# WE'VE INCREASED PREMIUMS ON INCOME PROTECTION BY 25% AND TOTAL & PERMANENT DISABILITY BY 12.5%

## Six important things you need to know

When it comes to things like Life Insurance, we know that it is:

- Extremely complicated
- Something we don't like to think about
- One of life's many expenses.

**In such uncertain times, having certainty about your cover has never been more important.**

**We've been protecting Australians for over 140 years**

That is why we've created this guide to let you know about an **important change to the price of your cover.**

This guide is our commitment to:

- ✓ Give you the clarity you need
- ✓ Help you make an informed decision
- ✓ Ensure you're in control of your cover.

## 1 It's important to first understand how life insurance works.

Insurance works by pooling together the premiums of customers, just like you.

This pooling system makes sure that customers who experience loss (and need to claim) are protected.

Not everyone will claim at the same time and some people may not need to claim at all – **but everyone benefits from the peace of mind protection brings.**

Life insurance is designed in a way that makes sure:

- ✓ Everyone in the pool benefits from the peace of mind in knowing that the pool is there and full
- ✓ Everyone has the same opportunity to claim from the pool, should life throw a curve ball at them
- ✓ Everyone contributes their fair share based on their health, which is determined through the underwriting process.

**At the end of the day, that's what products like Income Protection and Total and Permanent Disability (TPD) are designed to do – help Australians recover when the unfortunate occurs.**

## 2 The truth is, being covered can be crucial – as reflected by claims.

**You and other OnePath customers have made the important decision to protect yourselves.** You can rest easy knowing that, when you need us, we are there. We're in the business of paying claims – it's why we exist.

**That's why in 2019 alone, we paid over**

**9 out of 10 claims**[1]

**That's around…**

**$592m** in claims

paid to our customers that have suffered from mental illness, cancer, stroke and heart disease, amongst other unpredictable conditions.

You can't predict – but you can protect

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# WHY ARE PREMIUMS INCREASING?

## 3 Knowing how important your cover is, lets remind ourselves of how premiums are calculated.

There are many factors that can impact the premium you pay, and **some of these factors are changing dramatically across the population…**

### 1 We assess factors related to you specifically.

**Personal risks**

A 'riskier' customer means more risk for the pool.

**Age and gender**

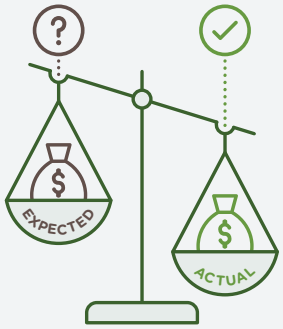
Age and gender come with different risk profiles.

**Your level of cover**

More protection means higher premiums.

### 2 We also assess other factors, such as claims rates against our expectations.

**What we think we'll pay out in claims, how many new claims will come in, and how quickly people on claim would get better and return to work.**




**Where can I find more information?**

If you want to learn more about how your premiums are calculated, **click here.**

## 4 The industry is seeing **MORE** claims go for **LONGER** than we anticipated.

**Did you know that over the last 5 years, Australia's life insurance industry has been making billion dollar losses?[2]**

This has been driven by many factors, but largely by accident claims and the major mental health crisis our country faces.

**From 2014–2018**

**Mental Health claims** costs have increased by[3] 32%

**Accident claims** costs have increased by[3] 45%

**This is a serious challenge we all face.**

For example, in May 2020, the Government announced

$48.1m towards the **National Mental Health and Wellbeing Pandemic Response Plan.**[4]

**All of this means immediate change needs to be made now**

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# HOW WILL THE CHANGES AFFECT YOU?

One of the several changes we must make is to **increase premiums**. If we do this we can continue to offer the critically important protection Australians need.

**It's all about making sure that now, and into the future, the pool is there for everyone – including you.**

**We will be increasing premiums for all existing customers that hold the covers indicated below.**

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## What are we changing?

**The changes to your cover (if you have these products):**

1. Your **Income Protection** cover cost will increase by **25%**
2. Your **Total and Permanent Disability** cover cost will increase by **12.5%**
3. These increases are in addition to any age or CPI increases
4. These increases are across both stepped and level premiums.

## What hasn't changed?

**What this price review hasn't changed:**

1. Your level of coverage – you are still covered
2. Your ability to claim – should any curve balls come your way
3. A streamlined claims process, such as personalised assistance
4. Access to your financial adviser who will be able to help you better understand these changes, and your options, based on your own personal circumstances
5. Access to our dedicated customer service team, who are fully focused on helping you understand and maintain your cover
6. **And most importantly…**

   your peace of mind.

   **Rest assured you have coverage to help protect yourself and your family during these uncertain times.**

**What you should know about these changes:**

- All existing customers with cover like yours will experience the same rate of increase at renewal time – **no one will be treated differently**
- We have already increased premiums for new customers. Our need to become sustainable starts from the beginning
- No insurer is immune to having to increase prices. In fact, 8 of the largest life insurers in the country have increased their premiums over the last 12 months[5].

## An important note if you have level premiums.

However, as we know, factors other than age are contributing to the issues we're facing. Record low interest rates, for example, have a direct impact on level premiums. Unfortunately this means increasing level premiums is something we have to do – to aid in building a sustainable pool.

To learn more about how level premiums differ from stepped premiums, and why premiums (including level) can go up, **click here.**

### COVID-19

**We do not make these decisions lightly.**

In fact, we were due to review pricing earlier in the year, but have held off on any increases since March 2020 and have absorbed losses given the challenges COVID-19 has brought us all.

**Rest assured, we are also making many other changes and taking proactive steps to build sustainability in our business to keep you protected.**

Increased investment in a network of mental health services to support the health and wellbeing of our customers **– click here to see more.**

Rehabilitation services to help people get back to work sooner (such as exploring career options or restarting a business).

We've stopped new sales of unsustainable products such as Income Protection policies on level premium or guaranteed value. **If you have these products already,** your cover will continue unchanged, but new customers cannot buy them.

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# HOW YOU CAN CONTROL YOUR COVER

## 6 Your support system to help you make an informed decision.

**Knowing what your options are is important in light of these changes.**

**You're in control of your cover, and this is a critical moment to reflect on whether your cover needs to change, so you can be confident it's right for you and your circumstances.**

**You've gone to the effort of getting and keeping your cover.** You should consider all of the options at your disposal carefully so you can make an informed decision about staying protected. If you ultimately decide to cancel your cover, that option is available, but it's important for you to know that if you ever want to apply for cover again with us or another life insurer, you may need to go through the underwriting process again as your risks (e.g. health) may have changed. If those changes have increased your risks over time, you may not get the same level of cover.

## You have control over the costs of your cover – use our guide to find out how.

Your cover is flexible, and there are various options and actions you can take to enable you to manage your costs whilst continuing to protect you and your family.

### Where can I find more information?

**Click here** for a comprehensive guide on options you can consider, to help manage your costs.

**Options to explore with your financial adviser or with us.**

Some of the most frequently used options amongst our customers include:

- Decreasing your sum insured
- Decreasing the benefit period on your Income Protection policy
- Increasing the waiting period on your Income Protection policy
- Removing any extra-cost options you may not need anymore
- Switch from a fully featured cover to a cover with less features.

## We're here to help

**Speak to your financial adviser first.**

They understand your personal needs and can discuss the best options for lowering your premium specific to your circumstances.

**Call us on 133 667**

from 8.30am to 6.00pm (AEST) Monday to Friday.

We're ready to answer any of your questions. Although we can't advise you based on your personal circumstances, we can talk to you about your policy, and the options available for you.

Thank you for trusting us to protect what matters most to you **www.onepath.com.au**

Sources: 1 OnePath Life Retail Life Claims Paid 2019 (analysis of claims assessed) / 2 APRA, losses are before tax in respect of the 5 years ended 30 September 2019 / 3 KPMG Disability Income Insurance Data Experience Analysis 2020 / 4 On 15 May 2020, the government announced $48.1M towards the National Mental Health and Wellbeing Pandemic Response Plan. Chair of the advisery board, Lucy Brogden AM, commented that the plan is the strongest coordinated mental health response Australia has ever had. National Mental Health Commission. (2020). National Mental Health and Wellbeing Pandemic Response Plan. https://www.mentalhealthcommission.gov.au/Mental-Health-and-Wellbeing-Pandemic-Response-Plan / 5 OnePath Life Distribution Market Analysis 2020.

**Important Information**

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