

# ONECARE BUSINESS EXPENSE COVER TARGET MARKET DETERMINATION

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## 1. About this document

This document is a Target Market Determination (TMD). It sets out the target market for business expense cover under the OneCare product suite (Business Expense Cover). This TMD also sets out how the product is distributed, review periods and triggers relating to the TMD, and reporting on and monitoring of the TMD. It forms part of OnePath's design and distribution framework and is required under section 994B of the Corporations Act 2001 (Cth).

This TMD has been prepared to give consumers, distributors, and staff an understanding of the target market for Business Expense Cover, based on the objectives, financial situation and needs of the class of consumer comprising the target market.

This document is not a Product Disclosure Statement (PDS) and is not a summary of the features or terms of the product. This document does not take into account any person's individual objectives, financial situation or needs. Persons interested in acquiring this product should carefully read the PDS for OneCare before making a decision to apply for this product. The PDS can be found at [onpath.com.au](http://onpath.com.au). Consumers may want to consider obtaining personal financial advice to ensure the cover they select is tailored to their objectives, financial situation and needs.

Business Expense Cover is an intermediated insurance product that can suit consumers with simple or complex needs, including consumers who either:

- have completed their own research, including having received general advice, know what type of insurance they want and seek help with the application process; or
- want insurance that is tailored to their specific circumstances through a needs analysis and a fact find by a qualified financial adviser.

Consumers who apply for this product are comfortable to provide us with information about their health, financial situation, lifestyle, and pastimes for our assessment and they understand that the outcome of the assessment may be that they are not eligible for cover.

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## 2. Product description

Business Expense Cover is designed for consumers with the needs and objectives set out below. Business Expense Cover provides a monthly benefit for ongoing fixed business expenses while the life insured is disabled due to an illness or injury.

This product provides insurance protection only, so that benefits are only payable if an insured event occurs. It is not a savings product and does not accumulate a cash or surrender value.

### 3. Target market

#### Needs and objectives

Business Expense Cover is designed to provide financial protection for consumers who are business owners (including sole traders and partnerships) who have financial commitments, where the fulfilment of those commitments will ensure that their business continues to operate upon their disability.

The product is designed for consumers who would like to secure the future of their business during a limited period of disability, to ensure that they have either:

- a business to return to; or
- a business that is operating effectively and could be sold as an ongoing concern.

#### When cover may be suitable

Business Expense Cover may be suitable for consumers who:

- meet the eligibility requirements outlined below;
- are small business owners with business operating financial commitments and expect that those commitments will not be met in the event they suffer an illness or injury;
- seek cover that can be tailored to meet their individual needs or circumstances (for example, by selecting the amount of cover and the waiting period that suits their needs);
- are working a minimum of 20 hours per week in their principal occupation;
- are willing to undergo an assessment conducted by OnePath in relation to health and medical history, occupation, pursuits and pastimes to obtain insurance cover, and are willing to accept restrictions, loadings or exclusions determined by OnePath following that assessment;
- are engaged in an occupation for which OnePath provides insurance cover; and
- have capacity to pay premiums on an ongoing basis over the timeframe identified for financial protection.

#### When cover may not be suitable

Business Expense Cover may not be suitable for consumers who:

- are not self-employed business owners;
- are engaged in an occupation for which OnePath does not provide insurance cover;
- are working less than 20 hours a week in their principal occupation;
- seek automatic insurance cover without health or medical assessment;
- are ineligible for underwritten cover on the basis of medical history, occupation (for example, hazardous occupations), pursuits or pastimes;
- require a longer benefit period than that available under the product;
- already hold sufficient insurance cover or are otherwise able to meet business operating financial commitments in the event they suffer an illness or injury;
- are unable to fund premiums over the timeframe identified for financial protection; or
- are seeking cover for any benefit which is subject to any of the exclusions outlined below.

### Financial capacity

Business Expense Cover is designed for consumers who have the financial capacity to purchase it and to fund the cost of cover in accordance with the available premium structure, selected level of cover, fees and government charges over the timeframe identified for financial protection. This is important for two reasons:

- the cost of cover will generally increase over time; and
- cover will be cancelled, and the life insured won't be covered, if premiums are not paid.

Appropriate consumers will thus be gainfully employed and meet some or all of the following criteria:

- have a business funding source;
- be earning income;
- have personal or business savings;
- have other means to fund premiums, fees and government charges, such as family or other relationships.

## 4. Product design and key attributes

### Product value

Business Expense Cover provides value to consumers because it provides a monthly benefit which helps fulfill the financial commitments of the consumer's business, so that the business continues to operate upon their disability. The product can be tailored to consumer needs. An appropriate waiting period can be selected, depending on the expected cash-flow impact of a disability. An extra-cost option may also be selected to tailor cover, based on consumer needs, cash-flow and affordability.

### Eligibility requirements

When applying for Business Expense Cover, consumers must satisfy all of the following\*:

- are aged between 19 and 60;
- are self-employed consumers, responsible for the fixed costs of the business, and working in the business;
- are seeking a monthly amount insured of at least \$1,250 per month. However if Business Expense Cover is taken out in conjunction with Income Secure Cover, then the minimum monthly amount insured for Business Expense Cover is \$500 per month;
- are in Australia; and
- have Australian residency or are in the process of applying for permanent Australian residency.

Business Expense Cover provides a monthly benefit for ongoing fixed business expenses while the life insured is disabled due to an illness or injury. It assists in meeting business operating financial commitments and the above eligibility criteria provides parameters for consumers for whom Business Expense Cover is likely to be suitable.

Business Expense Cover is subject to our assessment of health, financial information, occupation, and pastimes and so:

- consumers in certain occupations may not be eligible for cover;
- consumers with pre-existing health conditions may not be eligible for cover;
- consumers who participate in high risk pastimes may not be eligible for cover;
- the outcome of the assessment may impact the premiums, the monthly amount insured and the terms of the insurance policy, or cover may be declined.

\* Where we issue a new policy for one of the scenarios below, the consumer will still be considered eligible and within the target market:

- replacement of existing cover as a result of a change of ownership; or
- policy reinstatement after cancellation due to non-payment of premium.

### Premium structure

The product is suitable for consumers who have capacity to pay variable age-stepped premiums on an ongoing basis over the timeframe identified for financial protection.

Variable age-stepped premiums generally increase each year based on rates for the consumer's age. Premium rates aren't guaranteed and can change.

Detailed information on understanding premiums, what factors impact them and why they change are available in the PDS.

### Key exclusions and limitations

#### Key exclusions

We will not pay a benefit under Business Expense Cover if a claim is caused either directly or indirectly, by any of the following:

- an intentional self-inflicted act;
- illicit drug use;
- uncomplicated pregnancy, miscarriage or childbirth;
- anything happening to the life insured in war;
- participation in criminal activity (and during incarceration due to participation in criminal activity).

Benefits will also not be paid in the following circumstances:

- where a claim arises from a cause other than sickness or injury. For example, loss of a professional qualification;
- if the life insured ceases to own or operate a business prior to when the illness or injury causes the disability to occur.

This product may be subject to additional exclusions, based on our assessment of an application.

#### Key limitations

- This product provides indemnity cover, which means that the monthly benefit payable is based on life insured's share of the business expenses which are incurred while the life insured is disabled. The monthly benefit received may be less than the monthly amount insured if the life insured's share of the business expenses decreases after the cover commences. Regular review of insurance cover is important to help ensure it continues to meet consumer needs and objectives, which may change over time.
- The maximum payable under Business Expense Cover is 12 times the monthly amount insured (may be payable over a period of up to 24 months).
- Benefits payable cease at the policy anniversary when the life insured is 65, even if the life insured continues to be disabled and the benefit period for the payment has not ended at that time.
- To receive a monthly benefit, the life insured must:
  - follow the advice and recommended treatment of a medical practitioner; and
  - actively participate in a rehabilitation or retraining program that they have the capacity to undertake.
- Monthly benefits will be reduced by the amount of any business expense benefits received from other insurance policies for the life insured's illness or injury.
- Any allowable business expenses must be supported by evidence.
- If more than one person generates income in the business, OnePath will distribute the business expenses proportionally to determine the life insured's share, unless OnePath agrees to divide the business expenses differently.

Full details regarding the terms and conditions of this product are available in the PDS.

## 5. Appropriateness of the product for the target market

The target market is consumers who have or expect to have outstanding business operating financial commitments that will not be met in the event they suffer a sickness or injury and who have capacity to pay premiums on an ongoing basis. As the product pays monthly expenses it is likely to meet the needs, or go towards meeting the needs, of consumers in the target market.

## 6. Conditions and restrictions on distribution

### Distribution conditions

In light of the obligations under Part 7.8A of the Corporations Act (product design and distribution obligations), an application for Business Expense Cover must be submitted by a Distributor who is operating under an AFSL with appropriate authorisations. The Distributor must be authorised by OnePath to distribute the product as per the terms of the distribution agreement. The Distributor may only submit applications for consumers who:

- have received a current OneCare PDS;
- have been given personal or general financial advice; and
- meet the eligibility criteria set out in this TMD.

The Distributor must consider when the cover may be suitable and when the cover may not be suitable as set out in this TMD.

The Distributor should not sell this product to a consumer who is unlikely to ever be eligible to claim the benefits under the policy.

Where the product is distributed under general advice, the Distributor must also have in place, where appropriate, processes relating to general advice scripting, training, monitoring and quality assurance.

These distribution conditions for Business Expense Cover are appropriate and will assist in distribution being directed towards the target market.

### Why these distribution conditions and restrictions will make it more likely that the consumers who acquire the product are in the target market

#### Personal advice

Consumers that obtain personal advice are more likely to be in the target market for Business Expense Cover because financial advisers have a duty to comply with the statutory best interests duty when providing personal advice.

The Distributor is expected to consider any relevant information obtained about the consumer's financial situation, to ensure that Business Expense Cover is sold in accordance with this TMD. Relevant information could include (but is not limited to):

- dependants
- employment and income
- other insurance
- debts.

#### General advice

Consumers that obtain general advice are more likely to be in the target market providing Distributors follow OnePath's distribution conditions regarding:

- eligibility criteria;
- having considered the suitability of the product; and
- having provided general advice.

In addition, for every application, OnePath's application process will require information covering the key eligibility criteria. If the eligibility criteria is not satisfied, cover will not be provided for those applicants. This will improve the likelihood that cover has been sold to consumers within that target market.

## 7. OnePath's TMD review process

### Review triggers

The following events and circumstances (review triggers) will trigger a review of this TMD as they may mean that it is no longer appropriate:

- The commencement of a significant change in law that materially affects the product design or distribution of the product or class of products that includes this product. This triggers a mandatory review. OnePath may choose to undertake a review even if this review trigger is not met.
- Product performance is materially inconsistent with the product issuer's expectations of the appropriateness of the product to consumers having regard to:
  - product claims ratio (i.e. the proportion of premiums returned to consumers as benefits)
  - the number or rate of paid, denied, and withdrawn claims
  - the number of policies sold
  - policy lapse or cancellation rates
  - percentage of applications not accepted.
- The use of Product Intervention Powers in relation to the distribution or design of this product where OnePath considers this reasonably suggests that this TMD is no longer appropriate.
- Significant or unexpectedly high number of complaints regarding product design, product availability, claims and distribution condition that would reasonably suggest that the TMD is no longer appropriate.
- OnePath determines that a significant dealing in the product outside the target market (except for an excluded dealing) has occurred.
- Changes in medical advances impact product design or the market for the product.
- Distribution conditions set out in the TMD are otherwise no longer appropriate.
- OnePath makes a material change to the insurance product terms.

### Maximum TMD lifespan

Subject to intervening review triggers, this TMD will be reviewed no more than two years after the effective date of the TMD. Any of the above review triggers will bring forward the two-yearly review.

### Reporting period for any complaints about this product

Distributors must report complaints to us half-yearly (end of March and September), within 10 business days of the end of the relevant half-year.

Complaints data should include sufficient information to understand the substance of each complaint but should not include personal information.

### How OnePath will decide if this TMD is no longer appropriate

OnePath's product manager will review the information set out below on a regular basis to ensure that the TMD is still appropriate:

- Relevant regulation, legislation and/or ASIC/APRA instruments relating to the change in law.
- During the review period, compare expected and actual data for the following:
  - product claims ratio (i.e. the proportion of premiums returned to consumers as benefits)
  - the number or rate of paid, denied, and withdrawn claims
  - the number of policies sold
  - policy lapse or cancellation rates
  - percentage of applications not accepted.
- Relevant Product Intervention order.
- Complaints and the nature of the complaints regarding product design, claims and distribution condition.
- A significant dealing in the product which OnePath's product manager becomes aware is not consistent with the TMD (within 10 business days of becoming aware of the dealing).

Where relevant, OnePath's product manager will consider actual data against expected amounts, with thresholds around the expected position. Thresholds are set at green, amber and red levels and results in the amber or red thresholds are analysed and monitored more closely and escalated for action as considered appropriate. Metrics are also monitored for trends and step changes.

The following information collected from Distributors will be considered as part of the review:

- Complaints and the nature of the complaints regarding product design, claims and distribution condition (must be reported to us by Distributors within 10 business days of the end of the half-year).
- A significant dealing in the product which the Distributor becomes aware is not consistent with the TMD (must be reported to us by Distributors within 10 business days of becoming aware of the dealing).

#### Submitting data to OnePath

Distributors may submit data to OnePath in any of the accepted formats.

Refer to our OnePath website for more information:

[onepath.com.au/tmd](http://onepath.com.au/tmd)