VIRGINIA SURETY COMPANY, INC.

Residual Protection Cover

Product Disclosure Statement and Policy Wording

Product Disclosure Statement
Prepared on 15 September 2017

Insurer:

Virginia Surety Company, Inc. (ARBN 080 339 957)
Australian Financial Services Licence number 245579

Section 1:Product Disclosure Statement

Important Information About This Policy

The Purpose Of This Product Disclosure Statement

The purpose of this Product Disclosure Statement (PDS) is to give You the information You require to make an informed decision about whether or not to apply for the Cover provided by Residual Protection Cover. Before deciding to purchase this Policy, You should read this PDS and Policy carefully to understand the Cover provided by the Policy. This PDS details the significant features of the Policy, including the Policy's benefits, risks and information about how the insurance premium is calculated. The information is general and does not take account of Your individual needs.

This PDS, in addition to the Proposal & Policy Schedule, forms Your contract of insurance with Us. Provided You have paid the premium, We will insure You during the Period of Cover subject to the terms, conditions and exclusions set out in this PDS.

Capitalised terms and expressions used in this PDS have the meanings given to them at the beginning of the Policy Wording in Section 2.

We recommend that You store these documents in a safe place.

Who Is The Insurer?

This insurance Policy is issued and underwritten by Virginia Surety Company, Inc. (VSC) (ARBN 080 339 957) of Level 2, 693 Burke Road, Camberwell VIC 3124. In this PDS, the insurer is called 'We', 'Us' or 'Our'. We hold an Australian Financial Services Licence, number 245579.

You can contact Us:

- by phone on 1300 654 665
- by writing to Us at PO Box 246, Balwyn VIC 3103
- by emailing Us at vscau@thewarrantygroup.com.

The Warranty Group Australasia Pty Ltd (The Warranty Group) (ABN 37 005 004 446) administers the Policy on Our behalf.

In effecting this insurance Policy, the Distributor is acting as an agent of the Australian Financial Services Licensee who authorised the Distributor to distribute this Policy, and not as Your agent. Details of the Australian Financial Services Licensee who authorised the Distributor to distribute this Policy are set out in the Financial Services Guide that the Distributor will provide to You. Some of Your insurance premium is paid to the Distributor as commission. Details of the commission received by the Distributor are also set out in the Financial Services Guide that the Distributor will provide to You.

Residual Protection Cover

This insurance has been designed for Vehicles purchased with a Finance Contract that travel up to 50,000 kilometres on average per year over the Period of Cover. This Cover provides financial protection, up to the Policy's maximum benefit of $20,000, whereby at the end of Your Finance Contract should the Fair Sale Price of Your Vehicle be less than the ATO Discounted Value, We will pay You the Shortfall being the difference between the ATO Discounted Value and the Fair Sale Price.

If the Fair Sale Price is greater than the ATO discounted Value, no benefit is payable by the Policy.

Calculations take account of the kilometres Your Vehicle has travelled and the fair wear and tear condition of the Vehicle as defined in the Fair Wear & Tear guide issued by the Australian Fleet Lessors Association Incorporated ABN 78 059 998 533, which may be viewed on the following website: www.afla.com.au

It is important to note that to qualify for consideration for a Shortfall amount the Finance Contract must run for no less than two years and the Vehicle must not have travelled more than 50,000 kilometres on average per year. Please read this PDS, including the Policy Wording, carefully to understand when the Policy will Cover Your Shortfall and when it will not.

Residual Protection Cover is not compulsory and it is not a condition of Your Vehicle purchase that You have this insurance. If You do choose to take out a Residual Protection Policy, You may do so with any insurer.

To Be Eligible For This Policy You Must:

• Be at least 21 years of age.

• Be a resident of Australia.

• The Vehicle Purchase Price must be less than $120,000.

• The Vehicle must have travelled no more than 50,000 kilometres on average per year.

• The Vehicle must be less than 5 years old at policy commencement.

• The Vehicle must have a carrying capacity of less than 2 tonnes.

• The Vehicle must be comprehensively insured.

• The Vehicle must be Financed.

• The Finance Contract must be for at least 2 years and not longer than 5 years.

Significant Features

The Policy has the following significant features and benefits:

• The Period of Cover can be 2,3,4 or 5 years but must match the Finance Contract term.

• The Policy provides a level of protection against depressed economic conditions impacting the Fair Sale Value of Your Vehicle.

• The benefit is used to help with the payout of Your Finance Contract.

Period of Cover

The Period of Cover is normally the Policy Term. However, Your Cover will end earlier if certain events occur – for example, when You cancel the Policy, You terminate Your Finance Contract early or when the Vehicle is deemed a total loss by your comprehensive insurer. You should refer to the circumstances in which Your Cover will end, which are listed in the 'When Am I Covered' section of the Policy Wording.

Significant Risks

You should be aware of the following risks associated with the Policy:

Disclosure Obligations: Failure to comply with disclosure obligations may have consequences in relation to the Cover being provided or may affect a Claim being paid. These consequences are outlined under 'Your Duty of Disclosure' in the Policy Wording.

Policy Coverage: Our liability under this Policy is excluded in certain circumstances. In order to understand when the Policy will Cover You and when it will not, You should carefully read the 'Policy Coverage' and 'Policy Exclusions' sections of the Policy Wording.

Policy Benefit Limit: The maximum We will pay for the Cover is detailed in the 'Maximum Policy Benefit' section of the Policy Wording. A benefit is only payable if there is a Shortfall. In the event that there is no Shortfall, no benefit is payable under this Policy.

Claim Restriction: You can only claim at the end of the full term of Your Finance Contract or if You cease Your Finance Contract early, after its initial two years.

Cancellations: There is no premium refund when the Policy is cancelled after two years.

How To Apply

To apply for Cover, the Proposal & Policy Schedule will need to be completed via Our electronic system by the Distributor. Upon completion You will be given a copy of the Proposal & Policy Schedule detailing the Cover purchased.

What Is The Cost?

The premium payable for Your Policy will be shown on Your Proposal & Policy Schedule.

You will also be required to pay a one-off fee of $110 (inclusive of GST) upon cancellation of Your Cover (other than during the cooling-off period).

Taxation Information

Premiums are subject to Goods and Services Tax (GST) and stamp duty imposed by Commonwealth and State Governments. GST will also affect any Claim You make under this Policy. Please refer to the 'GST on Claims Payments' section in the Policy Wording for full details.

Generally, Your premiums are not tax deductible and Claims payments are not assessable income for tax purposes unless You purchase Your Policy for business purposes and Your Vehicle is registered for business purposes. This taxation information is a general statement only. You should seek professional taxation advice for information about Your personal circumstances.

Your Duty Of Disclosure

When entering into a Policy of insurance, We rely on the information You provide to Us. You are required to be truthful in answering Our questions. You must tell Us anything known to You, or that should be known by You, that could affect Our decision to insure You. Please refer to the full details under 'Your Duty of Disclosure' in the Policy Wording.

Cooling Off Period

You may cancel Your Policy within 28 days of receiving Your Proposal and Policy Schedule.
If You wish to cancel Your Policy during this period, You must notify Us in writing. If You do so, We will refund the premium in full.

To cancel Your Policy at other times, please refer to the 'How Can Your Policy Be Cancelled' section in the Policy Wording.

Dispute Resolution

Should You have a concern relating to any area of Our business or Your Policy, You may request that it be dealt with by the supervisor or manager directly responsible for that area. If Your complaint is not resolved by the supervisor or manager, Your complaint may then be referred to Our Internal Dispute Resolution Panel. You can contact Our Internal Dispute Resolution Panel:

• by phone on 1300 654 611;
• in writing to PO Box 246, Balwyn VIC 3103; or
• by emailing Us at customerfeedback@thewarrantygroup.com .

We will respond to Your complaint in writing provided We have all the necessary information. If You are not satisfied with the outcome and the matter is not related to use of Your personal information, You may refer the matter to the Financial Ombudsman Service (FOS). The FOS may be contacted:

• by phone on 1800 367 287 (free call);
• by fax on (03) 9613 6399;
• by post: GPO Box 3, Melbourne VIC 3001;
• by emailing them at: info@fos.org.au; or
• on the web http://www.fos.org.au.

The FOS provides an independent service which will investigate Your complaint and provide a ruling at no cost to You.

How To Make A Claim

A claim may only be made at the end of the full term of Your Finance Contract or if You cease Your Finance Contract early after its initial two years. You should refer to the 'How To Make A Claim' section in the Policy Wording for the information regarding making a Claim under the Policy.

The General Insurance Code Of Practice

Virginia Surety Company, Inc. adheres to the General Insurance Code of Practice (Code). The Code was developed with the objective of raising the standards of service and practices in the insurance industry to a level that seeks to achieve total customer satisfaction. The Code aims to improve the quality of Policy documentation and information provided to consumers; employee and agent training; Claims handling and dispute resolution. Please contact Us on 1300 654 611 if You would like to obtain a copy of Our brochure on the Code.

Your Privacy

Virginia Surety Company, Inc. is bound by the Privacy Act 1988. In order for Us to provide You with insurance We need to collect certain personal information about You. We collect personal information from You and Our business partners and service providers in connection with the insurance. Collection of Your personal information from Our business partners and service providers usually occurs at the point of sale of the insurance. If You do not provide Us with this information Your application may not be processed or, We may not be able to administer claims or handle inquiries in connection with the insurance. The purposes for which We collect Your personal information are to provide the insurance, handle inquiries about the insurance, for security checks to verify Your identity, to administer claims and related, secondary or ancillary purposes. The personal information We collect may be disclosed to assessors, loss adjusters, and other service providers who perform activities in connection with the purposes for which We collect, as well as companies within The Warranty Group including Our companies in the UK, USA, Japan, China and New Zealand. In accordance with Our Privacy Policy You have rights of access to, and correction of, Your personal information upon request. You also have the right to complain about Our management of Your personal information, which is also detailed in Our Privacy Policy. If You would like a copy of Our Privacy Policy, would like access to the information We have about You or wish to make a complaint, please contact Our Privacy Officer on 1300 654 611 or visit http://virginiasurety.com.au/privacy-policy/ . By submitting a Proposal & Policy Schedule, You consent to Us managing Your personal information in accordance with Our Privacy Policy.

Financial Claims Scheme

If We become insolvent, this Policy may be protected under the Federal Government's Financial Claims Scheme administered by APRA. This means that if You meet certain eligibility criteria You may receive payment under the scheme. For more information please refer to the following website: https://www.fcs.gov.au .

Subrogation

When We pay a Claim under the Policy, We have the right to take over and enforce any right You may have to recover the loss from another party. We may do this in Your name and You have an obligation to assist Us as required.

Section 2: Policy Wording

Definitions

Some words have a special meaning in this Policy and PDS. These words are listed below.

APRA: means the Australian Prudential Regulation Authority.
ATO: means the Australian Taxation Office.
ATO Discounted Value: means the Vehicle Purchase Price multiplied by the relevant minimum residual percentage stated in the following table (this table is subject to change in line with any changes prescribed by the ATO) :

End of Policy Term	Minimum Residual Percentage
2	56.25%
3	46.88%
4	37.50%
5	28.13%

Where the term of Your Finance Contract is not in whole years, the above percentage will be adjusted down by 0.7812% for each month, over the whole Year. For example, if the Finance Contract is for 3 years and 2 months, the relevant Minimal Residual Percentage would be [46.88% - (2 months * 0.7812%) = 45.3176%]. If the Finance Contract is for 4 years and 6 months, the relevant Minimum Residual Percentage would be [37.50% - (6 months * 0.7812%) = 32.81728%]. The ATO Discounted value will be adjusted if You cease Your Finance Contract early. It will also be adjusted if You travel more than an average of 30,000 kilometres per annum.

The ATO Minimum Residual Percentage will be reduced if Your Vehicle travels between 30,001 kilometres and 50,000 kilometres on average per year over the Period of Cover. The applicable percentage reduction is detailed in the following table:

Average Per Year Kilometres Travelled	Percentage Reduction
Up to 30,000	Nil
30,001 to 40,000	10%
40,001 to 50,000	15%
50,001 or more	No Cover Provided

The relevant percentage will be deducted from the ATO Minimum Residual Percentage. For example, if the applicable ATO Minimal Residual Percentage was 56.25% for a two year term, but Your Vehicle's average per year kilometres travelled was 33,000 kilometres, then the applicable ATO Minimal Residual Percentage is adjusted to 46.25%.
Claim: means an application for a benefit to be paid in relation to a Claim under the Cover provided by this Policy.
Cover: means the protection provided by the Policy.
Distributor: means the person or entity introducing You to the Policy.
Fair Sale Price: means the trade value that a franchise motor vehicle dealer in the nearest capital city to Your place of residence would pay for the Vehicle at auction or when traded in a similar new vehicle taking into consideration the kilometres the Vehicle has travelled and the condition of the Vehicle. This value is described in the publication 'Glass's Guide Autocomplete' by Glass's Information Services Pty Ltd ABN 44 004 382 478. The Fair Sale Price may not be reduced by damage to the Vehicle or mechanical fault that is not considered fair wear and tear as determined by the 'Fair Wear & Tear Guide' issued by the Australian Fleet Lessors Association Incorporated ABN 78 059 998 533. If We deem it necessary We reserve the right to obtain an independent assessment and valuation report.
Finance Contract/Financed: means the finance contract arranged for the purchase of Your Vehicle, as specified in the Proposal & Policy Schedule. Where a finance contract is structured to have monthly payments made in arrears, the final finance contract payment will occur one month after the end of the Period of Cover. For these types of finance contracts, the Policy Cover will be extended to the extra month even though the extra month is not reflected in the Period of Cover.
Financier: means the financial institution You have stated in the Proposal & Policy Schedule.
Insured: means the person named in the Proposal & Policy Schedule as the Insured.
Period of Cover: means the period of Cover as stated on the Proposal & Policy Schedule, but subject to the termination events specified in 'The End of Your Cover' section of the Policy Wording.
Policy: means this Residual Protection Cover PDS and Policy Wording together with Your Proposal & Policy Schedule.
Policy Exclusions: means the circumstances which the Policy does not cover, as set out under the heading 'Policy Exclusions' in the Policy Wording.
Policy Term: means a period between 2 and 5 years corresponding to the Finance Contract term.
Policy Wording: means the policy wording set out in Section 2 of this PDS.
Proposal & Policy Schedule: refers to the form on which You provide information about Yourself and the Cover that You have chosen, and includes any written amendments We send You.
Rule of 78: means the method of earning the premium over the term of the Policy. The earnings are higher in the earlier months and gradually reduce over time.
Shortfall: means the positive difference between the ATO Discounted Value and the Fair Sale Price.

Vehicle: means the vehicle described in the Proposal & Policy Schedule, which has a carrying capacity of up to 2 tonnes.
Vehicle Purchase Price: means the lesser of the total cost to acquire Your Vehicle or the manufacturers recommended retail price. The Vehicle Purchase Price is not to include any negative equity. The Vehicle Purchase Price includes registration costs, stamp duty and delivery charges but does not include GST.
We, Us, Our: means Virginia Surety Company, Inc. (ARBN 080 339 957)
You, Your: means the person named as the Insured in the Proposal & Policy Schedule and named in the Finance Contract.

Your Duty Of Disclosure

What You must tell Us and why: When entering into a policy of insurance with Us You must answer Our questions truthfully and You have a duty under law to tell Us anything known to You and which a reasonable person in the circumstances would include in response to Our questions. We will use Your answers to decide whether or not to insure You and anyone else named on the Policy, and on what terms We will provide Cover.
Who needs to tell Us: It is important that You understand You are answering questions for Yourself and those answers will affect anyone else You want to be covered under the Policy. You have the same duty to disclose this information to Us before You, extend, vary or reinstate the Policy.
If You do not tell Us: If You do not answer Our questions in this way We may reduce or refuse to pay a Claim, or cancel the Policy. If You answer Our questions fraudulently, We may refuse to pay a Claim and treat the Policy as never having existed.

Ongoing Disclosure

Cover provided by Your Policy will cease if You terminate Your Finance Contract early or dispose of the Vehicle prior to the end of the Finance Contact. You need to advise us of these events.

Maximum Policy Benefit

The maximum Shortfall amount We will pay for a Claim under the Policy is $20,000.

Policy Coverage

Your Finance Contract must run for a minimum of two years to be eligible to make a claim on Your Policy. This Policy provides Cover against the Fair Sale Price of the Vehicle being less than the ATO Discounted Value at the end of Your Finance Contract. This difference is referred to as the Shortfall. We will pay the Shortfall up to the Maximum Policy Benefit.

You can only claim at the end of the full term of Your Finance Contract or if You cease Your Finance Contract early after its initial two years. In addition Your Vehicle must not have travelled more than 50,000 kilometres on average per year.

Policy Exclusions

Our liability to pay a Shortfall Claim is excluded in the following circumstances:

- Your Finance Contract is terminated after less than 2 years; or
- There is no positive Shortfall; or
- The Vehicle is sold before Your Finance Contract concludes; or
- You are no longer a resident of Australia; or
- Where Your Finance Contract has not ended or You have not ceased it early; or
- The Vehicle has travelled more than 50,000 kilometres on average per year; or
- Where the Vehicle has been or is being used for conveyance of passengers for reward, used for rent or hire, used for delivery or courier services for reward, used by police or emergency services; or
- Where the Vehicle exceeds carrying capacity of 2 tonnes: or
- You have not notified us within 30 days of the Policy Term expiring; or
- You have not notified us within 30 days that You wish to terminate Your Finance Contract after 2 years but before the Finance Contract's full term;
- Where the Vehicle Purchase Price exceeds $120,000 in value at Policy commencement; or
- Where the Vehicle is deemed a total loss by Your comprehensive insurer.

When Am I Covered?

The Policy Term is generally the Period of Cover but in certain circumstances the Period of Cover may end earlier. Provided You have paid the premium, We will insure You during the Period of Cover subject to the terms, conditions and exclusions set out in this PDS.

The start of Your Cover

Your Cover will commence on the date the Proposal and Policy Schedule is issued to You.

The end of Your Cover

Your Cover will end when any of the following occurs:

• the Policy is cancelled (see section below titled 'How can Your Policy be cancelled?');
• the Policy Term expires;
• payment of a claim is made under the Policy;
• Your Finance Contract ends or You have ceased it early;
• the Vehicle has an average mileage of more than 50,000 kilometres per year;
• You no longer own the Vehicle;
• the Vehicle is deemed a total loss by your comprehensive insurer; or
• You cease to be an Australian resident.

How Can Your Policy Be Cancelled?

Cooling-Off Period: You may cancel Your Policy during the cooling-off period. See page 4 for details.

Other Cancellations:

Cancellation by You

You may cancel this Policy at any time:

• by writing to Us at PO Box 246, Balwyn VIC 3103; or
• by emailing Us at vscau@thewarrantygroup.com.

Cancellation will be effective from the date We receive Your request. Upon cancellation, no premium is refunded if a claim has been paid or You cancel Your policy after 2 years from its inception. We will retain a requisite amount of the premium together with our cancellation fee of $110 (inclusive of GST). We use the Rule of 78 to determine what refund is due.

If You elect to cease the Finance Contract early, but after a minimum elapsed time of 2 years, You must notify Us within 30 days of Your intention to cease the Finance Contract early. You will need to advise Us of Your odometer reading.

Cancellation by Us

We may cancel this Policy by giving You notice in writing in accordance with the Insurance Contracts Act 1984 for reasons including:

- non-disclosure;
- failure to comply with the conditions of this Policy;
- misrepresentation;
- non-payment of premium.

If We cancel Your Policy, no premium is refunded if You have already had a claim on the Policy.

If You have financed the premium for this Cover, We will require the approval of the finance company before cancelling the Policy. Any refund will be made to the Financier.

Provided You have not already had a claim paid on the Policy and the cancellation is within the Policy's first 2 years, You will receive a refund. We will retain a requisite amount of the premium together with Our cancellation fee of $110 (inclusive of GST). We use the Rule of 78 to determine what refund is due.

How To Make A Claim

You will need to call Us on 1300 131 306 within 30 days of the Policy Term expiring to claim on the Policy. You must do this within this period before You dispose of the Vehicle. At claim time we will need an odometer reading.

All information required by Us shall be provided by Yourself at Your cost in the form and of the nature prescribed by Us. We may request further information from You should any of the information supplied to Us have incomplete or insufficient information. No claim is payable until We have received all of the required information.

GST on Claim Payments

When We make a payment under this Policy for the acquisition of goods, services or other supply, We will reduce the amount of any payment by the amount of input tax credit (ITC) that You are entitled to, whether or not that acquisition is actually made. In the case that a compensation payment is made under this Policy in lieu of payment for the acquisition of goods, services or other supply, We will reduce the amount of that payment by the amount of ITC You would have been entitled to had the payment been used to acquire goods, services or other supply.

Claim Recovery

We reserve the right to take action to recover costs incurred by Us where We believe the incident is the responsibility of another party. When We do this, We may take action in Your name and You will be required to cooperate with Us and provide any information We may require.