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ONECARE LIVING EXPENSE COVER TARGET MARKET DETERMINATION

1. About this document

This document is a Target Market Determination (TMD). It sets out the target market for living expense cover under the OneCare product suite (Living 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 of this product, 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 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.

Living 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.

2. Product Description

Living Expense Cover is designed for consumers with the needs and objectives set out below. Living Expense Cover provides a monthly benefit if the life insured is significantly disabled as a result of an illness or injury for longer than the waiting period. 'Significant disability' requires a specified level of impairment such as being unable to perform some activities of daily living (such as showering, dressing and eating) without assistance.

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

Living Expense Cover is designed to provide financial protection for consumers who have regular and ongoing financial commitments that will need to be met in the event of a temporary or long-term significant disability. It is designed for consumers who are not eligible for income protection insurance. This is usually because they do not have an income, such as home-makers and retirees, or because they work part-time or casually. Cover can be tailored to their needs, requiring selection of an appropriate waiting period and benefit period, depending on the expected household cash-flow impact of a disability, home adjustments or maintaining lifestyle.

When cover may be suitable

Living Expense Cover may be suitable for consumers who:

- meet the eligibility requirements outlined below;
- have or expect to have financial commitments that will not be met in the event of a significant disability;
- are home-makers, retirees, casual or part-time employees, or otherwise not eligible for income protection;
- 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 willing to undergo an assessment conducted by OnePath in relation to health and medical history, 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; and
- have capacity to pay premiums on an ongoing basis over the timeframe identified for financial protection.

When cover may not be suitable

Living Expense Cover may not be suitable for consumers who:

- seek insurance cover to replace income in the event they are unable to work due to illness or injury;
- seek automatic insurance cover without health or medical assessment;
- are ineligible for underwritten cover on the basis of medical history, pursuits or pastimes;
- already hold sufficient insurance cover or are otherwise able to meet financial commitments in the event of a significant disability;
- 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

Living Expense Cover 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 will thus meet some or all of the following criteria:

- have personal 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

Living Expense Cover provides value to consumers because it provides a monthly benefit in the event of a significant disability. This money could be used for meeting financial obligations including day-to-day living expenses and carer costs, home adjustments and maintaining lifestyle. The product 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 significant disability.

Eligibility requirements

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

- are aged between 19 and 75. (The benefit period 'to age 65' is not available after age 60);
- are seeking a monthly benefit of at least \$1,250;
- are in Australia; and
- have Australian residency or are in the process of applying for permanent Australian residency.

Living Expense Cover provides a monthly benefit if the life insured is significantly disabled for longer than the waiting period. The above eligibility criteria provides parameters for consumers for whom Living Expense Cover is likely to be suitable.

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

- 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 convert 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 consumer'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 a benefit under Living Expense Cover if a claim is caused either directly or indirectly by any of the following:

- an intentional self-inflicted act;
- uncomplicated pregnancy, miscarriage or childbirth;
- anything happening to the life insured in war. However, this exclusion does not apply to any benefit paid on death.

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

Key limitations

- Any benefits payable must meet OnePath's definition of significant disability. This is a restrictive definition that requires significant impairment, such as the life insured being unable to perform some activities of daily living (such as showering, dressing and eating) without assistance. Inability to work is not a consideration in the definition of significant disability; the product does not provide cover where you are merely unable to work due to illness or injury.
- Any 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.
- Where a 2 year benefit period is selected, any benefits payable cease at the policy anniversary when the life insured is 80 even if the life insured continues to be disabled and the benefit period for the payment has not ended at that time.
- Benefits payable in any month may be reduced by other payments received as income replacement due to illness or injury, such as Workers' Compensation or Accident Compensation for loss of income.

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 a temporary or long-term significant disability and who have capacity to pay premiums on an ongoing basis. As the product pays a monthly 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 Living 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 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 Living 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 Living 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 Living Expense Cover is sold in accordance with this TMD. Relevant information could include (but is not limited to):

- dependants
- 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