

# ONECARE LIFE 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 life cover under the OneCare product suite (Life 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 Life 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 [onepath.com.au](http://onepath.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.

Life 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.

Life Cover can be held in the superannuation environment or outside of the superannuation environment.

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## 2. Product description

Life Cover is designed for consumers with the needs and objectives set out below. It pays either (but not both):

- a lump sum benefit or fixed term instalments if the life insured dies, or
- an early payment of the benefit as a lump sum or fixed term instalments in the case of terminal illness diagnosis, to help the life insured get their financial affairs in order.

The product allows for TPD and/or Trauma Cover to be linked to Life Cover. When covers are linked in this way, the Life Cover sum insured is reduced by claims for linked TPD or Trauma Cover. The product includes the option to buy back or reinstate at a later time, Life Cover reduced by a TPD or Trauma claim.

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

Life Cover is designed to provide financial protection for personal and business consumers.

<p><b>For personal consumers</b></p>	<p>A consumer who has one or more of the following objectives and needs:</p> <ul style="list-style-type: none"> <li>• Has (or envisages that in the future they will or may have) financial dependants and wants to continue providing financial support for the dependants in the event of their death or terminal illness diagnosis.</li> <li>• Has (or envisages that in future they will or may have) outstanding financial commitments that will not be satisfied by an estate and any other insurance, or superannuation benefits, in the event of the life insured's death or terminal illness diagnosis. The financial commitments may include (but are not limited to) mortgage and other debt-servicing costs, income replacement and funeral costs. In the case of a terminal illness diagnosis, they can also include medical costs, transport expenses and accommodation costs, and personal and palliative care.</li> <li>• Wants to leave a financial legacy in the event of their death.</li> </ul>
<p><b>For consumers who are a business</b> (not for Life Cover held in superannuation)</p>	<p>A business that has either of the following objectives and needs:</p> <ul style="list-style-type: none"> <li>• Has (or envisages that in future it will or may have) financial commitments, where the fulfilment of those commitments ensures that the business continues with less financial disruption upon the death or terminal illness diagnosis of a key-person.</li> <li>• Wants to ensure business succession if a business owner leaves the business due to death or terminal illness diagnosis.</li> </ul>

If Life Cover is held in superannuation, the target market is more specifically consumers who also:

- want to obtain Life Cover within the superannuation environment; and
- understand and accept the additional requirement of satisfying a condition of release to receive a benefit amount from superannuation.

**When cover may be suitable**

Life Cover may be suitable for consumers who:

- meet the eligibility requirements outlined below;
- seek an amount of cover that can be tailored to meet their personal or business needs in the event of the life insured's death or terminal illness diagnosis;
- 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; or who have an eligible existing OnePath insurance policy and may wish to replace existing cover with this product without the need for a health or medical assessment;
- are engaged in an occupation or class of activity 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**

Life Cover may not be suitable for consumers who:

- 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;
- already hold sufficient death cover or are otherwise able to meet financial commitments in the event that the life insured dies or is diagnosed with a terminal illness;
- 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**

Life Cover is designed for consumers who have the financial capacity to purchase it and to fund the cost of cover in accordance with the chosen 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 for Life Cover held outside of superannuation will thus meet some or all of the following criteria:

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

Appropriate consumers for Life Cover held in superannuation will thus be able to ensure payment of insurance premiums, which may be funded by personal contributions, spouse contributions, employer contributions or by rollover from another superannuation fund.

## 4. Product design and key attributes

**Product value**

Life Cover provides value to consumers because it provides a benefit in the event of the life insured's death or terminal illness diagnosis, that can be used to clear debts, assist family with living expenses or achieve family goals, estate planning or business buyouts.

Extra-cost options may be selected to tailor cover to consumers, based on their needs, cash-flow, willingness to self-insure and affordability.

### Eligibility requirements

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

- are aged between 15 and 75;
- are seeking a sum insured of at least \$50,000;
- are in Australia; and
- have Australian residency or are in the process of applying for permanent Australian residency.

Life Cover provides a lump sum benefit or fixed term instalments if the life insured dies or is diagnosed with a terminal illness and the above eligibility criteria provides parameters for consumers for whom Life Cover is likely to be suitable.

Life Cover is subject to our assessment of health, occupation, and pastimes and so:

- consumers with pre-existing health conditions may not be eligible for cover;
- consumers in certain occupations may not be eligible for cover;
- consumers who participate in high risk pastimes may not be eligible for cover; and
- the outcome of the assessment may impact the premiums, the sum 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; or
- exercising an option to continue, convert or buy back cover, under the policy terms outlined in the PDS.

### Premium structure

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

There are two premium types:

- variable age-stepped premium
- variable premium.

Variable age-stepped premiums generally increase each year based on rates for the consumer's age. They may be lower at the start of the policy, on the basis that the consumer's health has been recently assessed. Variable premiums for the benefit amount at policy outset are based on the age of the consumer when cover begins.

Variable premiums are 'averaged out' or smoothed, which means they are generally higher than variable age-stepped premiums during the initial years, but lower than variable age-stepped premiums in later years. Variable premiums may be more cost effective than variable age-stepped premiums for a consumer's longer term need for insurance. Variable premiums convert to variable age-stepped premiums on the policy anniversary when the life insured is 65.

Variable age-stepped premiums may be more suitable where there is a preference for lower upfront cost or there is uncertainty as to how long cover will be held. Variable premiums may be more suitable where cover is to be held for a duration such that the variable premiums are expected to result in lower overall cost than variable age-stepped premiums and where the consumer is comfortable with higher upfront costs, particularly in the event of early policy terminations.

Whether variable age-stepped or variable premiums apply, 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

The following events are not covered under Life Cover:

- death caused by suicide in the first 13 months of any cover or any reinstated cover commencing. This also applies to any increases in cover (excluding indexation increase) after the cover starts and any cover bought back under buy back options. This exclusion does not apply under certain circumstances as listed in the PDS where the product is replacing similar insurance under another policy issued by us or another insurer; and
- for the Extended Terminal Medical Condition Benefit, terminal illness if the illness or injury is caused or arises, directly or indirectly, from the life insured's intentional self-inflicted act.

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

### Key limitations

Some additional benefits (built-in benefits) such as the Advance Assistance Benefit do not apply if Life Cover is under a policy which is held through superannuation.

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 financial commitments that will not be met in the event of the life insured's death or terminal illness diagnosis and who have capacity to pay premiums on an ongoing basis. As the product pays a lump sum or fixed term instalments on death or terminal illness diagnosis 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 Life 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 Life 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 Life 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 Life 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)