

AAI & MTA Add-On Insurance Class Action

Settlement Distribution Scheme Explanatory Note

A. What is this document?

On 27 February 2025, the parties to the AAI & MTA Class Action reached an agreement to settle the proceeding, on the basis that the defendants will pay (without admission of liability) \$34 million (subject to Court approval).

How the settlement is proposed to be divided amongst eligible group members is set out in the proposed Settlement Distribution Scheme (Scheme).

The Supreme Court of Victoria must consider and approve the Scheme, when deciding whether to approve the settlement, in order for it to take effect.

You should read the Scheme – it is an important legal document.

This explanatory note has been prepared to help you understand how claims will be assessed under the Scheme if the settlement is approved. This note does not replace the Scheme, and if there is any inconsistency with the Scheme, the Scheme will prevail.

B. How will the settlement administration work and what do I need to do now?

If the Scheme is approved by the Court, each registered group member will have their claim assessed in accordance with the terms of the Scheme.

The Scheme aims to deliver a simple, fair and cost-effective way to assess and distribute the settlement funds as quickly as possible.

The Scheme has been designed to:

- (a) reduce the information collected from group members and expert legal work involved in the assessment and distribution process, ensuring more funds are available to be distributed to eligible group members.
- (b) avoid extended delays in distributing settlement funds to eligible group members, which may occur if there were:
 - i. extensive data collection and verification processes; and
 - ii. detailed individual assessments required.

Maurice Blackburn has worked with data experts to match group member data with customer data provided by AAI and to develop a loss assessment methodology. This will ensure that the claim data for group members is verified and incorrect claims and calculations are not made.

If you are a registered group member, you do not need to do anything now. The scheme administrator will contact all registered group members directly when further information is required. This will not occur until the Court approves (or does not approve) the settlement and the Scheme, which will be after the settlement approval hearing listed on 30 June 2025.

C. What is the compensation for?

The AAI & MTA Add-on Insurance Class Action was commenced on behalf of people who purchased one or more of the following add-on insurance products issued by the defendants between 1 June 2006 and 30 June 2018 at or around the time they purchased a vehicle from a dealership:

- (a) loan protection insurance;
- (b) equity or equity plus insurance (also known as GAP insurance);
- (c) cash benefit insurance;
- (d) extended vehicle warranty insurance; or
- (e) tyre and rim insurance.

The class action sought damages to compensate each group member and/or recovery of the amount of the premiums mistakenly paid.

D. How is compensation going to be assessed?

Under the Scheme, the claim data for each registered group member will be applied to the loss assessment formula, to calculate that persons' 'unscaled loss assessment'.

The Settlement Sum, after any deductions approved by the Court (including the Group Costs Order and Administration Costs), will be distributed to eligible group members on a pro-rata basis, meaning an eligible group members' loss is adjusted to reflect its proportion of the total 'unscaled losses' of all group members.

The formula by which eligible group members' losses will be calculated is contained in a confidential schedule to the Scheme. Group members can request a copy of the confidential schedule once they complete and return a confidentiality undertaking available at

<https://www.mauriceblackburn.com.au/aai-settlement-distribution-scheme>.

E. How much compensation will I receive?

If the Court approves the settlement and the Scheme, each eligible group member's payment will be calculated in accordance with the method discussed in section D above.

The precise amount that will be payable to each individual eligible group member is not yet known and cannot yet be accurately estimated. It will be affected by a number of factors, including:

- (a) how many group members are determined as eligible to receive a settlement payment;
- (b) whether the Group Costs Order is approved by the Court at its current rate;
- (c) the amount of Administration Costs approved by the Court;
- (d) how much you paid and when you purchased your relevant add-on insurance product/s;
- (e) whether you have received any payment from the defendants by way of refund or remediation, or have made a successful claim on the relevant add-on insurance product/s, which will reduce your loss assessment; and
- (f) when you purchased your relevant add-on insurance product/s, because:
 - i. this will affect when interest in your claim runs from; and

- ii. claims which relate to policies purchased before 30 March 2015 will be subject to a greater reduction because of legal issues relevant to those claims.

IMPORTANT POINTS TO KNOW:

- (a) The settlement is a compromise, and takes into account the risk the class action might lose, as well as the benefit to group members in receiving money now rather than later.
- (b) The majority of people who registered claims in the class action are eligible registered group members and will be entitled to receive a share of the compensation from the Settlement Sum.
- (c) Some eligible group members will not be entitled to receive a share of the Settlement Sum, either because:
 - i. their loss is \$0 after applying the loss assessment formula; or
 - ii. after the loss assessment formula is applied to their claim data, their allocation is less than the 'Minimum Distribution Amount', which is \$30.
- (d) Some registrants have not been clearly matched to AAI's records. These people will be contacted at a later date asking for more information and if they cannot be matched they will not be entitled to share in the compensation.

For the eligible group members who are entitled to share in the compensation, we are not yet able to confirm the amount that each eligible group member will be paid. However, based on **preliminary estimates** undertaken, and noting that such estimates are prior to approval of the settlement and the Scheme, average payments may range from approximately \$100 (particularly for group members with policies purchased before 30 March 2015) to \$4,000, with an average payment of approximately \$600. Some eligible group members will receive less than the average amount, and some eligible group members will receive more than the average amount. Some people who have registered will not receive any money, if they are found not to be eligible group members because they cannot be matched to the customer data.

We cannot provide any individual compensation estimates at this stage. Please be aware that eligible group members are not guaranteed to receive compensation from the Settlement Sum, as this will depend on individual circumstances.

F. What if my claim information is incorrect?

Under the Scheme, the claim data (being the information obtained from AAI about the products purchased by each eligible group member) is treated as final and binding. This means that eligible group members are unable to review their claim data. In very limited circumstances, an eligible group member may be able to request an amendment to their claim data – whether or not the amendment is accepted is at the discretion of the scheme administrator.

G. What if I think my assessment or my compensation is wrong?

Under the Scheme, the loss assessments and pro-rata distribution based on the loss assessments are final and binding, as they are calculated using a mathematical formula (which will be approved by the Court) based on the claim data. This means that eligible group members are unable to review their loss assessment. In very limited circumstances, the scheme administrator may exercise its discretion and vary an assessment or distribution amount in the unlikely event that an abject error is identified.