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Target Market Determination Policy

Coverforce Holdco Pty Ltd and all of its subsidiaries and related entities
ABN 50 646 558 223

Date issued: 1 December 2023

Version: 1.1

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ABOUT THIS POLICY

This Target Market Determination Policy (this **Policy**) applies to Coverforce Holdco Pty Ltd (ABN 50 646 558 223) and all of its related subsidiaries and entities, including but not limited to:

1. Coverforce Pty Limited (ABN 31 067 079 261) (AFSL: 238874);
2. Coverforce Insurance Broking Pty Ltd (ABN 11 118 883 542) (AFSL: 302522);
3. Coverforce Partners Pty Ltd (ABN 57 089 245 465) (AFSL: 245377);
4. Coverforce Complete Insurance Brokers Pty Ltd (ACN 006 125 668) (AFSL: 246584);
5. Coverforce Aughtersons Pty Ltd (ABN 90 007 367 535) (AFSL: 227200);
6. Westminster Coverforce Pty Ltd (ACN 008 908 852) (AFSL: 237466); and
7. Thomas Insurance Brokers Pty Ltd (ACN 007 745 566) (AFSL: 221218).

(collectively, the **Coverforce Group**).

This Policy demonstrates Coverforce's position on how Target Market Determinations ('TMDs') are handled by Coverforce staff. Specifically, it spells out the way in which the Coverforce Group expects staff to carry out their role in the business in relation to reviewing and determining TMD considerations for clients.

This Policy applies to all the Coverforce Group's employees and consultants, including employees of the abovementioned AFSL licensees.

This Policy has the full support of the board and senior management of the Coverforce Group and is seen as a key component in ensuring the long-term success and viability of the Coverforce Group.

If any employee chooses not to follow this Policy, that employee will be in breach of the Coverforce Group's code of conduct and the terms of their employment agreement.

This may result in grounds for termination of employment or the need for further disciplinary action to occur.

INTRODUCTION AND DEFINITION

As a result of the findings from the Royal Commission into *Misconduct in the Banking, Superannuation and Financial Services*, there were a number of reforms which were rolled out in 2021 as part of the *Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019* (Cth).

This legislation introduced the *Product Design and Distribution Obligations* (DDOs) which are regulated by ASIC in relation to retail financial products. This came into effect on 5 October 2021. A key requirement under the DDOs, is to have a TMD for each eligible product.

A TMD is a document created by the insurer for retail policies and clients. It sets out the intended target market for the specific insurance policy and associated distribution conditions. As distributors, it is important to issue products in accordance with the distribution conditions in the products' TMD. As per RG 274.63–274.64, a TMD must be in writing and must contain the following information:

- The type of retail client the policy is intended for / who the product can be sold to;
- How the product may be sold / distributed and any restrictions on the distribution;
- Distributor reporting periods for complaints about the product;
- Information needed to determine if the TMD is no longer appropriate for the retail client or needs to be reviewed by the insurer (that is, review triggers); and

- When the TMD will be reviewed (that is, specific review periods for ongoing reviews, acknowledging that insurers should not adopt a 'set-and-forget' approach).

Ideally, in addition to the above list, TMDs should include information around:

- Whether the product is likely to be consistent with the likely objectives and financial situations (that is, their ability to pay premiums/other costs) of the consumer;
- Why the product is likely to be consistent with the consumers' objectives;
- Why the distribution conditions will make it likely that products will be distributed to the target market (e.g. use of call scripts, staff training and accreditation, 'knockout questions');
- How review triggers are identified – ideally through claims ratios, number of policies sold, cancellation rates and nature/number of complaints. For example, target markets which may include vulnerable clients, would require stricter review triggers;
- The 'negative target market', that is, identify the class of consumers for whom the product would not be suitable;
- The product's appropriateness and extent to which the product should provide value to the target market

PURPOSE OF TMDS

This client-centric approach to DDOs help the *Australian Securities and Investments Commission* ('ASIC') to ensure that the

retail products obtained by retail clients are of high value, particularly in the event where the client makes a claim.

The purpose of a TMD is to protect retail clients (who are generally in a more vulnerable position to look after their own interests, compared to wholesale clients). The benefits of TMDs for retail policies include:

- Reducing the risk of harm to consumers caused by poor product design, distribution and marketing;
- Clients will only be sold products which are high value-adding, suitable and appropriate for them;
- There will be increased confidence in the insurance industry through the prevention of mis-selling; and
- Less client complaints from vulnerable customers.

BROKER OBLIGATIONS

It is important to note that brokers have an obligation to take reasonable steps to ensure that the distribution of TMDs are made in a consistent approach with what is stipulated in the TMD document and that the TMDs are made available to clients.

Brokers are required to:

- **Review the TMD** each time a policy is placed;
- **Keep records** of decisions in relation to the design obligations; and
- **Notify ASIC** of significant dealings that are not consistent with the TMD.

Reviewing the TMD:

Brokers are required to review the TMD each time a policy is placed in effect, as insurers may update the document regularly. This best practice standard

means that the broker must satisfy themselves that the client's needs and financial circumstances are consistent with the document's intended target market and that the client would obtain value from purchasing the product.

If a retail product does not have a TMD in place, the broker is required to cease distribution of the product and notify Compliance. Similarly, if the TMD is no longer appropriate, the broker must cease offering the product and notify Compliance so that we can inform the insurer of this inconsistency.

For further information on how to review TMDs, please visit the [TMD page](#) on Sharepoint, or contact Compliance for a copy of the User Guide.

Record Keeping:

ASIC reserves the right to request TMD records from the past 5 years. Therefore, it is important to accurately record the TMD Consideration for each policy placed, so that the Coverforce Group can produce accurate and comprehensive records.

Once the TMD consideration has been determined, brokers are required to record this decision in the relevant invoicing system, such as WinBeat or Insight.

In addition to keeping record in the invoicing system, the Coverforce Group will also keep record of the number of complaints that is received and the dates on which these and any significant dealings, are reported to the insurer.

Notifying ASIC:

A *significant dealing* occurs when a retail client is sold a retail policy outside the TMD scope (i.e. the policy is sold to a client that does not fit within the TMD's requirements). When a significant dealing or trigger event occur (i.e. any event or circumstance that would indicate the TMD no longer being appropriate for the intended target market), a prompt review of the TMD should be conducted by the insurer.

The insurer is required to report these circumstances and incidents to ASIC within 10 business days. To assist with this, the Coverforce Group will inform the insurer within 7 business days of any trigger event or significant dealing that occurs in relation to a product being issued under a TMD.

CORPORATE COMMITMENT

The Coverforce Group and its senior management are committed to the high standards of integrity and transparency and in doing so, driving excellence within the Australian insurance industry.

Coverforce is committed to:

- Maintaining the highest quality of professional advice and service to clients and in doing so, maintaining operational excellence;
- Continuously improving the business as a whole whilst meeting our legislative obligations; and
- Complying with all relevant legislation and regulations.

Coverforce unequivocally rejects any form of mis-selling and any behaviour that would involve selling an inappropriate product to a retail client, without proper and notified reason. Coverforce is also strongly committed to providing feedback to insurers, to help ensure that the target market defined in TMDs are appropriate.

To assist in the monitoring of TMD considerations, the Coverforce Group will conduct regular internal audits of such TMD considerations, to promote compliance with the DDOs and ensure any significant dealings are reported to the relevant insurer within 7 business days.

RESPONSIBILITY & REVIEW

The Coverforce Group Legal Counsel in conjunction with the Compliance Committee is responsible for reviewing and

updating this Policy. This policy will also be subject to a formal review every two years or earlier as required.

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For more information

 1 3000 COVER

 coverforce.com.au

This Target Market Determination Policy is
issued by Coverforce Holdco Pty Ltd
ABN 50 646 558 223

Level 26, Tower One
International Towers Sydney
Barangaroo NSW 2000

T 02 9376 7888

F 02 9223 1333

E info@coverforce.com.au
coverforce.com.au