

# Legal Rights and Obligations Guide

## for RAC Basic Contents and Personal Valuables Insurance

This RAC Insurance Legal Rights and Obligations (“LRO”) Guide provides you with information about your and our legal rights and obligations under the Basic Contents and Personal Valuables Insurance policy.

You should read this LRO Guide with your RAC Basic Contents and Personal Valuables Insurance Combined Product Disclosure Statement and Financial Services Guide (“PDS”) and our PED Guide. This LRO Guide applies to new or renewed policies commenced on or after 14 November 2023.

We will only rely on any rights we have under your policy acting reasonably and to the extent permitted by applicable law.

The law is complex and we provide a high-level summary below of some key examples on how the Insurance Contracts Act 1984 (Cth) (“IC Act”) may affect your and our rights and obligations under your policy. To the extent of any inconsistency the IC Act will prevail. Other laws can apply beyond the IC Act, such as the Corporations Act 2001 (Cth) and the Australian Securities and Investment Commissions Act 2001 (Cth) Act and you need to seek your own advice regarding all relevant legal rights and obligations you may have.

You also need to consider these things to see if the insurance is right for you personally.

For further detail on your rights and obligations under law in respect of your policy, and how we exercise our rights and meet our obligations, please see ‘Other Important Information’ within the PDS.

### Some important things to understand about your policy cover

The cover we may provide under your policy is set out in the relevant cover section(s) of your PDS (subject to eligibility and acceptance by us). We may apply additional terms that affect this cover if we agree this with you in writing (where permitted by and subject to applicable law).

The cover we may provide under your policy and the settlement of your claim can be affected by various things, subject always to applicable law. This can include things such as:

- » exclusions which restrict the cover
- » your compliance with any policy terms or conditions
- » limits (including monetary and time limits)
- » excess(es) that have to be paid or borne by you in relation to a claim
- » unpaid premium
- » recoveries we may make in relation to the relevant loss.

The above are contained in this document and other documents forming your policy.

It is important to note that applicable law may restrict our rights in certain circumstances. See “When we can refuse to pay or reduce the amount we pay under a claim” below and “Cancellation by us” within the PDS for further information.

### When we can refuse to pay or reduce the amount we pay under a claim

We will only ever refuse to pay or reduce the amount we pay under a claim to the extent permitted by applicable law.

Some situations in which we may refuse to pay or reduce the amount we pay for a claim under the policy include (but are not limited to):

- » when you apply for cover (this includes new business, variations and renewals) and you do not comply with your duty to take reasonable care not to make a misrepresentation to us before the relevant contract of insurance is entered into
- » if you do not comply with or meet a policy term or condition
- » if you make a fraudulent claim - See “Fraudulent claims” below
- » where you have not or are not acting in accordance with your duty of utmost good faith under the Insurance Contracts Act 1984 (Cth) - See “Duty of Utmost Good Faith” below.

Where permitted by applicable law we may also have cancellation rights in the above circumstances.



**For the better**

## Maximum liability

Under section 42 of the IC Act our maximum liability under your policy is the highest amount of insurance cover that we would, at the time when the policy was entered into, have been prepared to provide under a policy that was, apart from the maximum liability under that policy, in the same terms and in respect of the same subject-matter and risk as those of your policy. (Refer to the IC Act for full details).

## How we exercise our rights where section 54 of the IC Act applies (unless there is a Fraudulent claim)

Subject to our rights in relation to "Fraudulent claims" explained below, by reason of section 54 of IC Act, where the effect of the policy is to allow us to refuse to pay or reduce a claim (in whole or part) by reason of an act by you or some other person that occurred after the policy was entered into, we are required to exercise our rights under the policy as explained below.

Where:

- » the act was necessary to protect the safety of a person or to preserve property
- » it was not reasonably possible for you or the other person not to do the act; or
- » you prove no part of the loss that gave rise to the claim was caused by the act,

we may not refuse to pay or reduce the claim by reason only of that act.

Where the act:

- » could not reasonably be regarded as being capable of causing or contributing to a loss in respect of which cover is provided under the policy; or
- » could reasonably be regarded as being capable of causing or contributing to a loss in respect of which cover is provided under the policy, but you prove that some part of the loss that gave rise to the claim was not caused by the act, so far as the claim concerns that part of the loss,

we may not refuse to pay or reduce the claim by reason only of that act, but we can reduce our liability in respect of the claim by an amount that fairly represents the extent to which our interests were prejudiced as a result of that act.

Otherwise, where the act could reasonably be regarded as being capable of causing or contributing to a loss in respect of which insurance cover is provided by the policy, we may refuse to pay the claim.

(Refer to the IC Act for full details).

## Fraudulent claims

In all cases, where a claim is made fraudulently under:

- » the policy; or
- » the IC Act,

against us, we may refuse payment of the claim to the extent permitted by law.

Under section 56(2) of the IC Act a court may, if only a minimal or insignificant part of the claim is made fraudulently and non-payment of the remainder of the claim would be harsh and unfair, order us to pay, in relation to the claim, such amount (if any) as is just and equitable in the circumstances.

We may also have cancellation rights. (Refer to the IC Act and PDS for full details).

## Duty of Utmost Good Faith

The following can also (where applicable) affect your and our rights and obligations regarding the operation of or breach of a term or condition of the policy:

- » Section 13 of the IC Act requires each party to the policy to act towards the other party, in respect of any matter arising under or in relation to it, with the utmost good faith. The obligation also extends to third party beneficiaries as defined in the IC Act (see "Third Party Interests" below) but only applies to them after the contract is entered into.
- » Section 14 of the IC Act provides that if reliance by a party to the policy on a provision of the policy would be to fail to act with the utmost good faith, the party may not rely on the provision.

(Refer to the IC Act for full details)

## Terms apply to extent enforceable

A term of your policy will be applied to the extent is enforceable under law.

Please note that if we avoid your policy (by this we mean treat your policy as though it never existed), under section 31 of the IC Act, in any proceedings by you in respect of the avoided policy, the court may, if it would be harsh and unfair not to do so (subject to other requirements in the section), disregard the avoidance and, if it does so, shall allow you to recover the whole, or such part as the court thinks just and equitable in the circumstances, of the amount that would have been payable if your policy had not been avoided. The power may be exercised only where the court is of the opinion that, in respect of the loss that is the subject of the proceedings before the court, we have not been prejudiced by the relevant failure or, if we have been so prejudiced, the prejudice is minimal or insignificant.

(Refer to the IC Act for full details)

## Third Party Interests

You (the insured) and we are the only parties to your policy.

The benefit of the cover under your policy is extended automatically to Third Party Beneficiaries. They are not contracting parties and only access the benefit of cover by reason of the operation of section 48 of the IC Act.

Nothing in your policy is intended to give any such Third Party Beneficiaries any right to enforce any term of your policy which that person would not have had but for the IC Act.

Any person entitled to any benefit under your policy that is not you:

- » has, in relation to their claim, the same obligations to us as they would have if they were you; and
- » may discharge your obligations in relation to the loss, damage or liability.

We also have the same defences to an action by such persons as we would have in an action by you including, but not limited to, defences relating to your conduct (whether the conduct occurred before or after your policy was entered into). Any exclusions applying to you also apply to a Third Party Beneficiary claiming under your policy.

Such persons have no right to cancel or vary your policy or its cover - only you (as the contracting party) and we can do this. If we cancel or vary your policy or its cover, we do not need to obtain such persons' consent to do so.

We also do not provide any notices in relation to this insurance to such persons as they are not a contracting party to your policy. We only send notices to you as the person to whom we have contractual obligations to do so under your policy.

Neither we nor you hold anything on trust for, or for the benefit or on behalf of any such persons under this insurance arrangement.

You:

- » do not act on our behalf in relation to the insurance;
- » are not authorised by us to provide any financial product advice, recommendations or opinions about the insurance.

Any such person needs to read this document and other documents forming your policy carefully to properly understand the benefits they have access to as non-contracting parties. The insurance cover is subject to the terms, conditions, limitations and exclusions of your policy.

Any person who may be entitled to a benefit under your policy should consider obtaining advice as to whether the benefits are appropriate or useful for their personal needs from a person who is licensed to give such advice. No advice is provided by us or our representatives that the benefits are appropriate or useful for any person's needs. Nothing prevents such persons from entering into other arrangements regarding insurance.

In some cases you may specify loss payees that we will make payments to (e.g your financier).

RAC Insurance Pty Limited  
AFS Licence Number 231222



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