

Policy assignment/novation guidelines

This document provides a guide for customers seeking consent to the assignment of existing policies.

Assignments typically cover circumstances where beneficial rights are being assigned (e.g. securitisation of loans). Where both rights and obligations are being transferred, QBE LMI will require the entry into a novation deed (e.g. sale of a portfolio of loans from one lender to another). Before a novation request can be processed, QBE LMI will require all parties to the transaction to enter into a confidentiality agreement. QBE LMI will also need to agree the ongoing policy servicing obligations, such as additional loans, policy terminations, and other variations to the insured mortgage as noted in this document. Operationally, the novation process is similar to the assignment process set-out below.

Customers wishing to enter into a novation deed should consult with QBE LMI.

Assignment of existing QBE LMI policies

A customer may seek QBE LMI's consent to the assignment of existing policies. The customer must provide the policies for which it is seeking consent in the form of QBE LMI standard data template. The latest version of data template and associated guidelines are available from QBE LMI on request. Alternative data structures are only acceptable with prior agreement.

QBE LMI will endeavour to provide a response to the assignment request within 10 business days. If issues are identified, QBE LMI will work with the customer to resolve these problems and this may delay QBE LMI providing its consent.

When QBE LMI receives such a request, it conducts analysis to determine if the policy is eligible to be assigned. To be eligible to be assigned, the policy must:

1. be recorded as active on QBE LMI's records;
2. have adequate insurance coverage and not be related to loans where an additional advance has been made to a borrower without the written consent of QBE LMI; and
3. unless explicitly stated in the relevant master LMI policy not be in arrears (although this may be approved on a case-by-case basis).

QBE LMI also reviews the status of the assignor and assignee to confirm that they are complying with existing obligations owed to it. Any issues and concerns will be raised with the customer. QBE LMI may require certain matters to be resolved or a plan to resolve these matters to be agreed prior to providing its consent to the assignment.

The customer's attention is drawn to the following notes relating to the assignment of policies:

1. Where multiple loans are listed on a single QBE LMI policy and the customer must assign all loans on that policy.
2. Where multiple QBE LMI policies relate to a loan or group of loans, all policies must be assigned.
3. By consenting to the assignment of a policy, QBE LMI does not consent to any changes to of the terms of that policy; QBE LMI only confirms that at the time of giving its consent the policy is active.

Additional advances to borrowers

Unless explicitly stated in the relevant master LMI policy, customers must seek QBE LMI's consent to additional advances of funds to borrowers and, where applicable, pay the associated additional premium. Unless agreed in writing to the contrary, all applications relating to additional advances must be sent to a QBE LMI underwriter for approval at the time the customer is assessing the additional advance. If a customer wants to provide the borrower with the additional advance but does not seek or obtain QBE LMI's consent, QBE LMI reserves its rights under the Master Policy in respect to the insurance coverage afforded to the initial loan.

Other variations to the Insured Mortgage

Other variations to the insured mortgage may also require the consent of QBE LMI. Some examples of such variations include (but are not limited to):

- Capitalisation or deferment of instalments
- Partial discharge, release or substitution of security
- Change of Borrower or any Guarantor
- Conversion of principal and interest loans to or from interest only loans
- Variation to the expiry date of the loan and/or LMI Policy