some of the wealth, or leverage some of the wealth, in order (i) to acquire an interest in a regulated item and (ii) to manage the financial risk associated with that regulated item using insurance, but only if the cost of the insurance is smoothed.
  - smoothing spending on insurance specifically (managing financial risks in respect of regulated items adequately and appropriately for an ARC regardless of whether the ARC is classified as low-income-only or low-wealth-only or neither).
  - financing the purchase of an asset (the insurance policy as part of managing financial risks in respect of regulated items adequately and appropriately).
  - mitigating potential financial vulnerability, as described in ASIC Regulatory Guide 274, in respect of acquiring regulated items and insurance for regulated items.

What is the Target Market?
The Target Market is any potential customer or customer whom:

- conforms to the description of the Archetype Retail Customer; and
- wishes to finance an insurance premium of an insurance policy for a regulated item using a credit facility in the form of the product.

The Target Market excludes all potential customers or customers:

- conforming to the description of the Archetype Retail Customer but wishing to use the product to finance an insurance premium for insurance other than in respect of a regulated item.
- wishing to finance any insurance premium for insurance (including insurance in respect of regulated items) wholly or predominantly for a business i.e. all businesses (including sole traders, individuals conducting businesses, small businesses as defined in the Corporations Act 2001 or howsoever described) applying or seeking to apply a credit facility incidental to managing risks (i) in respect of (ii) or arising from (iii) or as a business, are excluded.
- not conforming to the description of the Archetype Retail Customer, regardless of the type of risk management product they wish to finance (including all types of insurance).
- wishing to finance something other than an insurance premium for insurance (including insurance or other risk management products for regulated items).

What are the key attributes of the product for ARC / TMD purposes?
Insurance premium funding is a credit facility; it is not a loan.

- The product is a type of credit facility that does not allow for discretionary spending by the ARC. The product may only be used to finance the acquisition of insurance policies and associated or related costs, fees and charges (including the financing of any fees that an intermediary may charge to its client, the ARC).
- Attvest never transfers money for the acquisition of insurance policies directly to the ARC. Attvest either pays the insurance premium money to the insurer / underwriter directly, or to the ARC's intermediary as trustee for the insurer / underwriter.

The product improves access to insurance and the insurance market for the ARC. While insurance is a vital component of the Australian financial system, and critical in promoting the confident and informed participation of investors and consumers in the financial system, the nature of insurance is such that the price of insurance is payable in-full and up-front (policy premium). The ARC, particularly low-wealth-only or low-income-only ARC classes, may be excluded from acquiring adequate and appropriate insurance because the ARC's financial situation or needs cannot accommodate an often relatively significant lump-sum policy premium.

Provided that the ARC satisfies Attvest's opinion of its creditworthiness affirmatively, accessing the product may not require any security for the credit other than the grant of the irrevocable powers of attorney and delegation of rights by the ARC to Attvest contained in the terms and conditions of the product (**PoA**).

- The PoA empowers Attvest to secure the credit facility by, among other things, obtaining the proceeds of the insurance policy (including payment on claims and cancelling the policy to obtain any return premiums) should the ARC default under the terms and conditions of the product.
- The security for the product is assessed against the credit rating of the insurer, qualitative factors in relation to the insurer/underwriter, and the terms and the type of insurance policy that the potential customer or customer informs Attvest it has decided to acquire, the insurance premium of which the potential customer or customer wishes to be funded on credit by Attvest.
- The product may mitigate financial vulnerability, as described in ASIC Regulatory Guide 274, because the PoA operates independently of the ARC (it is irrevocable). For example, it may suit the ARC's needs to have the insurance policy cancelled and the return premium applied to its indebtedness to Attvest without exposing the ARC to further or additional liability consequent to the ARC's financial vulnerability arising after the product has been acquired.

The product does not have any early cancellation fees. The product enables the ARC to cancel the insurance should the ARC decide it no longer requires the insurance (or the ARC ceases to have an interest in an insured regulated item) without necessarily exposing the ARC to further or additional liability as any insurance proceeds such as a return premium must be applied to reduce the ARC's indebtedness to Attvest.

The product is closely aligned to the term of the funded insurance policy (no more than 12 months for general insurance policies in respect of regulated items). While this limits any re-structuring of the credit facility as the insurance policy's value declines over time, it means that the product is unlikely to contribute to an over-extension of the ARC's financial situation or be inconsistent with the ARC's needs.

- A natural person who has experienced financial stress (as defined) in the 12 months prior to applying for the product is excluded from the Target Market and, in any event, is highly unlikely to be financially over-reached because the application will most probably not obtain an affirmative opinion regarding the likelihood of that person being able to meet its undertaking to service the credit facility.

The product is not complex. There are no hidden fees or costs or percentages or complicated mathematical equations for the ARC to understand before using the product. The cost of the product is disclosed up-front in the quotation as the total credit charge that would be payable to Attvest if the ARC is successful in its application for the product. The total credit charge is a fixed fee for the provision of the credit facility that is disclosed to the ARC as a dollar-amount prior to contracting with Attvest. The total credit charge does not change over the term of the credit facility, and does not include dishonour or other default charges. The total credit facility is the sum of the credit that the customer has decided to include in its application (e.g. the insurance policy premium plus the stamp-duty plus the fee charged to the customer by its intermediary plus the application fee plus the credit provision fee) that is financed under the credit facility or the provision of the credit facility. For example:

- Policy Premium = A$5,000 (lump-sum payable to insurer/underwriter)
- Total credit charge = A$237 (credit provision fee + ARC intermediary fees + stamp-duty)
- Total credit facility = A$5,237
- Term of credit facility = 10 months
- Instalments = A$52.37 for 10 months.

Attvest's insurance premium funding, including the product, is exempted from the National Consumer Credit Code and Attvest provides no financial advice (personal or general) and no advice of any kind to the ARC.

- It is highly unlikely that a significant dealing in the product, either by Attvest or a distributor, can occur owing to the defined nature of the regulated items. Anyone applying for the product in respect of a regulated item and whom does not conform with the objective elements of the Distribution Conditions are automatically excluded from the Target Market.
- It is highly unlikely that a significant dealing in the product, either by Attvest or a distributor, can occur owing to the characteristics of insurance premium funding. Anyone applying for the product has made a decision as to the specific insurance policies they wish to fund prior to applying for the credit facility. Attvest has no role in the selection or decisions regarding that insurance policy (Attvest provides no financial advice (personal or general) and no advice of any kind) and receives applications for the product only in respect of specific insurance policies already decided on by a prospective customer or customer.

As insurance premium funding is incidental to the insurance to be funded (whether for a regulated item or otherwise, and including general and life insurances), and the relationship between Attvest and any prospective customer or customer is strictly that of vendor-and-customer, conflicted remuneration payable to Attvest does not arise and other types of conflicts of interest are unlikely to arise (no insurers/underwriters own an interest in Attvest, nor does Attvest own an interest in any insurers/underwriters) as the respective interests of Attvest and the customer are agreed in the credit contract, and no extra or special duties of care arise outside those contractual terms such that conflicts of interest between Attvest and the customer are likely to arise.

Distribution Conditions
The Distribution Conditions for the product are part of the Attvest distribution methodology.

Who can distribute the product?
Only the following persons can distribute the product:

- Attvest; and
- any intermediary of a potential customer or customer (a customer's agent) that:
  - has an appropriate license; and
  - operates a statutory trust account; and
  - is accredited by Attvest under an accreditation arrangement.

An **appropriate license** means:

- an Australian Financial Services License (**AFSL**); or
- an Authorised Representative of an AFSL holder (**A/R**); or
- a current professional services practitioner certificate holder, such as a CPA accountant or an Australian legal practitioner or a court appointed Administrator or Curator, and provided an AFSL or A/R is not mandated for the professional practitioner.

The most common distributors in the Target Market are likely to be accredited intermediaries (insurance brokers or financial services advisers acting for their clients) licensed as AFSL holders or A/Rs and party to accreditation arrangements with Attvest.

Attvest does not distribute the product to potential customers through direct solicitation or 'cold call' sales and does not encourage direct sales to persons who are likely in the Target Market. Potential customers may seek to deal directly with Attvest, but Attvest has no facilities for telesales or similar types of active selling other than its publicly available web service (passive 'on-line' marketing) and direct telephonic or written inquiry from potential customers, and initiated by potential customers.

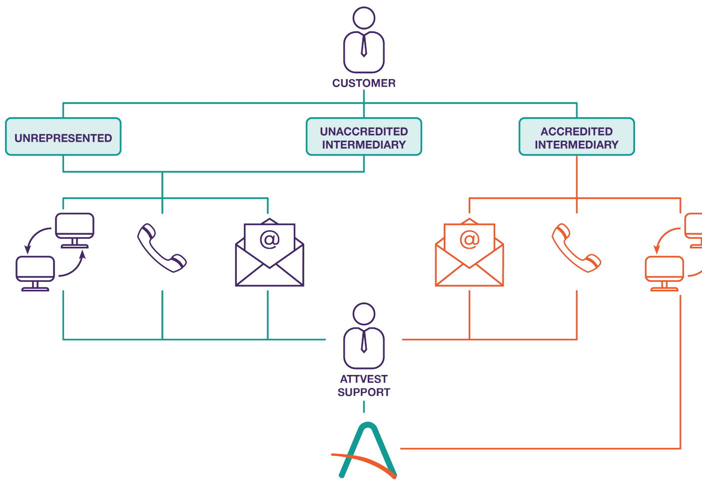
To whom can the product be distributed?
The product can only be distributed to potential customers or customers who apply for the product using the Attvest distribution methodology and whom are in or are likely to be in the Target Market.

What is the Attvest distribution methodology?
The Attvest distribution methodology includes that part of Attvest's proprietary information technology system through which the product may be applied for or accessed (the **Attvest API**), and which embeds this TMD in all applications for Attvest insurance premium funding credit facilities using Attvest's *Applicant Self-Assessment* process.

The Attvest API has three different access points (public; accredited intermediary; internal) integrated to ensure that Attvest's *Applicant Self-Assessment* process channels the applicant towards the product if the customer is likely to be in the Target Market, regardless of how the product is being distributed.

If Attvest's *Applicant Self-Assessment* process indicates the applicant is not likely to be in the Target Market, the applicant is automatically channelled by the Attvest API towards insurance premium funding facilities that are not the product.

What is Attvest's *Applicant Self-Assessment* process?
Attvest's *Applicant Self-Assessment* process is a proprietary solution comprising among other things a series of simple questions designed so that the answers of the applicant will reasonably and automatically channel the applicant: (i) towards the product if the applicant is likely to be in the Target Market; or (ii) away from the product if the applicant is likely to be outside the Target Market.



As soon as the applicant enters the Attvest API (regardless of which access point is used) the applicant will begin Attvest's *Applicant Self-Assessment* process which comprises, among other things, binary (yes/no) answers to questions that reasonably indicate:

- whether the applicant conforms to the description of the ARC; and
- whether the applicant is seeking financing for an insurance policy in respect of the regulated items.

How does the Attvest distribution methodology address the distributor's obligations?

Attvest's *Applicant Self-Assessment* process is an integral component of an application for an Attvest credit facility which, when combined with the Attvest API design, reasonably ensures that a distributor's obligations:

- not to engage in distribution conduct in relation to the product unless it is engaging in excluded conduct or a TMD is not required;[vi] and
- to take reasonable steps that will, or are reasonably likely to, result in distribution being consistent with the most recent TMD (unless the distribution is excluded conduct),[vii]

are automatically and accurately documented thereby ensuring, among other things, that the distributor has special access to such records as part of the accreditation arrangements between Attvest and the distributors.

A distributor who uses the Attvest API (accredited intermediary) to arrange insurance premium funding for its client will have special access to records[viii] of:

- the distributor's dealings with customers (distributor's clients) who make use of the product, including the information recorded by the Attvest *Applicant Self-Assessment* process (which includes information specified by Attvest in this TMD); and
- any complaints received from the distributor's client (customers) about the product, whether those complaints were made directly to Attvest or lodged by the distributor for its client; and
- special distributor access through the Attvest API (accredited intermediary) to notify Attvest of any actual significant dealings in the product that are inconsistent with the TMD and of which the distributor may become aware.

Review and Reporting

The Attvest distribution methodology ensures near real-time reporting for distributors and thus does not require the distributors to report periodically to Attvest in order for Attvest to identify whether the TMD needs to be reviewed. Attvest will collate and review quarterly reports from the Attvest API on customer complaints about the product (**Product Complaints Quarterly Review report** or **PCQR report**). Attvest will use the PCQR report and other events or circumstances to review this TMD and determine whether it remains appropriate or requires amendment to ensure its appropriateness.

Review Trigger	Review
Complaint	Attvest's API flags a specific complaint about the product that likely impacts whether the TMD remains appropriate. As soon as practicable, but no more than ten business days after the flag date, Attvest to review to establish whether (i) the complaint *if it were affirmed* would likely render the TMD inappropriate; and (ii) if so, determine whether TMD would remain appropriate / adjustment to Attvest distribution methodology required. The complaint itself: (i) does not need to be finally determined to trigger a complaint review; and (ii) does not determine whether the TMD is appropriate or not.
Distribution methodology	On the annual review or any *ad hoc* review of Attvest's credit facility terms and conditions (including the Retail credit facility contracts) or annual review or *ad hoc* review of Attvest's information technology systems that may materially affect the distribution methodology. Determination of appropriateness / adjustment to Attvest distribution methodology to be completed by Attvest before and as part of the implementation of any changes in respect of the Attvest credit facility terms and conditions or Attvest's information technology systems.
PCQR report	On production of a PCQR report. Determination of appropriateness / adjustment to Attvest distribution methodology to be completed by Attvest before the end of the calendar Quarter following the issue date of the relevant report.
Periodic review	The first periodic review will take place within twelve months of the effective date of the TMD, and must be completed no later than the end of the calendar Quarter following the commencement of the periodic review (first review completed within 15 months of the effective date). Thereafter, each periodic review will take place within twenty-four months of the preceding periodic review, and must be completed no later than the end of the calendar Quarter following the commencement of that periodic review (successive periodic review completed within each 27 month cycle).
Regulatory: changes to ASIC RG 274	If ASIC RG 274 is changed and such changes are likely to materially impact on insurance premium funding. Determination of appropriateness / adjustment to Attvest distribution methodology to be completed by Attvest before the end of the calendar Quarter following the date of publication of the changed regulatory guide, or as determined by ASIC.
Regulatory: changes to the law	If Attvest's regulatory status or the statutory definitions used in the TMD are changed by Parliament, or interpreted by an Australian court of law to mean something materially other than they mean at the effective date of the TMD; or the general law concepts are changed by Parliament, or interpreted by an Australian court of law to mean something materially different than meant at the effective date of the TMD. Determination of appropriateness / adjustment to Attvest distribution methodology to be completed by Attvest before the end of the calendar Quarter following the date of the relevant change by Parliament, or as determined by Parliament or ASIC, or before the end of the calendar Quarter following the date on which Attvest became aware of the relevant change by an Australian court of law, or as determined by an Australian court of law or ASIC.

[i] As determined by the Attvest *Applicant Self-Assessment* process.
[ii] As determined by the Attvest *Applicant Self-Assessment* process.
[iii] As determined by the Attvest *Applicant Self-Assessment* process.
[iv] As determined by the Attvest *Applicant Self-Assessment* process.
[v] As determined by the Attvest *Applicant Self-Assessment* process.
[vi] Section 994D of the *Corporations Act*.
[vii] Section 994E(3) of the *Corporations Act.*
[viii] Section 994F(3) of the *Corporations Act*.