

No Interest Deferred Payment Plan (NIDPP)

Definitions

The following definitions apply to words used frequently in this document:

Administrator – Means LGM Financial Services Inc. (or its successor(s) who is/are to administer this Agreement on Our behalf).

Certificate – Means the Contract, Policy or Membership Agreement which the No Interest Deferred Payment Plan Program will be applied to.

Certificate Life – the time between the Certificate Purchase date and the Expiration Date.

Lienholder – Means the person or company that has advanced the money for the purchase or lease of the customers Vehicle.

NIDPP – Means the No Interest Deferred Payment Plan.

Privilege - Means the privileges that the customer is eligible for under the Membership Agreement as selected by the customer as shown on the Registration Page of the Vehicle Loss Privilege Program (VLPP.)

Products – Means Mechanical Breakdown Protection, Appearance Protection (excluding BMW Products), Wear Protection, and Vehicle Loss Privilege Program (VLPP) Partial Loss Event, Total Loss Event, and Negative Equity Privileges.

“Purchase” or “Purchasing” – Means the process of the Selling Dealer placing the certificate in a Purchased status within the Digital Resource Centre (DRC.)

What is the No Interest Deferred Payment Plan (NIDPP)?

The No Interest Deferred Payment Plan (NIDPP) is a pay-as-you-go program available for all Mechanical Breakdown Protection, Appearance Protection (excluding BMW Products), Wear Protection, VLPP (Partial Loss Event, Total Loss Event, and Negative Equity Privileges) products. With no qualification or approval process required, all customers are pre-approved at 0% interest, making these products more affordable and easier to sell. The NIDPP is easy to propose and administer as there is no additional paperwork to complete or time-consuming lender approvals.

Which products are eligible for the NIDPP?

All Mechanical Breakdown Protection, Appearance Protection (excluding BMW Products), Wear Protection, VLPP (Partial Loss Event, Total Loss Event, and Negative Equity Privileges) products qualify for the use of NIDPP.

Program Benefits to Customers & Selling Dealers

There are many scenarios in which the NIDPP will be beneficial for your dealership and customers:

1. As some customers pay cash for their vehicle purchase they may not have not considered the investment required on additional products. By taking advantage of NIDPP, they can now afford the products through easy monthly payments.
2. As some customers only qualify for a specified finance amount from their lending institution the NIDPP can bridge the financial gap should this exceed their financial limit enabling the purchase of additional products.
3. As a customer nears the expiry term of their original manufacturer's warranty, and have decided to keep their vehicle, there is an additional sales opportunity to sell a warranty product to provide extended vehicle protection. (Specific to Warranty Products)

Application Process

The application process simply requires the completion of a short online section of the certificate which requires the entry of the customer's bank or credit card information.

Payment Information

Minimum Down Payment Required

A minimum down payment of 10% of the total cost of the certificate is required. This down payment will be processed by the Administrator when the Selling Dealer completes the “Purchase” for the on-line certificate.

The down payment will be charged to the customer's indicated payment method by the Administrator within five business days of the Selling Dealer processing the "Purchase."

When Do Payments Begin?

The Down Payment will be charged to the customer within five business day from the Selling Dealer "Purchasing" the certificate. The recurring payments will begin on the date indicated as the first payment date which must be within 45 days after the certificate purchase date.

When will the customer's monthly payments be charged to their Credit Card or Bank information?

The customer's monthly payments will be charged on the same day of the month that is indicated in the first monthly payment. Ex. First payment date is April 16th, 2011; recurring payments will follow on the 16th of each month.

Please note that if the customer has chosen a day such as the 31st, the customer's account will be charged on the last day of the month. Ex. First payment date is January 31st, 2011, the February payment will be charged on the 28th of the month.

Customers that have chosen to have payments charged to their bank information should also be advised that if a payment is scheduled for a date that is a holiday or weekend, the funds will be charged on the next business day.

Monthly Payment Details

The customer will make equal monthly payments resulting from the total cost less the down payment, divisible by the allowable deferred payment term. The allowable deferred payment term varies based upon the length of the certificate life.

The first monthly payment will be charged to the customer's indicated payment method on the date provided within the NIDPP Agreement.

Is the customer able to submit more than 10% as their down payment?

The Down Payment field is editable, which enables entry of any dollar amount that the customer indicates. This is flexible as long as the minimum of 10% of the total cost is met.

Can the customer select any date as the First Payment Date?

The 1st monthly payment must be within 45 days of the purchase date. The system will indicate what the last date available is.

Who collects the Down Payment?

The Administrator collects the down payment from the customer's indicated payment method.

When will the Administrator collect the Down Payment?

The Administrator will process the Down Payment within five business days of the Selling Dealer "Purchasing" the certificate.

Payment methods available to the Customer

The customer payment methods available are:

- Credit Card
 - Visa & MasterCard only
- Bank information
 - Excluding Line of Credit Accounts

In the event of a payment default

If a customer defaults on one of their monthly payments, the Administrator will contact the customer, via email or posted mail, to collect the outstanding amount due including any fee(s) outlined in the NIDPP Agreement regarding defaulted payments. The customer will be required to make up any defaulted payment(s) including any applicable fee(s) to bring the account back into good standing.

Under the terms of the NIDPP Agreement, a fee of \$50 will be charged against the customer's account for each default payment during the term of agreement. This charge is required to cover the associated bank fees related to the payment default charged to the Administrator.

What happens if the Administrator cannot recover the defaulted payments from a customer?

In the event the customer defaults and has not resolved the default within 10 business days of the regular payment due date, the Administrator will issue a written notification, via email or posted mail, informing the customer of the Intent to Cancel the NIDPP Agreement as well as the certificate. The Administrator will also issue a copy of this notification to the Selling Dealer.

The Intent to Cancel notification will indicate when the customer must rectify the payment default or the cancellation will be completed.

In the event of a cancellation of a certificate and the NIDPP Agreement, the following cancellation terms will apply:

1. In the event of a cancellation due to payment default, the Administrator will cancel the certificate as of the date of payment default.

In the case of cancellation due to payment default, the customer will not receive a refund and the Selling Dealer will only be responsible to pay the Administrator for any amount of the Selling Dealer's Net Margin that exceeds the total of the down payment and payments received from the customer (to a minimum of \$0.00).

2. In the event of cancellation on a cancelable certificate by request of the customer/Selling Dealer or on a non-cancelable certificate by request of the Selling Dealer (cancellation not due to payment default), the Administrator will cancel the certificate using the pro-rata method of time/mileage. VLPP Privileges are non-cancelable by request after 30 days.

In the case of cancellation by request, the refund due to the customer will be calculated according to the pro-rata method and the total funds received from the customer. A \$100 (plus tax) cancellation fee will apply to the customer's refund. The Selling Dealer will be responsible to reimburse the Administrator any amount of unearned Net Margin plus unpaid (pro-rata) administration fees up to a maximum of their total Net Margin.

How does a customer change/update their payment information?

The customer must contact the Administrator directly either by:

- Telephone: 1.800.510.8372 or 1.866.299.8501 ext. 1110
- Email: paymentplan@lqm.ca

Finance Terms

What Finance Terms are available to the customer?

The customer can choose any number of monthly payments which do not exceed the lesser of ½ of the certificate life or 36 months (certificate life is the time from purchase date to expiration date). The drop down menu in the DRC will automatically calculate the available Finance Terms.

Administration Fees

Is there a fee associated with the NIDPP?

In order to administer, finance, receive credit card and pre-authorized bank payments towards the NIDPP, the Administrator is required to charge the Selling Dealer an administration fee to cover such costs.

The administration fees for the NIDPP agreements are as follows:

- \$200 plus applicable taxes for Mechanical Breakdown Protection products
- \$100 plus applicable taxes for Appearance Protection (excluding BMW Products), Wear Protection and VLPP Privileges

Note: This administration fee is a cost to the Selling Dealer and may not be passed to the customer as it violates Provincial Regulations.

Why is the Administration Fee charged to the Selling Dealer?

The Administration Fee is a charge to the Selling Dealer for the cost of processing the certificates sold using the NIDPP program.

Can we charge the customer the Administration Fee?

No, this fee may not be passed along to the customer as it violates Provincial Regulations

Cancellation Charge-backs**How does the Administrator calculate the cancellation chargeback resulting from a cancellation due to payment default?**

The cancellation chargeback is calculated by the following method:

(Total Selling Dealer profit) – (Down Payment + Monthly Payments Received) to a minimum of \$0.

How does the Administrator calculate the cancellation chargeback resulting from a cancellation by request?

The cancellation chargeback is calculated by the following method:

(Pro-rata % of Total Selling Dealer Profit) + (Pro-rata % of the administration fee) to a maximum of the total Selling Dealer Profit.

This calculation ensures that a cancellation will never result in “out of pocket” expenses for a Selling Dealer.

“Out of pocket” expense refers to any amount over and above the Total Dealer Profit. (Dealer Mark-up (total customer cost – total dealer cost) – Administration Fee)

Why is the Selling Dealer charged for the NIDPP administration fee as a part of the cancellation chargeback?

The NIDPP administration fee is a fee to the Selling Dealer and cannot be passed on to the customer due to Provincial Regulations and as a result of the Administrator not collecting all of the customer’s monthly payments, has not been paid by the Selling Dealer for the full amount of the Administration fee.

Why is the Selling Dealer cancellation chargeback more than the pro-rata percent of my profit?

The Administration fee is included in the total Dealer Mark-up of all certificates sold using the NIDPP program. In the event of a cancellation, the customer refund will include a portion of the administration fee as the customer is not and cannot be held legally responsible for this fee. It is the responsibility of the Selling Dealer to pay the remaining portion of the administration fee (please note that this amount will be adjusted to prevent “out of pocket” expenses for the Selling Dealer).

Cancels and Refunds**If a customer cancels their current NIDPP certificate and purchases another certificate will they have to pay a cancellation fee? (Not applicable to VLPP Privileges)**

No, as with other types of certificates, in the event of a new certificate being purchased the cancellation fee will be waived.

If a customer cancels their current NIDPP certificate and purchases another certificate, can the dealership issue the customer portion of the refund directly? (Not applicable to VLPP Privileges)

No, all NIDPP certificates must be cancelled through the Administrator and the refund must be issued from the Administrator to the customer directly. This will result in a charge back to the dealership.

Why does the Administrator have to refund the customer directly?

The NIDPP Agreement is a contract between the customer and the Administrator, and the Administrator is collecting the funds directly from the customer’s credit card or bank account. Also due to the Administrator taking payment directly from the customer, and the time delay between a requested cancellation quote and submitted cancellation request, a customer refund could change.

How does a customer obtain a refund should they cancel a NIDPP certificate (when applicable)?

All NIDPP certificates must be cancelled through the Administrator due to the calculations factoring in the amounts the customer has paid and claims incurred.

What reason could a NIDPP certificate be canceled?

There are two different types of NIDPP program cancellations which will result in different possible outcomes; Cancellation Due to Payment Default and Cancellation by Request (when applicable).

What obligation does the Selling Dealer have if the Administrator processes a cancellation of a NIDPP certificate?

The Selling Dealer is responsible to pay the Administrator for the requested cancellation chargeback, which is a portion of the dealer profit that was issued to them in good faith.

VLPP Privilege Entitlement

If a customer requests an entitled Privilege but has a balance remaining on the NIDPP Agreement, will they receive the full Privilege Amount?

Any entitlement for Privileges will be reduced by the aggregate amount remaining outstanding under the No Interest Deferred Payment Plan.

Will the customer's NIDPP balance owing be reduced by the withheld entitled Privilege?

Yes, the Administrator will apply the entitled privilege amount to the outstanding balance. This may result in the NIDPP Agreement being satisfied and the certificate being paid in full.

Will the Administrator still apply payments to the customer's credit card or bank account?

If the entitlement for Privileges is less than the amount outstanding of the No Interest Deferred Payment Plan, the Administrator will continue to apply monthly payments to the customer's credit card or bank account until the balance is paid in full.

Will the monthly payment amounts change?

If the entitlement for Privileges is less than the amount outstanding resulting in the Administrator continuing to apply monthly payments, the monthly payment amount will remain the same. The last payment date will change and the final payment may be different.

Will the customer be informed of the changes to the payment plan due to the application of Privileges?

Yes, the customer will be notified, via email or posted mail, of the amount applied as a Privilege, as well as the balance outstanding and the remaining payment details.

Selling Dealer Information

Does the Selling Dealer collect the Down Payment from the customer?

The Selling Dealer does **NOT** collect any funds from the customer.

Does the Selling Dealer submit any documentation to the Administrator?

The Administrator does not require the Selling Dealer to submit documentation pertaining to the NIDPP Agreement or the certificate to which it applies.

Why does the Selling Dealer not remit any funds regarding certificates sold under the NIDPP program?

The Administrator will be collecting the total certificate cost from the customer, including the Selling Dealer's cost of the certificate.

When will the Selling Dealer receive their Dealer Profit from the certificate sold on the NIDPP?

Once the Administrator has successfully received the customer's down payment, the Administrator will issue the Selling Dealer their profit margin (dealer mark-up of certificate minus the applicable administration fee including applicable taxes). The cost of the certificate is not affected by utilizing the NIDPP program.

As the Administrator is collecting the Down Payment from the customer, the Selling Dealer will receive their Dealer Profit less the Administration fee including applicable taxes approximately one month after the date of sale.

The Administrator may withhold the Dealer Profit from the Selling Dealer if there are overdue balances on their Dealer Account.

How is the Dealer Profit calculated?

The Total Dealer Profit that is issued to the Selling Dealer is calculated as follows (using amounts including applicable taxes):

Total Customer Cost – Total Dealer Cost – Total Administration Fee

How to Complete the NIDPP Agreement in the DRC

Finance and Lienholder Selection

When entering the certificate in the DRC, the Selling Dealer must:

- Indicate that the certificate is to be “Financed” and
- Select LGM - NIDPP from the Lienholder drop down menu.
 - Please note that this step must be completed to allow for the on-line completion of the NIDPP portion of the certificate.

Payment Schedule

- Enter the Down Payment (including taxes) being paid by the Borrower (Customer) which must be at least 10% however this amount can be greater. (The 10% minimum down payment will auto populate but the field is editable which allows for manual changes.)
- Select the Finance Term (months), which is the number of payments the customer wishes to make, from the drop down menu. Refer to the “What are the payment term options?” for details regarding the specific terms available in the drop down menu. Please note that each certificate will generate specific financing terms according to the rules associated.
- Indicate if the certificate is to be used as Personal or Business Use. This will default on Personal Use.
- Enter the 1st monthly payment commencement date, from the drop down menu, which must be within 45 days of the certificate purchase date (there is an indicator below the First Payment Date informing of the last possible payment date).
- Select Payment Information. Enter either a valid credit card number and expiry date (Visa or MasterCard only) or bank information (unable to process line of credit accounts). For bank information please follow example for correct entry of account details.

IMPORTANT: In order for the Agreement to be enforceable, please ensure both the customer and Selling Dealer representative signs the certificate. The Selling Dealer must retain all signed documents.

Entering Payment Term Options

The customer may adopt fewer monthly payments but may not select a payment schedule that exceeds the lesser of:

- ½ of Certificate Life**
- Or
- 36 months

** Certificate Life = Certificate Expiration Date – Certificate Purchase Date.

Where can I find the NIDPP Agreement?

The NIDPP Agreement will populate as the last page of the certificate when LGM - NIDPP is selected as the Lienholder from the drop down menu that appears when the check box indicating the certificate to be “Financed”.

How do I create the NIDPP agreement?

When selling the certificate to the customer, ensure that you indicate the certificate is "Financed" and select "LGM - NIDPP" as the Lienholder from the drop down menu, this will ensure that the No Interest Deferred Payment Plan section will generate after the cost has been calculated.

Where do I enter the NIDPP information?

Once the "Calculate Price" button has been selected, with "LGM – NIDPP" indicated as the Lienholder, the DRC will generate the No Interest Deferred Payment Plan section of the certificate for information entry.

How do I know what information to enter into the No Interest Deferred Payment Plan section?

Once the "Calculate Price" button has been selected, the No Interest Deferred Payment Plan section will auto-populate key pieces of information for you as well as indicated the limitations for each editable section.

What numbers do I enter from the customer's cheque for their Bank information?

When the Bank Withdrawal is indicated in the No Interest Deferred Payment Plan section of the certificate, an example cheque will indicate which numbers to enter into the Transit, Institution and Account number fields.

Why is it necessary to indicate the Billing Address?

With Bank and Credit Card regulations, the Administrator needs to be advised of any differences in the billing information from the certificate address information.

What if we have "Saved" this certificate as a quote and the customer decides that they are no longer interested?

As the certificate has not been "Purchased" the Administrator has not processed the certificate, membership agreement or the NIDPP agreement and the onus is on the Selling Dealer to "Delete" the certificate. The Administrator will only process the Down Payment when the Selling Dealer has "Purchased" the certificate. As long as the certificate is in "Saved" status the customer will not be charged any funds.

How does the NIDPP Plan Work?

Example:

1. Mrs. Smith is purchasing a 3 year mechanical breakdown certificate for her used vehicle, using the No Interest Deferred Payment Plan. The certificate costs \$2240.00 inclusive of taxes. To make her monthly payments, she has given the Business Manager her credit card number and expiry date. The Selling Dealer has a margin of \$1,000 on this product which equates to \$1,120 inclusive of taxes.
2. Mrs. Smith has elected to make 18 monthly installments (refer to the "What are the payment term options?" section for the calculation rules regarding the payment terms) of \$112 each month. She prefers to make these payments on the 15th of each month which has been indicated in the NIDPP section of the certificate.
3. Mrs. Smith's credit card will be charged the down payment amount entered on-line of a minimum of 10% when the Selling Dealer "purchases" the certificate.
4. The first payment will be taken on the date provided within the NIDPP Agreement section of the certificate (which must be within 45 days of certificate purchase.)
5. Once the Administrator has successfully collected Mrs. Smith's down payment, the Selling Dealer will be funded their balance of profit margin minus the applicable administration fee plus tax.

Assistance

Please call LGM Financial Services Inc. Customer Service at 1.800.510.8372 from 7:30am - 7:30pm EST.