

TARGET MARKET DETERMINATION



COMMERCIAL MOTOR

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This document is the Target Market Determination (**TMD**) for Insuret Commercial Motor Insurance (**Insurance**) distributed by Insuret Pty Limited (**Insuret**) ABN 42 126 793 379 AR316981, authorised representative of the issuer, The Hollard Insurance Company Pty Limited (**Hollard**) ABN 78 090 584 473, AFSL 241436 (together '**we**'). This TMD was prepared on 1 September 2021.

We take a consumer-centric approach to the design and distribution of insurance products to make sure that our products are suitable for the consumers who buy them.

Purpose of this document

The purpose of this TMD is to describe the class of customers for which the Insurance has been designed and to specify distribution conditions, which together ensure that the Insurance is likely to be consistent with the likely objectives, financial situation and needs of those consumers.

It's important to note that this TMD doesn't take anyone's personal circumstances into account. Even if you are a consumer in the target market, and we offer the Insurance to you, that doesn't necessarily mean that it is appropriate for your personal circumstances. No one knows your situation better than you, so before you make any decisions about the Insurance, you should read and consider the Product Disclosure Statement (**PDS**) which provides complete information about the Insurance, including coverage, exclusions, excesses, limitations, terms and your rights and obligations to decide if the Insurance is right for you.

Also, this TMD doesn't include all the factors we consider when we decide whether to issue a policy. For example, we have a set of underwriting criteria we use to assess whether a risk is of a type or level we wish to insure. These factors may change over time or in different circumstances. We apply these factors when we decide whether to offer, issue, renew or agree to vary a policy.

What insurance does Insuret Commercial Motor Insurance provide?

The Insurance is designed to provide insurance cover to commercial businesses that operate a fleet of motor vehicles for use in relation to that commercial business (**Commercial Fleet**).

The Insurance provides cover to manage one or more of the following risks arising from the use of the Commercial Fleet (**Fleet Risks**):

- Loss or damage to the Commercial Fleet;
- Legal liability for damage caused to other people's property.

There are two types of cover available under the Insurance:

Comprehensive Cover, which provides cover against loss or damage to the Commercial Fleet arising from accident, collision, theft, fire, storm, or malicious damage. This cover also includes Third Party Property Damage Cover.

Third Party Property Damage Cover, which provides cover against legal liability for damage caused to other people's property arising from the use of the Commercial Fleet. This cover provides no insurance for damage to the Commercial Fleet regardless of who is at fault.

The Insurance does not provide any cover for loss of income that may result from a vehicle in the Commercial Fleet being damaged and therefore not available for use, however, Comprehensive Cover provides up to \$1,500 to hire a substitute vehicle if a vehicle in the Commercial Fleet is unable to be driven as a result of a covered event.

What is the target market for Commercial Motor Insurance?

The target market for the Insurance is:

- ✓ commercial businesses which;
- ✓ own a Commercial Fleet; and
- ✓ require insurance to manage Fleet Risks.

The Insurance is not designed for:

- × commercial enterprises that have Commercial Fleets that are used as tools of trade, such as excavators or other special use vehicles;
- × commercial enterprises that operate vehicle fleets in order to provide vehicles to individuals or business in exchange for fees or subscription payments;
(These enterprises may be in the target market for our Mobility Fleet Insurance.)
- × private individuals who use their vehicle(s) for personal use or to provide services, including ride share or other personal transport and delivery services (such as Uber Eats).

Commercial Businesses

The Insurance is designed for businesses that use their Commercial Fleet in relation to that business.

That means the target market is made up of commercial enterprises that operate a Commercial Fleet which they use as part of that business in relation to, or for the purpose of, the provision of goods and services to customers.

This includes, but is not limited to commercial businesses that:

- ✓ provide vehicles to their staff and employees, for example, sales representatives; and
- ✓ offer a deliver option to their customers for the goods or services they provide;
- ✓ offer a delivery service to other businesses.

Own a Commercial Fleet

A Commercial Fleet is:

- ✓ a fleet of motor vehicles registered for use on public roads within Australia;
- ✓ owned (including vehicles subject to finance) or leased by the commercial business;
- ✓ for use by the business and its staff and employees;
- ✓ to be used primarily in relation to the business; and
- ✓ used primarily to transport people and/or goods on public roads.

A Commercial Fleet is not a fleet of vehicles:

- × used as tools of trade, such as excavators or other special use vehicles; or
- × used off road or used primarily on private property, including mines; or
- × a pool of vehicles solely used for private and not commercial use.

Manage Fleet Risks

The Insurance is designed to manage Fleet Risks.

That means the target market is made up of commercial enterprises that wish to take out insurance to manage one or more of the Fleet Risks.

The Insurance is not designed for:

- × commercial enterprises that do not require insurance to manage Fleet Risks; or
- × commercial enterprises that wish to self-insure.

What is the target market for each type of cover?

Comprehensive Cover

Comprehensive Cover provides insurance for loss or damage that is the fault of the driver of a vehicle in the Commercial Fleet. It covers loss or damage to the vehicle in the Commercial Fleet and also includes Third Party Property Damage Cover.

The target market for Comprehensive Cover is customers who require insurance to manage the risk of loss or damage to the Commercial Fleet.

This includes customers who require insurance when loss or damage to a vehicle in the Commercial Fleet:

- ✓ is the fault of the driver of the vehicle in the Commercial Fleet; or
- ✓ is caused by another person who is:
 - not able to be identified; or
 - is uninsured and is unable to pay for the loss or damage.

Third Party Property Damage Cover

Third Party Property Damage cover (**TPPD**) provides insurance for legal liability for damage caused to other people's property, including other vehicles, arising from the use of a vehicle in the Commercial Fleet. If the driver of a vehicle in the Commercial Fleet is legally responsible for an accident that results in damage to other people's property, TPPD will pay to repair the damage. TPPD does not cover loss or damage to vehicles in the Commercial Fleet in any circumstances.

The target market for Third Party Property Damage Cover is customers who require insurance to manage the risk of legal liability for damage caused to other people's property arising from and caused by the use of vehicles in the Commercial Fleet.

What key attributes help refine the target market?

The target market for the Insurance includes customers who are likely to obtain value from the following key attributes. The Distribution Conditions for the Insurance have been designed to ensure that customers who are eligible to take up the Insurance are within the target market, as refined by these key attributes, which ensures that the Insurance is likely to be consistent with the likely objectives, financial situation and needs of those consumers.

The information below explains when and how each key attribute is likely to be consistent with the likely objectives, financial situation and needs of customers in the target market. It is not intended to be a full description of each key attribute. Further information about each key attribute is set out in the PDS.

Choice of Market Value or Sum Insured Value

Comprehensive Cover allows customers to choose the basis for the amount of cover based on their nominated sum insured or the market value at the time of the loss. This key attribute is most likely to be relevant in the event of a total loss.

Market value is worked out by using information about each vehicle in the Commercial Fleet, including the age, make, model, condition and kilometres travelled and includes an allowance for the accessories and modifications that we have agreed to insure.

Sum Insured is offered in some circumstances by agreement with the customer to determine the maximum amount they will receive in the event of a total loss, which may be equal to or lower than the market value of the damaged vehicle in the Commercial Fleet. This option may be applied to specific vehicles or equipment, or is suitable for customers who may not require cover for the full market value of the Commercial Fleet. Choosing to nominate the Sum Insured may affect the premium.

This key attribute is therefore suitable for circumstances where identifying a market value is not practical or when customers wish to determine a maximum sum insured value for each vehicle in the Commercial Fleet.

Finance Contract Gap

Comprehensive Cover provides additional cover up to 25% of the market value of the damaged vehicle in the Commercial Fleet in the event of a total loss and the remaining obligations under the finance contract for that damaged vehicle exceeds the market value.

Comprehensive Cover may be therefore suitable for customers who have finance over some or all of their Commercial Fleet and wish to obtain cover to pay up to 25% above the market value of a financed vehicle in the Commercial Fleet in the event of a total loss.

Windscreen Cover

Comprehensive Cover includes excess free window glass replacement up to \$1,250 for vehicles in the Commercial Fleet with gross vehicle mass (gvm) of 3.5 tonnes or less. This benefit is included for no extra cost.

Comprehensive Cover is therefore suitable for customers with vehicles in the Commercial Fleet which have a gvm up to 3.5 tonnes and require excess free window glass replacement, up to \$1,250, to be included in the cover.

Distribution conditions

New policies

The Insurance is distributed by Insuret as the Authorised Representative of Hollard, the insurer.

Before you purchase the Insurance, you will be asked a series of questions designed to help us decide:

- if you are in the target market;
- if you meet our underwriting guidelines; and
- what premium we should charge.

We have a range of supervision and monitoring procedures and contractual arrangements with Insuret to ensure that customers are asked these questions and that they are only offered the Insurance if they are likely to be in the target market for the type of cover and applicable key attributes.

Renewals

Before a policy expires, we will consider:

- the information you previously provided to us;
- updates to that information;
- likely changes in the market value of the fleet vehicles; and
- other potential changes.

Based on this information, we will consider whether it's likely that you are in the target market for your current type of cover and applicable key attributes and whether we will offer renewal. In making this assessment, we will have regard to the likely impact on customers of offering cover to customers who are not in the target market and of other various alternatives.

As part of the renewal process, we will contact you to confirm the information we have that is relevant to assessing whether you are in the target market and whether we will offer to renew your policy (or notify you that we will not renew). If we believe that you are not likely to be in the target market for your current type of cover, or if we decline to renew, we will explain this clearly and prominently.

If, having been sent our renewal communication, you contact us with any changes or instructions, accept the renewal offer and/or allow a renewal to proceed on the terms offered, we will take that into account in determining whether you are likely to be in the target market.

TMD Reviews

We will review this TMD regularly to make sure it remains appropriate. The first review will be within 12 months of the date it is prepared, and then within 3 years of completion of the previous review thereafter.

As well as our regular reviews, additional reviews may be triggered if we determine that there has been an event or circumstance that reasonably suggests that this TMD needs to change. This would be the case if it's no longer reasonable to conclude that:

- if the Insurance is issued to a customer in accordance with the distribution conditions, it would be likely that the customer is in the target market; or
- the Insurance is likely to be suitable for customers in the target market.

Review triggers could be identified from:

- changes to the Insurance terms;
- compliance incidents and internal audit findings;
- information received from and/or in relation to distributors (see below);
- changes to our underwriting guidelines, pricing, or reinsurance requirements; and
- feedback and policy from ASIC, AFCA, Code Governance Committee and/or other relevant bodies.

We take reasonable steps to monitor relevant information (including the information referenced above) and other metrics to assess if our TMD needs to be reviewed and reassessed.

Reporting obligations

Insuret is required to report the following information to Hollard at the following times:

Reportable matter	When
The number of policies sold or renewed that are not within the target market.	As soon as practicable after becoming aware of the matter, and no later than 10 business days.
The number of policies sold.	On a monthly basis.
Responses and response rates on client communications (including renewals).	On a monthly basis.
Lapse rates and cancellation rates.	On a monthly basis.
Product claim ratios.	On a monthly basis.
The number, nature and magnitude of paid, denied and withdrawn claims.	On a monthly basis.
The frequency and amount of excesses paid.	On a monthly basis.
Data on why claims have been withdrawn or denied.	On a monthly basis.
The Product is issued to a client in breach of the distribution conditions or outside of the target market.	As soon as practicable after becoming aware of the matter, and no later than 10 business days.
The nature and number of complaints received about the Product in the reporting period.	On a monthly basis.
If there are any significant dealings that are inconsistent with the TMD.	As soon as practicable after becoming aware of the matter, and no later than 10 business days.
Any compliance incident relating to the Product or its distribution.	As soon as practicable after becoming aware of the matter, and no later than 10 business days.