

QBE LMI Claims

A Guide for Online Lenders

November 2018



Contents

Introduction	3
What is LMI?	4
Online Resources	5
The Claims Function	9
Arrears Reporting	10
2.2.1 Overview	10
2.2.2 The Arrears Reporting Template	10
Hardship	13
2.3.1 Overview	13
2.3.2 The Hardship Template	14
Pre-Claim	15
2.4.1 Overview	15
2.4.2 Mortgagee in Possession (MIP)	16
2.4.2.1 Possession	16
2.4.2.2 MIP Valuation and Agent Appointment	16
2.4.2.3 Repairs	18
2.4.2.4 Marketing and Offers	18
2.4.3 Borrower Sales	19
Claims Management	21
2.5.1 When should I lodge my Claim?	21
2.5.2 How do I lodge my Claim?	21
2.5.3 What documentation is required?	21
2.5.4 How is your Claim for loss calculated?	23
2.5.4.1 RITC	25
2.5.5 What to expect	27
2.5.5.1 Claim Processing	27
2.5.5.2 Why has my Claim been returned?	28
Recoveries	29
Complaints and Disputes	30
Contacts	32
Annexures	33
Annexure 1 – Claim Document Checklist	33
Annexure 2 - Requirements for a Mortgagee In Possession (MIP) Valuation	34
Annexure 3 – Requirements for a Retrospective Valuation	35



Section 1
Introduction

Section 1.1

What is LMI?

Lenders' Mortgage Insurance (LMI) covers the Lender in the event of the Borrower defaulting on their loan. If the property is sold and the amount from the sale is insufficient to pay the loan in full, this insurance will cover the Lender for the shortfall. The Insurer may then exercise their legal right to recoup this shortfall from the Borrower. The Lender applies for LMI, not the Borrower and the premium is usually passed on to the Borrower as a cost of providing the loan.

LMI should not be confused with Mortgage Protection Insurance, which covers borrowers for the payment of their mortgage instalments in the event of unforeseen circumstances. This insurance is paid annually and can vary depending on the outstanding balance of the loan.

The fee for LMI is paid as a once only fee at loan settlement and varies depending on the amount being borrowed and loan to valuation ratio (LVR).

LMI helps Lenders broaden the net of who they are able to lend to by taking some of the risk out of lending the money. It means that more people are likely to get a loan and the home they want sooner.

LMI providers are heavily regulated by government authorities. The purpose of this is to make sure that the insurers hold sufficient money in reserve to pay all likely claims. These reserves, with government regulation, gives lenders the confidence to offer competitive loan terms to prospective home buyers. This shows the important role that QBE LMI plays in the home loan lending market.

Section 1.2

Online Resources

QBE LMI's website contains lots of useful information including Hardship, Arrears and Claims documentation and forms. The website is available at:

www.qbe.com/lmi

Figure 1

The screenshot displays the QBE website interface. At the top left is the QBE logo. The top right contains links for 'Contact us', 'lmiCONNECT MOBILE', and 'lmiCONNECT' with a search icon. A navigation menu below the header includes 'About', 'Lenders', 'Borrowers', 'In the community', and 'News and reports'. The main content area features a blue banner for 'Lenders' Mortgage Insurance' with the text 'QBE Australian Housing Outlook 2018-2021 out now' and a 'Find out more' button. Below this is a white box with a dropdown menu 'I'm a lender' and a 'Go' button. The 'Understanding LMI' section includes an image of a modern living room and a text box explaining that home ownership is exciting but difficult due to the 20% deposit requirement, and that LMI allows for smaller deposits. A 'Discover more about LMI' button is located at the bottom of the text box.

Lenders with Online access can submit Claims and associated documents through our **ImiCONNECT®** portal reducing the need to fax or email saving time, money and the environment!!

Figure 2

QBE Contact us ImiCONNECT MOBILE **ImiCONNECT**

About ▾ Lenders ▾ Borrowers ▾ In the community News and reports ▾

Home > Lenders > Tools > [ImiCONNECT](#)

ImiCONNECT®

Simplifying the paperwork

QBE LMI provides ImiCONNECT® to all our business clients to streamline the processing of lenders' mortgage insurance, cutting out the paperwork.

Our online system covers the lifecycle of the application, from calculating/estimating the premium, application submission, portfolio reconciliation and maintenance, through to claims processing.

You can now monitor and manage every step of your customers' applications, saving you time and putting you back in control.

Useful functions

ImiCONNECT® enables you to:

- Calculate the LMI premium and servicing capacity
- Submit your LMI proposal
- Streamline the premium payment process
- Do real-time searches of your applications, approvals and policies
- Manage your arrears process
- Submit and manage your claims
- Simplify portfolio reconciliations

Even if you don't submit applications to us electronically, it still makes sense to use ImiCONNECT® because:

- No set up – ImiCONNECT® is accessible directly through QBE LMI's secure website
- Free Help Desk support and training are available

[Click here to go to ImiCONNECT](#)

For more information on the solution that's right for you, contact your [Senior Partnership Manager](#).

Lenders and Brokers Resource Centre

In addition to our online processing tool – ImiCONNECT® – we also have a range of reports, analysis and tools available for lenders and brokers.

Hardship and Arrears documentation can be found under the **Forms** tab. These forms are used by Lenders to report monthly arrears and for lodging hardship requests.

Figure 3

The screenshot shows the QBE website's 'Forms and processes' page for lenders. The breadcrumb navigation 'Home > Lenders > Forms and processes' is highlighted with a red circle. The page features a blue header with the title 'Forms and processes' and a sub-header 'For underwriting, arrears reporting, capital markets and claims.' Below this is a call to action: 'Please contact your LMI Partnership Manager if you require further assistance.' The main content is organized into six columns, each with a title and a list of links. The 'Claim forms and tools' column is circled in red.

Home > Lenders > Forms and processes

Forms and processes

For underwriting, arrears reporting, capital markets and claims.

Please contact your LMI Partnership Manager if you require further assistance.

ImiGUIDE

Find out about the products LMI offers in our ImiGUIDE.

- [ImiGUIDE](#)

Underwriting forms

These forms are designed to streamline the application process and make it easier to do business with us.

- [Proposal](#)
- [Loan discharge advice](#)
- [Policy variations request](#)

You can also submit your proposal via [Lite eBusiness](#) or our B2B eBusiness solution. Speak to your [LMI partnership manager](#) if you don't have access to these portals.

Hardship and repayment assistance

QBE LMI seeks to preserve home ownership whenever possible and is here to support you and your customers should they experience short-term difficulties in mortgage repayment.

- [AUS hardship assistance guidelines](#)
- [AUS hardship request form](#)

Arrears reporting

QBE LMI insured loans that are 90 days in arrears or more need to be reported to us each month.

- [Arrears template](#)

You can also submit your arrears report via [ImiCONNECT](#). Speak to your [LMI partnership manager](#) if you don't have access to ImiCONNECT.

Claim forms and tools

If the worst comes to pass and you need to make a claim, the documents below outline the claims process and the steps you need to take to lodge a claim.

- [Our claims process: when and how to make a claim](#)
- [Claim for loss form](#)

You can also submit your claim via [ImiCONNECT](#). Speak to your [LMI partnership manager](#) if you don't have access to ImiCONNECT.

Capital Market forms

To allow you to prepare your loan pool data we have created templates and guidelines which will reduce the amount of effort required and streamline the end-to-end process.

Quotations

- [Product guidelines](#)
- [Quotation request form](#)
- [Quotation data collection template](#)

Assignment and novations

- [Assignment guidelines](#)
- [Assignment request form](#)
- [Assignment data collection template](#)



Section 2

Claims & Recoveries Overview

Section 2.1

The Claims Function

The Claims team works with Lenders to review Arrears Reports, enabling accurate provisioning for a potential claim.

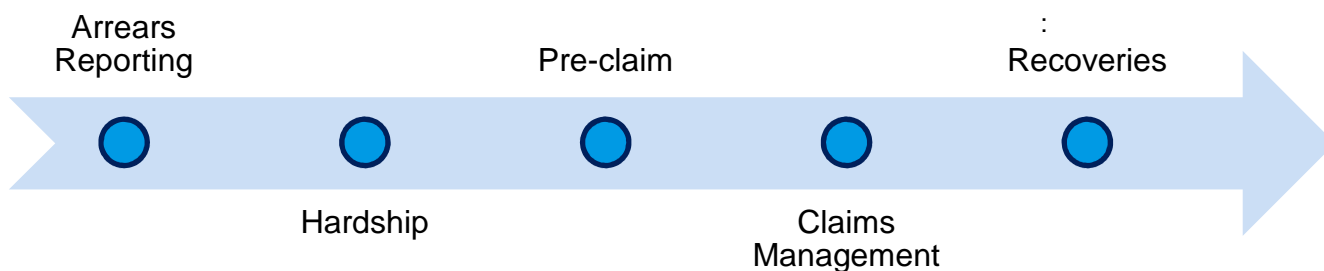
QBE LMI have a dedicated Borrower Assistance team that works closely with our lenders to support the provision of Hardship assistance to homeowners who are experiencing temporary difficulty in making their mortgage repayments.

The Claims team also works with internal and external stakeholders Pre-claim to minimise potential losses during a Mortgagee in Possession (MIP) sale or a voluntary Borrower Sale with a shortfall.

If the sale of a property results in a shortfall, a Claim is submitted to QBE LMI by the Lender. All claims are processed within the Insurance Contracts Act guidelines and take into account the relevant LMIP and the Lender's Credit Policy.

Following the payment of a claim, the debt is legally assigned to QBE by way of Deed of Assignment and Notice of Assignment. Where the shortfall is deemed to be recoverable, the matter is referred to a Mercantile Agent for Recovery action, and where applicable, trustees in bankruptcy will be advised of the borrower's liability to QBE.

The team encompasses several functions:



Section 2.2

Arrears Reporting

2.2.1 Overview

As part of the Master Agreement, Lenders are required to report any account that is 90 days or more in arrears. The Arrears Reporting team reviews these reports and investigates large portfolio movements whilst maintaining and assuring the accuracy and consistency of data over the entire arrears life-cycle. The data received is important to QBE as it allows us to provision in the event of a claim.

2.2.2 The Arrears Reporting Template

Below is a screenshot of the Arrears Reporting Template. Lenders are required to complete the template and forward to the Arrears team by the 12th of each month to ensure the report can be processed and any inconsistencies clarified prior to the end of the month.

Figure 4

Count	QBE LMI Policy No.	Borrower Surname	Borrower First Name	Loan Account No	Scheduled Payment Amount	Payment Frequency (W, F, M)	Total Arrears Amount	Current Insured Loan Balance	Current Collection Status
1									Hardship Under Arrangement Under Arrangement - FDS/CDL Seeking Possession Seeking Possession - FDS/CDL Borrower Sale Property In Possession Cured

The second tab on the template (Refer to *Figure 4* highlighted in red), provides a list of the definitions of the headings in the template and a list of examples of the Current Collection Status choices available in the dropdown box in column J of the template.

Figure 5

Imi arrears reporting
template



Heading	Definition
QBE LMI Policy No.	The QBE LMI Policy number for this loan file
Borrower Surname, First Name	The name of the primary borrower where available
Loan Account No	The Lender's primary loan account number
Scheduled Payment Amount	The amount of each instalment
Payment Frequency	The regularity of payments made - weekly, fortnightly or monthly (W,F,M)
Total Arrears Amount	The total amount of missed payments or payments overdue (excluding any other
Current Insured Loan Balance	The balance of all loan accounts, if there is more than one account for this policy.
Current Collection Status	Code representing the most recent action taken by the Lender
Collection Status Code	Examples
Hardship	Hardship Assistance approved
Under Arrangement	Under Arrangement
	Complaints
	Stat Notices/Letter of Demand issued
	Borrower Sale - Property sold no shortfall with pending settlement
	Deceased Estate
Under Arrangement - FOS/COSL	Legal action started however borrower is making payment arrangement, e.g.. Super release or increased payment etc.
	If subject to FOS/COSL complaint
Seeking Possession	If subject to FOS/COSL complaint
	Solicitors instructed to take possession of property
	Statement of Claims has expired
	Judgment, Order, Substituted Service
	Affidavit
	Writ Obtained
	Eviction Pending
	Notice to Quit
Warrant for Possession	
Seeking Possession - FOS/COSL	Sheriff appointed or instructed
	Field call to ascertain occupancy
Borrower Sale	If subject to FOS/COSL complaint
	Property on the market by the borrower
Property In Possession	Voluntary sale of the property with expected shortfall
	Mortgage in Possession
	Possession obtained
Cured	Agent Appointed
	Cured with nil arrears
Claims Pending	Account is up to date
	Claims to be submitted
Claim Submitted	Settlement occurred with shortfall evident
	Claims submitted

Please note that the “Hardship” Collection status in the Arrears Reports does not replace the requirement for Lenders to refer Hardship applications to the QBE Borrower Assistance team. Please refer to the next chapter for the relevant information in relation to Hardship Applications.

The third tab of the Template (refer *Figure 4* highlighted in **green**) provides clear descriptions of what constitutes arrears for the purpose of this report. Policies with arrears should be recorded on the template and updated monthly until the arrears on the loan is either cleared or the loan is discharged.

Policies to be included in this report are:

- Policies with arrears equal to or greater than 90 days in accordance with APRA standard AGN220.1, paragraph 15;
- Policies with arrears less than 90 days which were reported in last month’s report;
- Any policy where the lender is in possession of the mortgaged property;
- Any policy where the borrower intends to sell the mortgaged property which is likely to result in a shortfall;
- Any policy where the loan has exceeded the term of the loan as outlined in the loan contract;
- Any policy where another mortgagee intends to sell the mortgaged property;
- Policies with any other defaults, including but not limited to:
 - The borrower/guarantor has become bankrupt or placed under administration/wound up;
 - A default under a mortgage over the mortgaged property other than the insured mortgage;
 - The borrower/guarantor is deceased;
 - The mortgaged property suffers any damage or destruction;
- Policies with active Hardship within the definitions of APRA’s standard APS 200;
- Prior months reported policies in arrears that are now cured.

Section 2.3

Hardship

2.3.1 Overview

Under the National Consumer Credit Protection Regulations (NCCP), there are no prescribed grounds for making an application other than the borrower's inability to meet the obligations under a credit contract. Common examples include illness and/or unemployment but any other reasonable cause may also be considered.

At QBE LMI we are committed to making the dream of home ownership a reality for more Australians and wherever possible, ensuring that Australians have the opportunity to retain their homes when experiencing genuine mortgage stress.

We have a dedicated Borrower Assistance team that works closely with our lenders to support the provision of assistance to homeowners who are experiencing temporary difficulty in making their mortgage repayments.

Under the terms of our LMI Policy, our prior written consent is required before you (the Lender) enter into any arrangement with a borrower to postpone repayments.

There are no limits to the form of hardship variation that can be requested. Examples include:

- a) Extending the term of the credit contract and reducing the repayments; or
- b) Postponing repayments during a specified period (without extending the term of the loans); or
- c) Extending the term of the credit contract and postponing repayments during a specified period; or
- d) Capitalisation of existing arrears.

A full copy of the QBE LMI Hardship Guidelines can be found on the "Forms" page at www.qbelmi.com

2.3.2 The Hardship Template

Figure 6

QBE LMI Repayment Assistance Request Form

QBE Lenders' Mortgage Insurance Limited ABN 75 000 031 021

Refer to the QBE LMI guidelines for repayment assistance requests

Type of request (select one option):

Financial Hardship: Please obtain a Statement of Assets and Liabilities	Data request received from borrower (verbal or written)
Medical/illness: Please obtain a Medical Certificate or equivalent.	
Unemployment: Please obtain a Separation Certificate or equivalent.	
Other: Please specify	

QBE LMI Policy number			
Mortgage Manager/Lender number			
Lender account number			
Borrower name			
Security address			
Loan settlement date	Loan maturity date		
Current total balance			
Current redraw or arrears amount			
Current LVR	%		
Policy type	Payment type		
Current monthly payment			
Reduced repayment amount			
Total assistance amount required			
Arrears to be capitalised			
Repayment history last 12 months			
Projected end LVR	Loan maturity date		
Current LVR	%		
Latest valuation date			
Date assistance to commence	Date assistance to end		
Lender's recommendation			

Please note:

- Maximum end LVR for ImiSELF CERTIFIED is 80%; ImiADVANTAGE is 95%
- In submitting this form, you confirm that the Borrower has consented to you disclosing his/her sensitive information (as that term is defined in the Privacy Act 1988 (Cth)) to QBE LMI so that QBE LMI can assess the Repayment Assistance Request.

Attachment checklist:

QBE LMI repayment assistance request form	Application Summary to outline detailed reason for request
Borrower's Statement of Financial Position	Documentation supporting hardship request (Please refer to page 2)

Requested by	Application summary	
Email		
Contact number		

Please email the completed form to hardship@qbemli.com
 PO Box R1547 Royal Exchange Sydney NSW 1225
 Phone 02 9231 7777 Fax 02 9221 1397
QM6473-006

Figure 7

Examples of documentation to support the borrower/s' reason for hardship request:

Reduced income

- Letter from borrower/s employer
- Or
- Letter from borrower/s accountant
- Or
- Payslips

Unemployment

- Employment separation certificate/letter

Medical

- Doctor Certificate
- Or
- Letter from insurer
- Or
- Compensation/Workcover documents

Deceased matter

- Copy of death certificate

Change in relationship

- Family law court document
- Or
- Letter from solicitor

Sale of property

- Contract of sale
- Or
- Sales agency agreement

Other

- Please specify reason, and provide any relevant supporting documents

Section 2.4

Pre-Claim

2.4.1 Overview

The “Pre-Claim” process refers to the process that a Lender undertakes to realise the shortfall, by either MIP sale or Borrower Sale.

QBE works with Lenders throughout this process to ensure the actions undertaken by the Lender are within the parameters of the Agreement between both parties. This ensures that the potential loss as a result of the actions taken by the Lender are covered in the event of a claim or that appropriate provisioning is in place for items which are not deemed to be claimable under the LMI policy.

Throughout the Pre-Claim process, all actions taken should be in the best interest of the Borrower to minimise the shortfall of the outstanding debt.

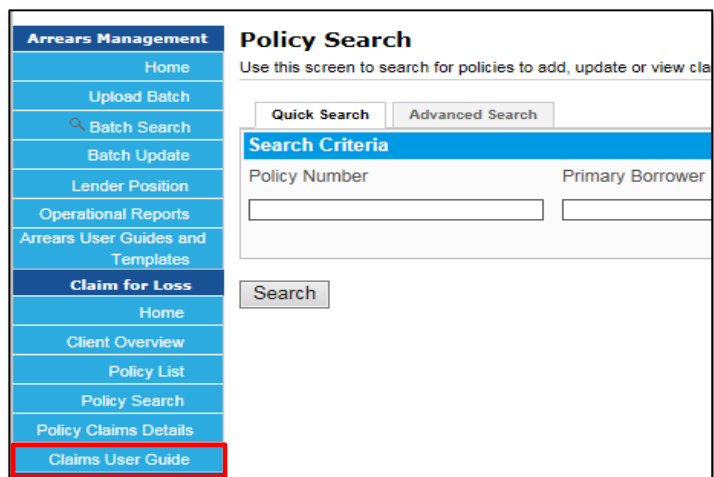
QBE encourages Lenders to remain in contact with the QBE Claims Team throughout the MIP and Borrower Sales processes to ensure clarity and transparency throughout to the Claim lodgement..

QBE also encourages Lenders to rely on the QBE Claims Team’s experience and knowledge should any complex issues arise which may require a different point of view.

Communication with QBE throughout the Pre-claim process should also be maintained through the **ImiCONNECT®** portal, providing a paper-less filing system where all MIP, Borrower Sale and Claims documentation is uploaded. **ImiCONNECT®** also provides an interactive communication portal which allows contact between lenders and QBE through a messaging system which stores all communication in a central location for future reference.

A copy of the **ImiCONNECT®** Claims User Guide can be located in **ImiCONNECT®** in the “Claim for Loss” section on the right-hand side once the User has logged in (refer *Figure 8* outlined in red).

Figure 8



2.4.2 Mortgagee in Possession (MIP)

2.4.2.1 Possession

The Lender must advise QBE of the possession date and type within fourteen (14) days of securing possession to allow accurate provisioning for any potential losses.

The Lender should also ensure the security property has suitable general insurance once possession has been secured, to protect the Lender if any damage occurs to the security property while in possession.

Relevant steps on how to upload the possession date into **ImiCONNECT®** can be found on page 23 of the Claims User Guide referred to above.

Figure 9

5.2 MIP Process

1. Access the QBE LMI policy via the Policy Search Function (see section 4.1).
2. Confirm the policy details.
3. Click 'MIP' from the Summary Section.

Summary & History
Use this screen to view a history of all claims process events for the policy. Print View

Summary	Policy #:	Claim #:
MIP Not submitted	>> Sales Not submitted	>> Claims Claim not submitted
	>> Review & Approval Claim not submitted	>> Payment Claim not submitted

4. Enter 'Client File Managers' (e.g. User's name.)
5. 'Uninsured Principal Increase' need only be completed if the loan consists of an uninsured top-up.
6. Complete the Property Presenter details, if applicable.

Claim Type and Manager:

Client File Managers:

Uninsured principal increase:

Please enter the property presenter details:

Presenter Appointed? Yes No Property Presenter: Other Property Presenter:

7. Complete the possession and type

Security: [15 YARABAH AVE WIND GORDON NSW 2072]

Possession Date: Possession Type: Submit MIP notification only

2.4.2.2 MIP Valuation and Agent Appointment

An MIP Valuation must be uploaded to **ImiCONNECT®** for all MIP properties.

The MIP valuation should meet the QBE LMI requirements set out in Annexure 2 of this document.

In some instances, if there is a large discrepancy between the Original valuation and the MIP valuation (20% or more), QBE will require a Retrospective Valuation as at the date of the Original valuation.

A retrospective valuation gives an indication as to what the original value should have been at the time of underwriting. This will be used as evidence if QBE chooses seek recourse from the original valuer for any loss suffered as a result of relying on the original valuation.

Note: The retrospective valuation should be obtained from a valuer whom is independent from the original and MIP valuations to remove any conflict of interest which may arise. For further requirements in relation to retrospective valuations, please refer to Annexure 3 of this document.

ImiCONNECT® will advise the User when a Retrospective valuation is required to be obtained.

Relevant steps on how to upload the MIP Valuation into ImiCONNECT® can be found on page 24 of the Claims User Guide (refer Figure 10).

When appointing a Real Estate Agent QBE requires the Lender to obtain a minimum two (2) Market Appraisals from local real estate agents.

Figure 10

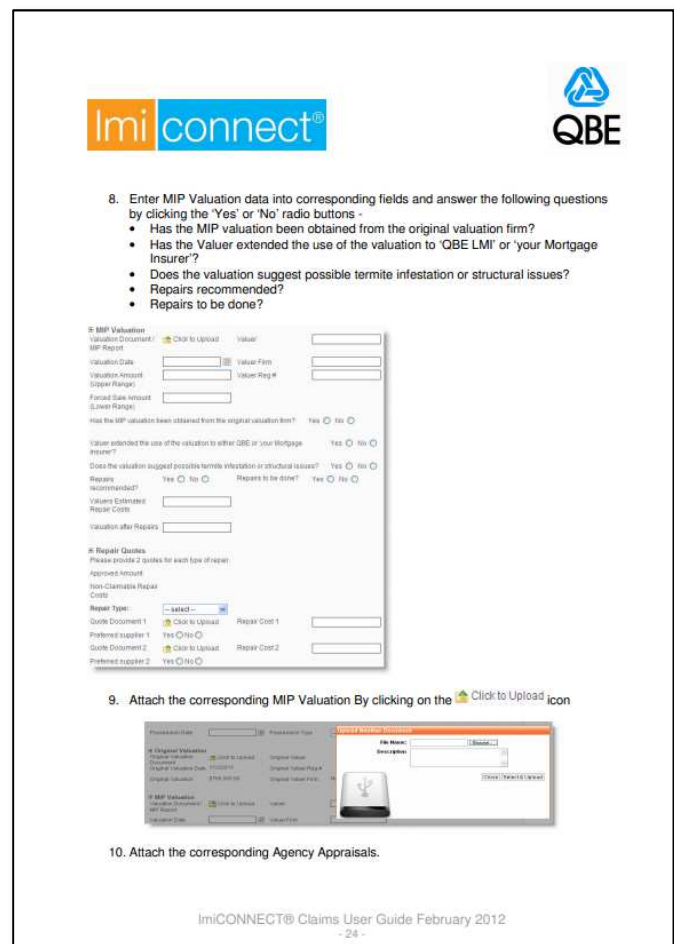
The appraisals should include the following:

- An estimated sales range;
- Comparable sales;
- A proposed marketing schedule and costs (recommended maximum 1.5% of appraisal amount);
 - Proposed commission - below is a guide QBE recommends using when reviewing commission amounts:
 - Maximum 4.4% where the Market Value does not exceed \$250K;
 - Maximum 3.3% where the Market Value does not exceed \$500K;
 - Maximum 2.2% where the Market Value exceeds \$500K;
 - Maximum \$10,000 for fixed rate commissions;
- Colour photos of the property, highlighting any recommended repairs.

Note: QBE's preferred method of sale is by

public auction as this ensures that the best sale price is obtained, and the market is fully tested.

It is recommended that the private treaty method should only be used where an auction is not viable (i.e. in remote areas or vacant land sales where there is an abundance of vacant land being sold) and should be supported by the MIP valuer's recommendation.



2.4.2.3 Repairs

If the mortgaged property suffers any damage or destruction (except reasonable wear and tear), the Lender must ensure that it is restored as nearly as possible to its condition at the date of commencement of insurance.

QBE will meet a claim under the Agreement only when the mortgaged property has been restored.

QBE agrees to cover any work up to \$8,000 however, the costs of restoration over \$8,000 are not insured under the Agreement.

Quotes for repairs exceeding \$8,000 should be uploaded to [ImiCONNECT®](#) to be reviewed by QBE to determine if the costs will be covered in the event of a claim. Please refer to pages 26 & 27 of the Claims User Guide on how to upload repair quotes.

- One quote is required for individual items that will not exceed \$500;
- Two quotes are required for items that will exceed \$500;
- Quotes for work must be provided by a registered company.

When reviewing quotes, each policy is reviewed on a case by case basis and the following factors are taken into consideration to determine whether the costs will be covered:

- The age of the property;
- Loan purpose (e.g. Construction, home improvements);
- The condition of the property at commencement of insurance;
- The extent of work required;
- The "As Complete" value.

Note: If the Lender decides not to complete the work, QBE may consider itself disadvantaged by the Lender's decision and this may be taken into consideration in the event of a claim.

2.4.2.4 Marketing and Offers

QBE agrees with the industry standard of a minimum four-week marketing period for an auction campaign to ensure appropriate feedback is obtained prior to auction.

QBE recommends that weekly marketing reports are received from the agent and uploaded to [ImiCONNECT®](#).

The property should also be maintained throughout the campaign. ie mowing, yard maintenance, pool cleaning etc.

On the day of auction, QBE endorses the use of a "fall back" figure as well as a reserve figure. This allows the agent to negotiate with any potential purchasers on the day of auction should the property be passed in.

When setting a reserve at auction, the Lender should ensure the following:

- The MIP valuation should not be more than 90 days old;
- The reserve must not be less than the upper range of the MIP valuation;
- The fall-back figure must not be less than the lower range of the MIP valuation;
- The “as complete” valuation figures should be used if the required repair work has been completed.

For Private Treaty campaigns, the initial list price should not be less than the upper range of the MIP valuation, or the upper range of the “as complete” valuation if the required works have been completed.

QBE understands that the market feedback may differ from the valuer’s opinion and the reserve and fall back/list price recommended may not fit in the above guidelines. In these instances, please contact the Claims team to discuss the details prior to the auction or listing.

Lenders are encouraged to liaise with QBE in relation to properties which have been on the market for an extended period. The QBE Claims team are experienced in different strategies which could be used to generate interest in these properties to help achieve a sale and minimise costs.

QBE expects all offers to be fully negotiated by the Lender. If an offer falls outside the current MIP valuation range, QBE requires commentary from the valuer in support of the offer prior to acceptance.

Information on how to upload Sales data to [ImiCONNECT®](#) can be located on page 29 of the Claims User Guide.

2.4.3 Borrower Sales

QBE supports and encourages the sale of a security property by the Borrower in circumstances where it is agreed that such action is in the best interests of the Borrower. This will maximise the sale price and reduce the costs associated with securing possession of the property.

The Lender is required to notify QBE if they intend to accept a Borrower Sale that will result in a shortfall.

For QBE to consent to the shortfall sale, the Lender must provide the following documents to QBE for consideration of the offer:

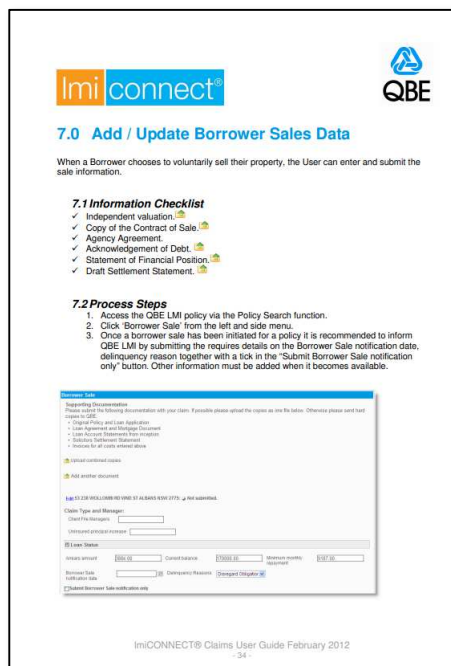
- An updated Valuation (in line with the MIP valuation guidelines);
- A copy of the signed Contract of Sale;
- A copy of the draft settlement statement (when to hand);
- An Acknowledgment of Debt completed by the Borrower;
- A Statement of Financial Position completed by the Borrower.

In all instances the Lender must apply the full net proceeds from the sale to the home loan and every effort should be made to have the Borrower and/or any Guarantor cover the shortfall at settlement.

QBE agrees to cover the following costs incurred at settlement for a Borrower Sale:

- Borrower's conveyancing costs up to \$1,500;
- Reasonable marketing fees; and
- Apportioned Rates in relation to the security property.
- Proposed commission - below is a guide QBE recommends using when reviewing commission amounts:
 - o Maximum 4.4% where the Market Value does not exceed \$250K;
 - o Maximum 3.3% where the Market Value does not exceed \$500K;
 - o Maximum 2.2% where the Market Value exceeds \$500K
 - o Maximum \$10,000 for fixed rate commissions

Figure 11



Any costs outside the above guidelines will be reviewed on a case by case basis to determine if they are claimable under the LMI policy.

Relevant steps on how to upload the MIP Valuation into ImiCONNECT® can be found on page 34 of the Claims User Guide (refer Figure 11.)

Section 2.5

Claims Management

2.5.1 When should I lodge my Claim?

A claim for loss can be lodged with QBE when the mortgaged property has been sold and settled and there is a shortfall of funds to payout the loan in full.

The claim should be lodged within 30 days of the settlement date or within a reasonable period when all documents and information QBE requires for assessment has been collated.

2.5.2 How do I lodge my Claim?

Once the property has been sold and settled, the Lender can enter the claim information and submit to QBE for assessment using **ImiCONNECT®**.

Traffic lights in **ImiCONNECT®** ensure all Pre-claim data required to complete a claim has been successfully uploaded and submitted to QBE for assessment.

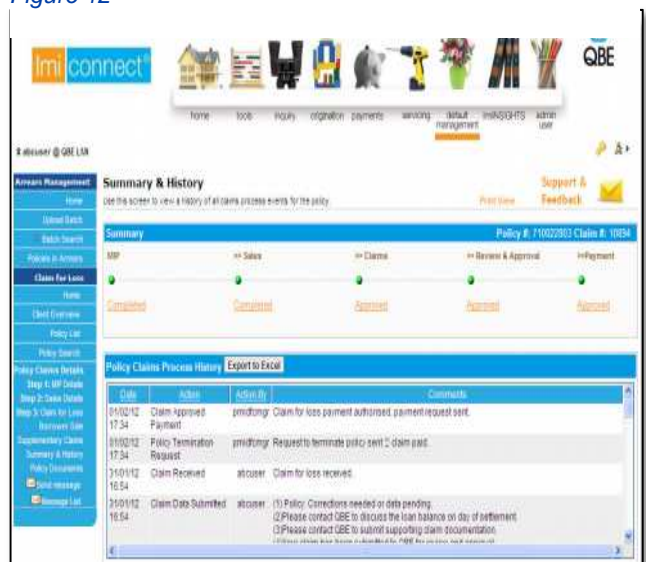
When each stage of the Pre-claim process is complete without error/warnings, a traffic light will change to green. Once all stages of the Pre-claim process are green in **ImiCONNECT®** a claim can be submitted.

The traffic lights are shown on the “Summary and History” page of each policy and indicate the stage each file has reached.

- A **grey** light indicates the process has not been started;
- A **red** light indicates the process is not complete;
- A **green** light indicates completion of the relevant Pre-claim stage without any errors or warnings.

The user should refer to the relevant section of the Claims User Guide for steps on how to complete a Pre-claim section in **ImiCONNECT®**.

Figure 12



2.5.3 What documentation is required?

The documentation QBE requires to be submitted with a claim to commence assessment is dependent on the claim amount*.

To ensure an efficient claims experience, the Lender should refer to the below table when preparing a claim submission to ensure only the required documents are uploaded with the claim:

AMOUNT OF CLAIM	DOCUMENTATION REQUIRED
\$0 - \$20,000	✓ Claim for loss form via ImiCONNECT®
\$20,001 - \$100,000	<ul style="list-style-type: none"> ✓ Claim for loss form via ImiCONNECT®; ✓ Settlement statement; ✓ Loan statements (From drawdown to settlement); ✓ Signed Loan application form (for all insured loans under the policy); ✓ Loan Agreement (for all insured loans under the policy); ✓ Registered Mortgage & CT; ✓ Legal invoices if greater than \$10k; ✓ Repair invoices if greater than \$8k
\$100,001- \$169,999	<ul style="list-style-type: none"> ✓ Claim for loss form via ImiCONNECT®; ✓ Settlement statement; ✓ Loan statements (From drawdown to settlement) ✓ Loan application form (for all insured loans under the policy); ✓ Loan Agreement (for all insured loans under the policy); ✓ Registered Mortgage & CT; ✓ Legal invoices if greater than \$10k; ✓ Repair invoices if greater than \$8k; ✓ Full supporting documents for the loan application if the effective date of the policy is less than 3 years from the date of possession.
\$170,000 +	✓ All documents as identified in the Claims Minimum Documents Checklist (refer to Annexure 1)

Note: On occasion QBE may require additional information for a claim to be assessed, however this will be on a case by case basis and a specific request will be made. These instances include but are not limited to:

- Policies where a Delegated Underwriting Authority (DUA) was not held at the time of underwriting, and or the Lender's compliance results were below an acceptable level at the time of underwriting; Full supporting documents for the loan application if the effective date of the policy is less than 3 years from the date of possession; or (continued next page)
- Policies where the loan suffered early term arrears.

To ensure an efficient claims experience, QBE recommends a claim is submitted only when the information as per the above table is compiled and ready to be uploaded to [ImiCONNECT®](#).

Please refer to page 15 of the Claims User Guide on how to upload documents to **ImiCONNECT®**.

2.5.4 How is your Claim for loss calculated?

QBE LMI policies are signed under a Master Agreement between the Lender and QBE. These Agreements vary from policy to policy depending on a number of different factors including when the policy was underwritten, how the policy was underwritten, who the insured party is and more.

The Master Agreement consists of the LMI Advice, the LMI Certificate and relies on LMI Provisions (LMIP) to set out the terms under which QBE agrees to insure the mortgage.

The LMIP outlines the Lender’s obligations under the policy in relation to the initial loan, protecting the mortgaged property and the actions following a default by a Borrower.

The LMIP also advises the Lender how a claim for loss is calculated, what’s covered by QBE and the items not claimable. The following pages outline this further and also advises the User where each amount is entered in the online claim form in **ImiCONNECT®**. The amount owing at the time of settlement is the total of the following items:

The loan balance on day of settlement including all costs charged to the account in the Pre-Claim process including:

- General insurance premiums;
- Rates;
- Reasonable legal fees incurred;
- Property presenter fees (up to \$2,000);
- Valuations obtained throughout the pre-claim process;
- Locksmith fees;
- All repair costs incurred;
- Interest from last charge to settlement;

Figure 13

The screenshot shows the 'Claim Form' interface with the following table structure:

COSTS	Prior Settlement		At Settlement		Total
	Amount	RITC Exempt	Amount	Amount	
Insurance	0		\$0	0	↻
— Gross householders insurance	<input type="text"/>	<input checked="" type="checkbox"/>	<input type="text"/>		
Rates/Body Corporate	0		\$0	0	↻
— Gross Rates	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>		
Legals to Possession	0		\$0	0	↻
— Court Costs	<input type="text"/>	<input checked="" type="checkbox"/>	<input type="text"/>		
— Legals To Possession	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>		
Legals - Conveyancing	0		\$0	0	↻
— Legals - Conveyancing	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>		
Sales	0		\$0	0	↻
— Agent's Commission		<input type="checkbox"/>	<input type="text"/>		
— Marketing Costs	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>		
— Property Presenter	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>		
Possession / Presentation	0		\$0	0	↻
— Valuations	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>		
— Locks	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>		
— Repairs	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>		
— Cleanings	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>		
— Electric/Gas	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>		
— Interest (last charge to settlement)	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>		
— Interest (Settlement to Claim - max 30 days)	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>		
— Other costs	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>		
Total Costs	0		\$0	0	↻

PLUS

The costs incurred on settlement as per the settlement statement:

- Rates;
- Conveyancing costs;
- Agent’s commission and marketing fees as agreed in the Pre-claim process;
- Interest charged from settlement date to claim date (up to a maximum of 30 days).

Any outstanding invoices not charged to the loan account prior to settlement should also be included in the above section.

The claim amount is calculated by subtracting the following non-claimable amounts from the amount outstanding at the time of settlement above:

- The gross sale proceeds as per the settlement statement;
- Refunds collected on any cancelled general insurance policies or Rates reimbursed on settlement;
- Other receipts including default interest from the purchaser or payments received from the Borrower;
- Non-claimable repair costs over \$8,000 unless prior consent is received from QBE;
- Default Interest/fees not previously paid by the Borrower;
- Uninsured increases and any interest associated with same;
- Any other adjustments as per, but not limited to the following table:

Figure 14

CREDITS	Prior Settlement Amount	At Settlement Amount	Total Amount
Gross sale proceeds <input type="text"/>			
Refund on Cancellation of Insurance		<input type="text"/>	
Refund on Cancellation of Rates		<input type="text"/>	
Rents and other profits received		<input type="text"/>	0
Other receipt(s): <input type="text"/>		<input type="text"/>	0
RITC:	\$		\$
Non-Claimable Repair Costs		<input type="text" value="0.00"/>	0
Default Interest/Fees		<input type="text"/>	0
Uninsured principal increase		<input type="text"/>	0
Other adjustments <input type="text"/>		<input type="text"/>	0
Total Cash Flow Cover paid		\$0.00	0
Total Cash Flow Cover paid (current)		\$0	0
Total Credits	0	\$0	0

<u>How your claim amount is calculated:</u>	
Loan balance on day of settlement (prior to sale proceeds being applied)	\$0
Costs incurred by you at settlement	+ \$0
	<hr/>
Gross sale proceeds	-\$0
Total non-claimable amounts (credits)	-\$0
TOTAL CLAIM	\$0

•

ADJUSTMENT

ADJUSTMENT CALCULATION METHOD

Disadvantage due to Non-completion of repairs/restoration

Lower Range of the “As complete” MIP valuation **less** the Sale Price.

Please note that there may also be interest costs associated with this adjustment due to the time the property remained on the market as a result of the condition of the property.

Interest Accrual due to time delays

As per loan statements starting from the most recent interest charge prior to settlement, working backwards for the number of months the delay was incurred.

If there is a subsequent drop in the value of the property as a result of the time delay, this may also be taken into consideration when assessing the claim.

2.5.4.1 RITC

Reduced Input Tax Credit (RITC) is a credit the Lender is able to claim from the ATO on some costs incurred in enforcing a mortgage. This credit is equal to 75% of the GST portion of the charges liable for RITC. Considering this portion is claimable in the Lender’s annual tax return, it is not claimable under the LMI policy.

Lenders are encouraged to seek advice from its Tax Specialist, however in QBE’s experience, the following items are subject to RITC:

- Debt recovery fees including:
 - the cost of litigation to recover a debt (pre-possession);
 - the cost of lodging court documents to recover a debt, if GST has been charged (pre-possession);
- Property valuation fees;
- Locksmith fees.

If entering the above costs into the online claim form on [ImiCONNECT®](#), the Lender should consider if the amount charged to the loan account was exempt from RITC, if the RITC has already been removed from the debit or if needs to be deducted from the claim.

Figure 15

If the RITC has already been taken into account when the invoice was debited to the loan or the debit is not subject to RITC, the User should tick the box in the middle of the online claim form.

If RITC is required to be removed from the claim, the Lender should leave the box unticked. This will be added as a credit to the claim.

Please feel free to contact the QBE Claims team for assistance when submitting a claim through [ImiCONNECT®](#).

Loan balance on day of settlement (prior to sale proceeds being applied)	361432.51	
	Prior Settlement	
COSTS	<i>Amount</i>	<i>RITC Exempt</i>
Insurance	0	
— Gross householders insurance	<input type="text"/>	<input type="checkbox"/>
Rates/Body Corporate	0	
— Gross Rates	<input type="text"/>	<input type="checkbox"/>
Legals to Possession	0	
— Court Costs	<input type="text"/>	<input type="checkbox"/>
— Legals To Possession	<input type="text"/>	<input type="checkbox"/>
Legals - Conveyancing	0	
— Legals - Conveyancing	<input type="text"/>	<input type="checkbox"/>
Sales	0	
— Agent's Commission		<input type="checkbox"/>
— Marketing Costs	<input type="text"/>	<input type="checkbox"/>
— Property Presenter	<input type="text"/>	<input type="checkbox"/>
Possession / Presentation	0	
— Valuations	<input type="text"/>	<input type="checkbox"/>
— Locks	<input type="text"/>	<input type="checkbox"/>
— Repairs	<input type="text"/>	<input type="checkbox"/>
— Cleanings	<input type="text"/>	<input type="checkbox"/>
— Electric/Gas	<input type="text"/>	<input type="checkbox"/>
— Interest (last charge to settlement)	<input type="text"/>	<input type="checkbox"/>
— Interest (Settlement to Claim - max 30 days)	<input type="text"/>	<input type="checkbox"/>

2.5.5 What to expect

2.5.5.1 Claim Processing

QBE is committed to a fast and efficient Claims experience. The process of assessment, review and payment of a fully documented claim is outlined below. Our Claims team work with you to ensure that your Claim for loss is approved within the time frames outlined below and we do our best to make the process as streamlined and as easy as possible.

QBE is also bound by the Insurance Contracts Act whereby QBE will assess and pay a claim within 14 days (10 business days) of receipt of the required claim documentation as outlined in Section 2.5.3 of this document.

Day 1	<ul style="list-style-type: none">•A Claim for loss is received by QBE and a confirmation email is sent to you.
Days 2-3	<ul style="list-style-type: none">•The Claim documentation is checked by our Claim Administrator in line with section 2.5.3. If missing information is identified, a request is sent to you.
Days 3-6	<ul style="list-style-type: none">•The fully documented Claim is assessed and if any adjustments are made an email is sent to you for approval.
Days 6-7	<ul style="list-style-type: none">•QBE completes a secondary review of the Claim and if approved, payment is authorised.
Day 7	<ul style="list-style-type: none">•QBE's Finance department is instructed to proceed with payment and Deeds and Notices of Assignment drafted.
Days 8-10	<ul style="list-style-type: none">•Payment confirmation (EFT advice or cheque) and Deeds and Notices of Assignment are sent to you.
Days 11-15	<ul style="list-style-type: none">•On receipt of a Claim payment you are required to execute and return the Deed and Notice of Assignment to QBE for recovery action to commence. See section 2.6 of this document for further information on Recoveries.

QBE encourages Lenders to talk to the Claims team if they are experiencing additional delays, this ensures that any issues can be managed effectively and within acceptable timeframes.

2.5.5.2 Why has my Claim been returned?

There may be instances where QBE will return an incomplete claim to the Lender if the requested information has not been received after 21 days

If 7 days after the initial request, the information in order to finalise assessment of a claim has not been received, QBE will send a reminder to the Lender advising the claim is on hold until the information has been received.

If another 7 days passes (14 days since initial request) without the information being received, the Lender may be advised that it has a further 7 days to provide the requested information or the claim will be returned as incomplete.

If a claim is returned as incomplete after 21 days, the policy is not terminated, and the file is not closed. You are able to resubmit the claim once the requested documents have been located.

Simply contact the QBE claims team to advise the outstanding information has been located and uploaded to [ImiCONNECT®](#) and the claim will be reactivated and assessed within the timeline above.

Section 2.6

Recoveries

Following claim payment by QBE, the Lender assigns the rights of the debt to QBE LMI. A Deed of Assignment (DOA) and Notice of Assignment (NOA) is prepared by the Claims team and sent to the Lender for signing.

On receipt of the signed copies of the DOA and NOA QBE will commence recovery of the amount of the claim, plus costs, from the Borrowers.

Once the debt has been assigned to QBE, the file is outsourced to a Mercantile Agent to commence recovery action. The Mercantile Agent will contact the Borrower and either set up a payment arrangement, negotiate a lump sum settlement or commence legal action to recover the debt. Every file is treated on a case by case basis by QBE and its Mercantile Agent.

It should be noted that QBE does not charge interest or administration fees on the shortfall amount.

On occasion, QBE may request further Loan documentation from the Lender to assist with recovering the debt from the borrower or any guarantor or to assist with a complaint that may have been lodged.

QBE and its service providers are bound by the National Consumer Credit Protection Act 2009 and appropriate checks and measures are in place to ensure compliance with the Act is observed.

Section 2.7

Complaints and Disputes

Customer Care Unit

The Customer Care Unit (CCU) will deal with all complaints made about QBE or its service providers.

The CCU may be contacted:

By phone: 1300 650 503

By email: complaints@qbe.com

By mail: Customer Care Unit

GPO Box 219

PARRAMATTA NSW 2124

When the CCU is advised of a complaint, if appropriate, they will refer it to the relevant business unit and request that they attempt to resolve the matter.

All LMI claims complaints will be transferred / escalated to the Dispute Resolution team for an Internal Dispute Resolution (IDR) review.

Dispute Resolution Team

The Dispute Resolution Team is responsible for QBE's Internal Dispute Resolution (IDR) process. The team conducts IDR reviews and provides a final decision on behalf of QBE.

IDR reviews are conducted by Dispute Resolution Specialists (DRS), who have the authority to provide a final decision on behalf of QBE.

The General Insurance Code of Practice states that Dispute Resolution Team has 15 business days from the date on which all investigations have been completed and all relevant information is available to complete the IDR review, including providing a final decision in writing.

QBE has an overriding obligation under ASIC Regulation 165 to resolve complaints within 45 calendar days from the first time that the customer complains to a QBE representative.

The DRS will contact the relevant business unit to request the necessary information to complete the IDR review. You should provide the required information as quickly as possible, so that the DRS can meet these tight timeframes.

If the complainant is not satisfied with the IDR decision then they may take their dispute to an external forum such as the Financial Ombudsman Service (FOS) or the Credit and Investments Ombudsman (CIO) formerly known as COSL, the Office of the Australian Information Commissioner (OAIC) or Australian Human Rights Commission (AHRC).

However, the complainant has the right to escalate their matter to an external forum at any time during the life of the complaint.

Should the matter be referred to an external forum, Dispute Resolution Team will prepare the response on behalf of QBE.

You can search the database of FOS determinations at the Financial Ombudsman Service (FOS) web site.

Section 2.8

Contacts

Name	Contact
Sally Anani, Head of Claims, LMI	sally.anani@qbe.com 02 9231 7765 0481 908 286
<i>Pre-claim & general claim enquiries</i> LMI Claims Specialists LMI Assessment Manager LMI Claims Assessors	lmirealisations@qbe.com
<i>General arrears, hardship, recoveries and administrative enquiries</i> LMI Service Manager LMI Service Officers	
Arrears Enquiries	lmiarrears@qbe.com
Recoveries Enquiries	lmirecoveries@qbe.com

Section 2.9

Annexures

Annexure 1 – Claim Document Checklist



CLAIMS DOCUMENT CHECKLIST 170k +

- Claim for loss form completed and signed by the lender
 - Loan statement from inception (include all related accounts)
 - Legal invoices debited to the loan account > than \$10k
 - Repair invoices debited to the loan account > \$5k
 - Final settlement Statement including supporting invoices
 - Any additional invoices for costs included within the claim
 - Copy of signed and registered mortgage or a mortgage with CT
 - Signed loan agreement
-
- Signed loan application form
 - Original valuation - if not already received at MIP
 - ID documents
 - Refinance statements or original contract of sale (exchanged and inclusive of relevant special conditions)
 - Income verification documents (Payslips, group certificate, tax returns etc)
 - Employment verification documents (Employment letter and/or lender's confirmation)
 - CRAA and any other documents listing defaults (Not applicable to flow claims)
 - Relevant company or individual searches e.g. ABN
 - Copy of personal guarantee supporting loan in a company name
 - Bankruptcy/liquidation documents (creditors reports if applicable)
 - Copy of death certificate, will, probate etc if applicable.
 - Proof of deposit/genuine savings
 - Copy of your lending guidelines applicable at the time of loan approval if tranche or e-business for claims \$170k+
 - If Y1sa - collection notes are required for all claims

Note : On occasion QBE LMI will require additional information however this will be on a case by case basis and a specific request will be made.

Annexure 2 - Requirements for a Mortgagee In Possession (MIP) Valuation

Following are some key requirements for MIP valuations but note is not an exhaustive list.

SELECTION OF VALUER

- Must be completed by an independent Valuer, being a Valuer other than the original (or latest mortgage security valuation- will be referred to as original) or who is not associated with the original Valuer or Valuer firm.
- Must be registered or licensed where required in that state or territory. The Valuer must hold the following API membership or an equivalent membership category of an equivalent professional body:
 - AAPI CPV (Associate Member Certified Practicing Valuer)
 - FAPI CPV (Fellow Member Certified Practicing Valuer)
- The Valuer company to meet Minimum Professional Indemnity Insurance Coverage Requirements set under 13.4 of QBE LMI Minimum Valuation Requirements of the ImiGuide located at www.qbe.com/lmi

REPORT REQUIREMENTS

- Must state that the valuation can be relied upon for the purpose of mortgagee in possession. No reference should be made to mortgage security purposes.
- Acknowledge/address that the valuation can be used by QBE LMI
- Include a fair market value and a market value range based on highest and best use and a selling period considered reasonable for the security. Valuer to make comment if the selling period is greater than 6 months. No reference should be made to forced sale or shortened selling period.
- Include recommended repairs and an estimated associated costs (where the costs can be estimated by the Valuer).
- Include an “as if complete” value and market value range if the repair costs exceed \$8,000 and based on all repairs being completed.
- Include photos of the property including any areas requiring repair.

Annexure 3 – Requirements for a Retrospective Valuation

Following are some key requirements for retrospective valuations but note is not an exhaustive list.

SELECTION OF VALUER

- Must be from an independent Valuer, being a Valuer other than the original (or latest mortgage security valuation – will be referred to as original) or Mortgagee in Possession valuer/s or who is not associated with these Valuers or Valuer firms.
- Must be registered or licensed where required in that state or territory. The Valuer must hold the following API membership or an equivalent membership category of an equivalent professional body:
 - AAPI CPV (Associate Member Certified Practicing Valuer)
- FAPI CPV (Fellow Member Certified Practicing Valuer). The Valuer company to meet Minimum Professional Indemnity Insurance Coverage Requirements set under 13.4 of QBE LMI Minimum Valuation Requirements of the ImiGuide located at www.qbe.com/lmi

INSTRUCTION TO VALUER

- Include the following statements:
 - The retrospective Valuer should have experience, knowledge and/or ability to understand the security's market at that time
 - If required, the Valuer must be willing to complete a critique report and be an expert witness when instructed by QBE LMI
- Valuer must have access to and fully inspect the property.
- Provide a copy of the original valuation instructions, any other documents sent to the original Valuer and a copy of NSW expert witness guidelines.
- Advise the Valuer of the exact retrospective valuation date to be assessed and if there is a change to the property (such as use or condition) from that date.
- The Valuer must not have access to the original valuation. If information needs to be provided about the original condition, such as use or improvements, provide the Valuer with assumptions. Your assumptions should be based upon the information contained in the original valuation report.

REPORT REQUIREMENTS

- Must state that the valuation is prepared and can be relied upon for the purpose of a retrospective value assessment and any legal proceedings. No reference should be made to mortgage security or Mortgagee in Possession purposes.
- Acknowledge/address that the valuation can be used by QBE LMI.
- State the date of valuation being assessed.
- State the assumptions provided to them and confirm that this is the basis of the retrospective assessment.
- The Valuer to consider:
 - The relevant standards, laws and practices applicable at time and complete their retrospective valuation accordingly
 - Information known at the retrospective valuation date. Information post that date, such as sales evidence, should not be relied upon.