

# RETAIL PREMIUM FUNDING

## TARGET MARKET DETERMINATION



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### DATE OF THIS TMD

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This target market determination (TMD) is effective from 12 July 2023.

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### ABOUT THIS DOCUMENT

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This target market determination (TMD) applies to the Premium funding product described in the Retail Premium Funding Application, including its Terms and Conditions (the Product) issued by MGA EziPay Pty Ltd, ABN 12 119 047 960 (the Issuer, we or us).

This TMD does not apply to credit provided to pay premiums for insurance taken out for business purposes.

This TMD is required under section 994B of the Corporations Act 2001 (Cth) (Corporations Act) and forms part of the Company's design and distribution arrangements for the Product.

This TMD has been prepared to offer consumers, authorised distributors and MGA EziPay staff with the appropriate information to understand the appropriately determined class of consumers for which the Product (including its key attributes) has been designed, having regard to the likely objectives, financial situation and needs of that class of consumers.

In addition, this TMD outlines the triggers for review, distribution conditions and restrictions, and certain other information.

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### LIMITATIONS OF THIS TMD

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This TMD assesses the suitability of the Product for its intended market. That assessment is, by necessity, very general in nature. Accordingly, this TMD does not assess the Product's suitability for any consumer in particular, and does not consider any individual consumer's personal needs, objectives or financial situation. Examples used in this TMD are illustrative only and are not intended to be exhaustive.

The Issuer is not licensed to provide financial product advice and it is not intended for this TMD to provide any financial product advice. Consumers should consult their own professional advisors when making a decision about acquiring the Product.

This TMD does not form part of or replace the Terms and Conditions of, and disclosures made in, the Product. Consumers should refer to the Terms and Conditions of, and disclosures made in, the Product before making a decision about it.

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### 1. PRODUCT DESCRIPTION

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The Product is a simple loan to eligible consumers, repayable in instalments, generally 3 to 12 equal monthly instalments, being a loan to a consumer to pay the upfront premium(s) payable for a retail insurance policy (or policies) acceptable to the Issuer over the life of the policy (or policies).

#### Instalments and other fees

The consumer must repay the Loan by an initial payment comprised of the agreed first monthly instalment, the application fee, the deposit (if applicable) and any other monthly instalment(s) due (if applicable).

All subsequent monthly instalments are paid on the same day of each month (unless that day is not a business day) until all amounts owing to the Issuer have been repaid in full.

#### Credit Charges

Credit Charges apply to the Loan and are payable monthly with each Subsequent Payment. The Credit Charges are calculated daily for actual days elapsed and compounded on the last day of each month.

Credit Charges accrue and are payable monthly.

#### Payment Methods

A consumer may make the payments under the Product by credit card (subject to any merchant fees charged by credit and debit card providers), or by direct debit.

#### Default

The Product is subject to certain events of default listed in the Product's Terms and Conditions. If such events of default occur, the Issuer may declare all amounts owing to it due and payable within 9 days of the default, exercise its rights under the security and the Terms and Conditions, or terminate the funded policy and seek a premium refund from the insurer.

#### Security and protection of Issuer interests

In order to secure the performance of a consumer's obligations under the Product, the Issuer benefits from certain key security and rights from the consumer including:

- an assignment of the benefit of any amounts paid or payable under the funded policy, and the consumer's right to cancel the funded policy and receive a refund of premium;
- the appointment of the Issuer (including under power of attorney) to do all things necessary in relation to the funded policy, including cancellation of the insurance, to apply for a premium refund and to receive all other monies payable to the consumer under the insurance;

- a direction to the consumer's insurance broker to act on a request of the Issuer to remit premium refunds and other monies paid or payable to the consumer under the funded policy, to terminate the policy and apply for a premium refund, and to negotiate and deal with the insurer in respect of any claim made under the funded policy; and
- an indemnification for all the Issuer's costs, expenses, stamp duty, fines, penalties, losses and liability and taxes incurred in connection with the collection of amounts due and payable under the Loan and exercising rights under the Product's terms and conditions and related security.

#### **Broker**

A consumer's insurance broker may receive a fee or other remuneration from us if the consumer's application is accepted.

A consumer may authorise their insurance broker to apply to the Issuer to fund policy premiums in relation to future insurance policies on their behalf.

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## **2. TARGET MARKET**

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#### **Included class of Consumers**

Based on the Product's key attributes and the objectives, financial situation and needs of the consumers for which it has been designed, the target market is consumers who wish to pay the insurance premium for their insurance policy (or policies) in instalments rather than an up-front payment(s), and who:

- hold an insurance policy (or policies) that is deemed to be retail in nature; and
- are the named policy holder(s) of the relevant insurance product(s); and/or
- are funding residential strata insurance premiums.

#### **Objectives**

The Product has been designed for consumer who wish to finance the upfront payment(s) of their insurance policy (policies) premiums and spread the expense of the payment over the life of the insurance.

A consumer within the target market's objective in acquiring this Product is therefore to defer the payment of a premium(s) that otherwise would have been required to be paid immediately.

The characteristics of the Product clearly match this objective.

#### **Financial Situation**

In general, consumers within the target market are likely to not wish to make an upfront payment of their insurance premium(s) and will likely be able to afford the monthly instalments and the Credit Charges.

We expect that the financial situation of particular consumers will vary, however, given the nature of the Product and the fact that it is designed to fund insurance policies for home & contents, car & motor, caravan, residential property landlords, strata management, hobby farm; travel and pleasure craft, consumers will likely be

owners of those types of assets and have reasonable means. The reasons consumers may elect to make payment in instalments will also likely vary. Consumers may desire to spread the costs of a premium to use funds for other wants, or because they are not able to pay a premium in full upfront, or because to make an upfront payment would be overly burdensome on their financial situation.

We consider the most likely reason will be convenience and to assist budgeting. Consumers receive the convenience and benefit of spreading the expense of their insurance premiums over smaller payments over a longer period of time.

#### **Needs**

Insurance is generally regarded as a necessary expense rather than a discretionary one. The Product has been designed to assist consumer meet their needs in that regard.

Even where a consumer's financial situation requires paying insurance premiums in instalments, the only alternative is for the consumer to not take out an insurance policy at all. The Product gives consumers the option to spread the burdensome expense of upfront premiums over the life of a policy and still enjoy the benefit of being insured for circumstances of significant cost.

We consider that the Product meets an established need for consumers in the target market.

#### **Excluded class of Consumers**

The Product has not been designed for consumers who:

- want a loan that is not for the purpose of making payment of an upfront insurance premium(s);
- wish to pay their insurance premium(s) in one lump sum;
- are not an individual(s) or a body corporate of a residential strata title;
- are funding an insurance policy (or policies) that are deemed wholly or predominately for business use;
- are not the policy holder of the relevant insurance product(s);
- that do not accept the Product's Terms or Conditions, including the security and the Issuer's rights following a default and the application of default interest and charges (as set out in the Product Description above); and
- do not meet or are otherwise unable to confirm if they meet the Issuer's application protocols.

#### **Consistency between TMD and the Product**

We assess that the Product, including its key attributes, as described above, has been designed in a way that is likely to be consistent with the likely objectives, financial situation and needs, as identified above, of consumers in the target market, as identified above, and for whom the Product is intended.

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### 3. DISTRIBUTION

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#### Distribution Channel

Distributors have a legal obligation under ss994E(3) of the Corporations Act to take reasonable steps to ensure or are reasonably likely to ensure that the distribution of the Product is consistent with this TMD.

The Product will be distributed by licensed insurance brokers, being AFSL licensees or their authorised representatives. The insurance brokers do not act on behalf of the Issuer in the distribution of the Product. The clients of, and the services offered by, such distributors, are consistent with the target market for the Product.

#### Distribution Conditions

The Product can only be distributed by licensed distributors who have been previously authorised by us in writing to do so.

These authorised distributors and their systems, which are assessed and monitored by us, mean that the Product will only be distributed to consumers within the target market identified above, and in circumstances where the Product is likely to align with the objective, financial situation and needs of the consumer.

In addition, applications for the Product can only be made via the Application form and will only be issued to those consumers that are eligible for the Product in accordance with our application protocols.

We consider that these are the optimal distribution conditions to ensure that consumer who acquire the Product will be within the target market as described above and for whom the Product was so designed.

#### Adequacy of distribution channel and conditions

Accordingly, we consider that the distribution channel manages to make certain that distribution of the Product consistent with this TMD and will only be distributed to consumers in the target market.

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### 4. REVIEW

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We will review this TMD in accordance with the below:

#### Initial Review

Within 12 months of the effective date of this TMD.

#### Periodic Review

At least every 2 years from the initial review.

#### Review Triggers or events

When an event or circumstance is identified by us or is notified to us, that would reasonably suggest that the TMD is no longer appropriate. This may include (but is not limited to):

- a material change to the design or distribution of the product, including related documentation;
- a material change to the application protocols, or the application process;
- occurrence of a significant dealing that is inconsistent with this TMD;

- a distribution conditions being found to be inadequate;
- external events such as relevant litigation, adverse media coverage or regulatory attention; and
- significant changes in metrics, including, but not limited to, complaints, authorised distributor feedback, regulator feedback and financial viability.

Where a review trigger has occurred, this TMD will be reviewed within 5 business days.

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### 5. REPORTING & MONITORING

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We may collect the following information from our distributors in relation to their distribution of the Product and this TMD.

#### Complaint Reporting

Distributors must refer and report all complaints in relation to this TMD to the Issuer as soon as practicable, and in any case within 5 business days after the complaint is received. Such a referral or report must include all reasonable written details of the complaint in a form required by the Issuer.

#### Significant Dealings

Distributors will report as soon as practicable, and in any case within 5 business days, if they become aware of any information in relation to:

- any significant dealings that are inconsistent with the TMD in the form required by the Issuer; or
- circumstances that would reasonably suggest to a distributor that the TMD is no longer appropriate in accordance with ss994B(8) of the Corporations Act.

#### Record Keeping

Distributors will provide a report of all complaints received in relation to the Product covered by this TMD on a quarterly basis.

We will collect and maintain a complete and accurate record of all complaints, feedback and our decisions (including our reasoning) in relation to the formulation and review of this TMD and in relation to any review triggers.

Distributors are also legally obligated under s 994F(2)-(3) of the Corporations Act to collect and maintain records regarding certain information in relation to the Product.

All such records must be kept for up to 7 years.