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SHARE THE PASSION

**YOUR GUIDE TO
PREMIUMS, EXCESSES,
DISCOUNTS AND CLAIMS
PAYMENTS**
MOTOR INSURANCE

The purpose of this guide is to provide further details about the amount you pay for this insurance, the excesses that may apply and to give you some examples of how we may pay claims.

This guide forms part of the Shannons Motor Insurance Product Disclosure Statement (PDS) with a preparation date of 21st of March 2011.

Australian Alliance Insurance Company Limited (AAI) ABN 11 006 471 709, Australian Financial Services Licence No. 235011, is the insurer of this insurance and is the issuer of this guide.

Shannons Limited ABN 91 099 692 636 is owned by, and is an authorised representative (AR number 239594) of, AAI. Shannons sells and administers insurance on behalf of the insurer, AAI.

This guide was prepared on the 28 April 2011.

PREMIUMS - THE AMOUNT YOU PAY FOR THIS INSURANCE

The amount we charge for this insurance policy is the premium consisting of the amount we calculate to cover the risk, plus GST and any relevant government charges (such as stamp duty). These amounts will be shown on your certificate.

HOW VARIOUS FACTORS AFFECT YOUR PREMIUM

We consider a number of factors in calculating your premium and the amount you pay will depend on information that you give us about your vehicle and its usage.

We calculate your premium by taking into account the following 3 factors:

1. Pricing your risk
2. Discounts
3. Government charges

PRICING YOUR RISK

When we calculate your premium there are a range of pricing factors we take into account.

The key factor that affects your premium is the type of cover selected. For example, if you select comprehensive cover, this will be more expensive than if you select third party legal liability only. The table below summarises the other most significant factors and what impact they have on your premium.

FACTOR	REDUCES PREMIUM	INCREASES PREMIUM
The postcode where your vehicle is located	Lower risk postcode	Higher risk postcode
The agreed value of your vehicle	Lower value	Higher value
The level of insurance you have chosen	Third party only	Comprehensive
How often you use your vehicle	Limited or infrequent use	Frequent or regular use
Modifications to your vehicle	No modifications/ standard vehicle	Modified vehicle
Your no claim discount	Higher no claim discount	Lower no claim discount
Age of the driver	Older driver	Younger driver
Make/model/ year of manufacture of your vehicle	Lower risk vehicle	Higher risk vehicle
Finance	No finance	Finance by lending institution

DISCOUNTS

NO CLAIM DISCOUNT

A no claim discount (NCD) recognises good driving and claims history for comprehensively insured vehicles. A separate NCD applies to each vehicle on your policy.

Your NCD for a vehicle will affect the premium you pay at commencement and on renewal for that vehicle. The higher your NCD percentage is, the lower your premium. With a zero or low NCD your premium will increase. The NCD discount for each vehicle will be shown on your certificate.

On each renewal, your NCD for a vehicle will increase providing you haven't made any claims that affect your NCD. Your NCD will keep increasing until you reach the maximum discount level. After you have remained on a maximum NCD for 3 years it will become protected.

YEAR	EXISTING DISCOUNT	RENEWAL DISCOUNT
1st year	Nil	25%
2nd year	25%	45%
3rd year	45%	55%
4th year	55%	65%
5th year	65%	65%
6th year	65%	65%
7th Year	65%	65% Protected
Subsequent years	65% Protected	65% Protected

If your NCD for a vehicle is protected, your NCD will not be reduced for any at fault claim you have made during the period of insurance.

If your NCD is not protected and you make a claim, your NCD will either reduce or remain the same.

A NCD is vehicle specific. This means that if you make a claim under your policy and that claim affects your NCD, only the NCD for the vehicle being claimed on will be affected.

If your NCD is not protected and you make a claim, we will not reduce your NCD if:

- we agree that the loss or damage arising from the claim is not your fault, and
- you tell us the responsible person's name, current address and the registration number of their vehicle.

Your NCD will also not be affected by the first claim for windscreen or window damage (only), in any one period of insurance.

In all other circumstances, if you make a claim your NCD reduces on renewal. The following table shows how your NCD is reduced at your next renewal date.

IF YOUR NCD IS	FOR ONE CLAIM, WE REDUCE YOUR NCD ON RENEWAL TO	FOR TWO CLAIMS, WE REDUCE YOUR NCD ON RENEWAL TO
Protected 65%	No change	No change
65%	55%	45%
55%	45%	25%
45%	25%	Nil
25%	Nil	Nil
Nil	Nil	Nil

MULTI VEHICLE DISCOUNT

If you insure more than one vehicle on your policy, you will be eligible for a multi vehicle discount. The table below outlines the level of discount you will receive off the premium (before GST and other government charges) for each vehicle.

NUMBER OF VEHICLES	LEVEL OF DISCOUNT
1 vehicle	0%
2 vehicles	6%
3 vehicles	9%
4 - 6 vehicles	10%
7 -10 vehicles	20%
11 + vehicles	22%

MULTI POLICY DISCOUNT

If you have a motor insurance policy with us and insure your home with us, you will be eligible for a multi policy discount of 10% which will be applied to your home policy.

GOVERNMENT CHARGES

GST and any relevant government charges (such as stamp duty) are calculated as the final step in the premium calculation. These amounts are shown on your certificate.

PREMIUM AT RENEWAL

Each time you renew your policy, your premium is likely to change even if your personal circumstances have not changed. This is because premiums are also affected by other factors such as:

- the cost and frequency of claims we have paid to other customers;
- the cost and frequency of claims we expect to pay in the future;
- changes in government taxes or charges; and
- our expenses of doing business.

EXCESS - AN AMOUNT YOU MAY HAVE TO PAY US AT CLAIM TIME

The amount and types of excesses that apply to your policy and which you will be required to pay to us when you make a claim will be shown on your certificate. The total excess payable for any one claim will be determined by adding all applicable excesses.

We have four types of excesses:

1. Basic Excess
2. Young Driver Excess
3. Theft Excess
4. Racing Excess

BASIC EXCESS

The basic excess is determined at the time the policy is issued and is reviewed at each renewal. When we apply a basic excess to your policy, it is calculated based on the factors shown in the below table. Your basic excess amount is shown on your certificate and applies to all claims made under this policy unless we tell you otherwise.

BASIC EXCESS FACTOR	LOWER EXCESS	HIGHER EXCESS
Vehicle usage	Limited or recreational use	Frequent or regular use
Vehicle make and model	Low risk vehicle	High risk vehicle
Modifications level	No modifications	High level modifications
Agreed value	Low agreed value	High agreed value
Year of manufacture	Older vehicles	Newer vehicles
Location	Lower risk location	Higher risk location

YOUNG DRIVER EXCESS

The young driver excess will be applied in addition to the basic excess and you will be required to pay it to us, if the person driving at the time of the loss or damage is under the age of 25.

The young driver excess will differ depending on whether the young driver is listed on your certificate of insurance.

If the young driver under the age of 25 is listed, the young driver excess payable is \$400, plus the basic excess shown on your certificate.

If the young driver under the age of 25 is not listed, the excess payable is \$1,500 plus the basic excess shown on your certificate.

The young driver excess will not apply to:

- hail, flood, storm, or bushfire damage or other natural disasters;
- windscreen or glass only claims;
- classic vehicles aged 35 years or more;
- loss or damage if your vehicle is being used by a driver in an extreme medical emergency;
- learner drivers who are accompanied by a fully licensed driver 25 years of age or more;
- claims for loss or damage caused by an employee of a hotel, restaurant, service station or licensed garage using your vehicle for the purpose of parking, upkeep or repair.

THEFT EXCESS

This excess will be applied to all theft and attempted theft claims and is in addition to the basic excess. When we apply a theft excess to your policy, it is calculated based on the factors shown in the below table. The amount of any theft excess applicable to your policy will be shown on your certificate.

THEFT EXCESS FACTOR	LOWER THEFT EXCESS	HIGHER THEFT EXCESS
Vehicle usage	Limited or recreational use	Frequent or regular use
Vehicle make and model	Low risk vehicle	High risk vehicle
Modifications level	No modifications	High level modifications
Agreed value	Low agreed value	High agreed value
Year of manufacture	Older vehicles	Newer vehicles
Location	Lower risk location	Higher risk location

RACING EXCESS

This excess will be applied to all claims made under the racing cover (if you have this option). The amount of the racing excess is \$500 and this is in addition to your basic excess.

CLAIM EXAMPLES – HOW SHANNONS MOTOR INSURANCE CLAIMS ARE PAID

The following examples are designed to illustrate how a claim payment is calculated and to assist you in understanding some of the important benefits of the policy. They are only examples to be used as a general guide; we determine real claim payments on an individual basis, after we have assessed each claim and based on the terms and conditions of the policy. The examples do not cover all claims scenarios or all benefits and do not form part of your policy terms and conditions.

The examples assume that the policy holder is not registered for GST.

You should read the PDS and your policy certificate for full details of what we cover as well as what policy limits and exclusions apply.

EXAMPLE 1 - TOTAL LOSS

Your motor vehicle is comprehensively insured with Shannons for an agreed value of \$40,000. The basic excess shown on your certificate is \$500. The vehicle is damaged in an accident that is the fault of the driver of your vehicle and we assess the cost of repairs to be \$50,000. The salvage value of the vehicle is \$8,000. We decide that the vehicle is a total loss.

HOW MUCH WE PAY		FURTHER INFORMATION
Agreed value	\$40,000	We determine your vehicle is a total loss if it would cost more to repair than the value of your vehicle, less the salvage value of the wreck.
Less Excess	-\$500	Only a basic excess applies in this example.
Total Claim	\$39,500	We would normally pay this directly to you in a total loss situation.

If instead of owning your vehicle outright, your vehicle was purchased under a finance lease, we will pay the total finance amount that you owe on your vehicle to the financier up to the agreed value, and then pay you the balance of the agreed value (if any), less the excess, that applies.

Your vehicle becomes our property and we are entitled to keep the proceeds of its sale (\$8,000) after we have paid you for the total loss. This does not affect the calculations above.

Under the salvage purchase benefit, you have the right to keep your unrepaired vehicle. If you choose to keep your unrepaired vehicle we will deduct its value from your claim payment. For example 1, we would allow you to keep your unrepaired vehicle (\$8,000) and pay you the balance (\$31,500).

If your policy also included the salvage rights benefit, you will have the right to keep your unrepaired vehicle at no cost to you. For example 1, we will allow you to keep your unrepaired vehicle and pay you \$39,500.

If the motor vehicle in example 1 was less than 1 year old at the time of the accident, and you purchased the vehicle brand new and were the first registered owner of the vehicle, instead of paying the claim, we can replace the vehicle with a new vehicle including similar accessories, tools and spare parts as shown on your certificate, plus on road costs e.g. registration, compulsory third party, and pre-delivery. We will require you to pay us any total excess that may apply.

If you are paying your insurance by instalments, Shannons will deduct the remaining instalments from the total loss settlement. For example, if there are 4 instalments left when the total loss occurs and you were paying \$55 per month, the amount deducted from the settlement would be \$220.

EXAMPLE 2 – PARTIAL LOSS OR DAMAGE

Your vehicle is comprehensively insured for an agreed value of \$50,000. Your policy has a basic excess of \$500 and a theft excess of \$500. These are shown on your certificate. The vehicle is stolen and recovered 5 days later. It has been damaged and we assess the cost of repairs to be \$10,000 and estimate it will take 14 days to repair the vehicle.

HOW MUCH WE PAY		FURTHER INFORMATION
Damage to vehicle	\$10,000	We normally decide a vehicle is repairable if the cost of repairs is significantly less than the agreed value.
Towing expenses	\$150	We would tow the vehicle to the repairer of your choice or to a place of safety. We normally pay the towing company directly.
Less excesses		A basic excess and a theft excess applies in this example. We normally require you to pay the excesses directly to the repairer.
Basic	-\$500	
Theft	-\$500	
Total	-\$1,000	
Total claim	\$9,150	We normally pay repair costs directly to the repairer.

EXAMPLE 3 – PARTIAL LOSS OR DAMAGE, MOTORCYCLE

Your motorcycle is comprehensively insured for an agreed value of \$20,000. Your motorcycle is involved in an accident and the rider of your motorcycle is at fault. The rider of the motorcycle is 23 years old and is not listed on your policy certificate. The motorcycle has been damaged and we assess the cost of repairs to be \$10,000. As a result of the accident, the rider falls off the motorcycle and damages their jacket worth \$1,500 and helmet worth \$750. Your policy has a basic excess of \$500 which is shown on your certificate. A young driver excess of \$1500 also applies to this claim.

HOW MUCH WE PAY		FURTHER INFORMATION
Damage to bike	\$10,000	We normally decide a vehicle is repairable if the cost of repairs is significantly less than the agreed value.
Less excesses		A basic excess and a young driver/ rider excess applies in this example.
Basic	-\$500	We normally require you to pay the excesses directly to the repairer.
Young driver	-\$1,500	
Plus riding apparel cover	+\$1,750	This benefit covers you for up to \$1,000 for any individual item. Your jacket is worth \$1,500 so we will only pay \$1,000. The benefit also has a maximum limit of \$3,000.
Total claim	\$9,750	We would normally pay repair costs directly to the repairer and the replacement costs for the damaged apparel would be paid directly to you.

EXAMPLE 4 – UNINSURED THIRD PARTY BENEFIT

Your vehicle is insured for third party legal liability only. It is involved in an accident with another vehicle that is uninsured. The driver of your vehicle was not at fault, and you can provide the current name and address of the driver and or owner of the other vehicle and the registration number and description of the other vehicle. The total damage to your vehicle is \$3,890.

HOW MUCH WE PAY		FURTHER INFORMATION
Damage to the vehicle	\$3,890	The limit of cover provided by the uninsured motorist benefit is \$5,000, providing that you obtained the current name and address of the driver and/ or owner of the other motor vehicle and registration number and description of the motor vehicle.
Total claim	\$3,890	We normally pay this amount directly to the repairer.

EXAMPLE 5 – LEGAL LIABILITY

Your vehicle is comprehensively insured for an agreed value of \$40,000. It is involved in an accident where another vehicle is damaged. The insurer of the other vehicle sues the driver of your vehicle who is found by a court to be legally liable. The court determines that the cost of repairs for the damage caused to the other vehicle is \$20,000. The basic excess shown on your certificate is \$500. The legal costs to defend the third party legal liability claim are \$7,000.

HOW MUCH WE PAY		FURTHER INFORMATION
Damage to other vehicle	\$20,000	We normally pay the cost of repairs directly to the third party claimant.
Less excess	-\$500	Only a basic excess applies in this example. You will need to pay this to us.
Plus our legal costs	+\$7,000	The legal costs we incur in defending the claim are \$7,000. We normally pay the solicitor directly for these costs.
Total claim	\$26,500	

FINANCIAL CLAIMS SCHEME

This policy may be a 'protected policy' under the Federal Government's Financial Claims Scheme (FCS) which is administered by the Australian Prudential Regulation Authority (APRA).

The FCS only applies in the unlikely event of an insurer becoming insolvent and the Federal Treasurer making a declaration that the FCS will apply to that insurer.

The FCS entitles certain persons, who have valid claims connected with certain protected policies issued by that insurer to be paid certain amounts by APRA.

Information about the FCS can be obtained from APRA at apra.gov.au or by calling 1300 13 10 60.

SHANNONS BRANCHES

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NORTHERN TERRITORY
Hidden Valley Motor Sports Park,
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QUEENSLAND
Unit 5, 305 Montague Road, West End 4101

SOUTH AUSTRALIA
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TASMANIA
337-341 Argyle Street, North Hobart 7000

VICTORIA
321 Warrigal Road, Cheltenham 3192

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