

FINANCIAL MARKETS AUTHORITY AND RESERVE BANK OF NEW ZEALAND

REVIEW OF LIFE INSURER CONDUCT & CULTURE

The Financial Markets Authority and the Reserve Bank of New Zealand has recently completed a scathing review of the manner in which the life insurance industry in New Zealand operates. The main issue is the culture surrounding the emphasis on sales and the high commission and other incentives paid to agents without due consideration to the effect on their customers. Frankly, this approach within the life insurance sector has been well known for some time. The review did not include non life insurance but they expected that all insurers should assess their conduct and culture governance frameworks, and consider the recommendations in the report. To the extent of being a Lloyds CoverHolder, Sage could be viewed as an insurer and therefore we make the following statement:

Our Board.

The board is responsible for setting the tone, conduct and culture of the Company. We have a clear plan for setting targets, responsibility and accountability.

We have an expectation that the Company will provide good, timely service with quality products that are suitable for the client's needs.

We operate in the service industry. We should always act professionally, including being polite, welcoming, reliable, honest and efficient. The interests of the client are the priority.

Product suitability

The insurance contracts we use should be of good design and structure, supported by reputable insurers. They should be in plain English and with clear intent.

The cover and scope of products supplied to clients should be to a very good standard. We should do our best to ensure that it will meet the client's needs.

Claims

We should take the view that a claim is valid unless there is a sound reason why it will not be covered.

It is part of our service to provide advice and claims support to our clients'.

Our Remuneration.

We have broker agreements with our insurance suppliers. They set out the rates of our brokerage or underwriting agency fees the suppliers will pay us, and the terms under which we will interact with the suppliers. The rates are considered fair to both parties. There are occasions where we were also charge the client a fee. Any fee will be commensurate with the time involved to transact the

insurance and the level of expertise we bring to the service. The underwriting and broker facilities we use sometimes come at considerable cost to us. We have significant investment into research and development, product design, product negotiation, overseas travel, external advisors engaged etc. In addition to these overheads the complexity of some risks justifies an extra charge in addition to the standard brokerage rate.

Client Communications.

There is an expectation that we will clearly communicate the scope of insurance cover to our clients. We, of course, supply the insurance documentation to them but we should also be sensitive to any exclusions that the client may not be aware of. We should always recommend that they read the policy document and talk to us if they have any doubts.

We are a member of the Insurance Ombudsman scheme which sets out a process, which is free to the client, for insurance related disputes. This is advised to clients on our invoices.

If you have any concerns regarding client or personnel relations please bring it to the attention of either of the Company directors who are Geoff Manks or Jeremy Manks.