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# ONECARE INCOME SECURE PROTECTION TARGET MARKET DETERMINATION

## 1. About this document

This document is a Target Market Determination (TMD). It sets out the target market for income protection under the OneCare product suite (Income Protection). 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 Income Protection, 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 and OneCare Super 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.

Income Protection 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.

Income Protection can be held in the superannuation environment or outside of the superannuation environment.

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## 2. Product Description

Income Protection is designed for consumers with the needs and objectives set out below. It provides a monthly benefit if the life insured is unable to work solely due to an illness or injury that causes ongoing restricted capacity for longer than the specified waiting period.

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

Income Protection is designed to provide financial protection for a consumer who has (or envisages that in future they will or may have) regular and ongoing financial commitments that will not be met in the event of a temporary or long-term disability which prevents them from earning income.

If Income Protection is held in superannuation, the target market is more specifically consumers who also:

- want to obtain Income Protection 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

Income Protection may be suitable for consumers who:

- meet the eligibility requirements outlined below;
- are employed and have or expect to have financial commitments that 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, the benefit period 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; 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 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

Income Protection may not be suitable for consumers who:

- 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;
- already hold sufficient income protection cover or are otherwise able to meet 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

Income Protection is designed for consumers who have the financial capacity to purchase it and to hold it over the timeframe identified for financial protection, i.e. a consumer who has the financial capacity to pay premiums in accordance with the available premium structure, fees and government charges. 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 Income Protection held outside of superannuation will thus be gainfully employed and 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 Income Protection held in superannuation will thus be gainfully employed and 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

Income Protection insurance provides value to consumers because it replaces some lost income, so that the life insured can concentrate on recovery without having to worry about how to cover ongoing expenses.

The product offers a replacement income solution which can be tailored to consumer needs. Consumers can select an appropriate waiting period and benefit period, depending on the expected cash-flow impact of a temporary or long-term disability. This would also depend on accumulated savings, any other income replacement insurance, such as insurance in superannuation, and sick leave. 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 Income Protection, consumers must satisfy all of the following\*:

- are aged between 19 and 60;
- are in gainful employment for a minimum of 20 hours per week and qualify for a minimum monthly benefit of \$1,000;
- are in Australia; and
- have Australian residency or are in the process of applying for permanent Australian residency.

Income Protection provides a monthly benefit if the life insured is unable to work solely due to an illness or injury that causes ongoing restricted capacity for longer than the specified waiting period. It replaces some lost income and the above eligibility criteria provides parameters for consumers for whom Income Protection is likely to be suitable.

Income Protection is subject to our assessment of health, financial information, occupation, and pastimes and so:

- consumers in certain occupations may not be eligible for cover or they may be subject to restrictions on the available benefit periods and the maximum monthly amount insured;
- 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; and
- 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; 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 stepped premiums on an ongoing basis over the timeframe identified for financial protection.

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 customer's health has been recently assessed. 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 any benefits for illness or injury occurring as a direct or indirect result of 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. This exclusion does not apply to any benefit paid on death;
- participation in criminal activity (and during incarceration due to participation in criminal activity).

Benefits will also not be paid where a claim arises from a cause other than illness or injury. For example, loss of a professional qualification.

Life insurers cannot pay any expenses which:

- the law does not permit life insurers to reimburse; and
- are regulated by the National Health Act 1953 (Cth) or the Private Health Insurance Act 2007 (Cth).

If Income Protection is held in superannuation, benefits are not payable if the life insured is unemployed when an illness or injury occurs, unless the life insured is unemployed because of an illness or injury. However, the life insured will receive complimentary Income Protection outside of superannuation to cover them if they are in this situation.

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 the life insured's annual income at the time of the claim. The monthly benefit received may be less than the insured monthly benefit if the life insured's income has reduced, or they have periods of unemployment prior to claim. Regular review of insurance cover is important to help ensure it continues to meet consumer needs and objectives, which may change over time.
- Any Income Protection benefits payable cease at the end of the selected benefit period, even if the life insured's disability continues after the end of the benefit period.
- Any Income Protection benefits payable cease at the policy anniversary when the life insured is 65. This includes benefit periods of 2 and 6 years, even if the life insured continues to be disabled and the benefit period for the payment has not ended at that time.
- For policies with a 2 year waiting period or after 24 months on claim, the occupation we use to assess working capacity is any gainful occupation the life insured is suited for by their education, training, or experience, rather than assessment against their primary occupation.
- 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.
- To receive a partial disability benefit, the life insured must have a reduction in income of at least 15% of pre-claim earnings in addition to meeting the other requirements of the partially disabled definition.

- After 24 months on claim, benefit payments will stop when the life insured has a capacity to either:
  - earn an annual income of \$300,000 and is working at full capacity in any gainful occupation; or
  - work at full capacity for 40 hours in their primary occupation.
- Monthly benefits will be adjusted to reflect income the life insured receives or is entitled to receive, as well as other payments received in the month because of illness or injury. For example, where a life insured is on claim and is receiving an ongoing income, this will reduce the monthly benefit.

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 they suffer an illness or injury which prevents them from earning income and who have capacity to pay premiums on an ongoing basis. As the product pays a regular income benefit 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 Income Protection 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 and OneCare Super 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 Income Protection 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 Income protection 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 Income Protection 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 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)