

Group Salary Continuance Insurance 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 group salary continuance insurance cover under the Group Salary Continuance Insurance product suite ('GSC 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 our design and distribution framework established to comply with 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 GSC Cover, based on the objectives, financial situation and needs of the class of consumers 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. Those interested in acquiring GSC Cover should carefully read the PDS for Group Salary Continuance Insurance before deciding to apply for this product, and consumers may want to consider obtaining personal financial advice to ensure the cover they select is tailored to their objectives, financial situation and needs.

GSC Cover is a group insurance product. It can be held inside or outside the superannuation environment and consequently, consumers of GSC Cover typically include employers and superannuation fund trustees. Consumers also include employees or superannuation fund members that acquire cover by application.

2. Product Description

GSC Cover is taken out by employers or superannuation fund trustees to cover (respectively) eligible employees or superannuation fund members. GSC Cover provides a monthly benefit if an employee or a superannuation fund member covered under the GSC Cover (each an 'Insured Person') is unable to work solely due to sickness or injury and is totally disabled or partially disabled for longer than the waiting period. It replaces some lost income, so that the Insured Person can concentrate on recovery and use that income to help cover ongoing expenses. Other benefits such as death benefit while on claim, a specific injury benefit (not available within superannuation), and return to work assistance, may be included with GSC Cover.

Various options for waiting periods, maximum benefit payment periods, and premium payment frequencies are available. A maximum replacement income ratio of 75% of the Insured Person's pre-disability income, reduced by certain other payments received by that person, applies.

Extra-cost options may be selected under the product by the employer or superannuation fund trustee, which can apply to all Insured Persons, or specific categories of Insured Persons.

Depending on the product design chosen, the following types of GSC Cover may be available:

Cover on automatic acceptance terms ('Automatic Cover')

- This is 'cover on automatic acceptance terms' (as further described in the PDS) that is provided to employees and superannuation fund members who meet certain eligibility and other criteria. It will be based on a product and benefit design chosen by the relevant employer or superannuation fund trustee.
- An Automatic Acceptance Limit ('AAL') may apply to Automatic Cover, which provides an upper limit to the benefit payable with respect to Insured Persons without the provision of evidence of good health or other information. If an Insured Person with Automatic Cover requires GSC Cover in excess of the AAL, they may be able to apply for additional cover, up to a maximum benefit amount.
- Employers or superannuation fund trustees who apply for Automatic Cover are comfortable to provide us with limited information about their (respectively) employees or superannuation fund members, including but not limited to their age, gender, income and occupation. They also understand that the outcome of the assessment may be that employees or superannuation fund members are not insurable or only insurable on additional terms or subject to payment of a premium loading.

Cover by application

- This is cover that may be acquired by application where either an employee or superannuation fund member does not meet the requirement to get Automatic Cover ('an ineligible employee or superannuation fund member') or an Insured Person with Automatic Cover considers that cover may be insufficient to replace their income in the event they become totally or partially disabled and are unable to work.
- Any cover requires the relevant ineligible employee or superannuation fund member, or Insured Person, to submit an application for the cover. Evidence of their good health and other information may be required. The application will be subject to review and approval by us.
- The Insured Person is generally not able to choose benefits that are not offered under the Automatic Cover.
- The Insured Person who receives cover by application is ordinarily responsible for the payment of the premiums for that cover.

3. Target market

Needs and objectives

GSC Cover may be suited to consumers with a range of needs, including consumers who either:

- have completed their own research and know what type of insurance they want and only need help with the application process; or
- want insurance more specifically tailored to their requirements, who have sought advice from a distributor holding an Australian Financial Services Licence ('AFSL').

Automatic Cover

The target market for Automatic Cover is employers or superannuation fund trustees who want to provide financial protection in the form of a partial or reduced replacement income to employees or superannuation fund members if they suffer an illness or injury which prevents them from earning income.

Automatic Cover may be suitable for consumers who:

- are an Australian registered business who employ or provide superannuation to individuals;
- are seeking to insure 20 or more lives;
- are located in Australia;
- want to provide Automatic Cover for their employees or superannuation fund members, without health or medical assessment, who:
 - meet, or are likely to meet the eligibility requirements outlined below;
 - are working a minimum of 15 hours per week as a permanent employee (including any contractor);
 - are engaged in an occupation for which we provide insurance cover; and
- want to provide Insured Persons with the opportunity to obtain additional GSC Cover, subject to application, assessment and approval.

Automatic Cover may not be suitable for consumers who are:

- individuals;
- seeking to insure less than 20 lives;
- located outside Australia;
- seeking cover for employees or superannuation fund members who do not meet the eligibility criteria outlined below, are not working 15 or more hours per week as a permanent employee (including any contractor) or who are engaged in an occupation for which we do not provide insurance cover; or
- seeking individual policies of insurance based on the individual needs and objectives of individual employees or members.

Cover by application

The target market for cover by application is Insured Persons with Automatic Cover, or an employee or superannuation fund member that does not meet the requirement to get Automatic Cover, who have (or expect to have) regular financial commitments that will not be fully met in the event they suffer a sickness or injury which prevents them from earning income.

Cover by application may be suitable for consumers who:

- are employed by an employer, or are a member of a superannuation fund, which has taken out GSC Cover;
- meet the individual eligibility criteria outlined below;
- expect to have financial commitments that will not be fully met in the event they suffer a sickness or injury;
- have the financial capacity to pay premiums as more fully described below; and
- are willing to complete an application and provide information in relation to their health, occupation, and pastimes.

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This cover may not be suitable for consumers who:

- do not meet the individual eligibility criteria set out below;
- already hold sufficient GSC Cover or are otherwise able to meet financial commitments if they suffer a sickness or injury and cannot work;
- are seeking cover for any benefit which would be subject to any of the exclusions or limitations outlined below; or
- are engaged in an occupation for which we do not provide insurance cover.

Financial capacity

Consumers who acquire cover by application will need to make their own assessment as to their capacity to pay premiums in accordance with the chosen premium structure, management 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 consumer won't be covered for this cover, if premiums are not paid by a certain number of days from the due date.

Consumers will need to be gainfully employed, and meet some of or all the following criteria:

- be earning income;
- have personal savings;
- have other means to fund premiums, management fees and government charges such as family or other relationships;
- in the case of superannuation fund members seeking additional insurance, be able to fund payment of insurance premiums from their superannuation account balance, or by contributions or rollovers to their superannuation fund.

4. Product design and key attributes

Product Value

Group Salary Continuance Insurance, and the GSC Cover that is available under it, can have value both for employers and superannuation fund trustees, and their employees and members.

It can be a means to add value to remuneration packages or a superannuation arrangement, by offering competitive insurance, which is designed to provide a benefit in the event of the Insured Person's total or partial disability.

GSC Cover provides value to Insured Persons because it replaces some lost income, so that they can concentrate on recovery and use that income to help cover ongoing expenses.

Eligibility requirements

The below eligibility criteria provides parameters for consumers for whom GSC Cover is likely to be suitable.

To apply for GSC Cover, employers and superannuation fund trustees must be:

- based in Australia and be an Australian registered business;
- seeking to insure a minimum of 20 lives at the policy start date; and
- insuring at least 75% of all eligible employees in order to be provided with an AAL.

To be provided with Automatic Cover, employees, superannuation fund members and Insured Persons must:

- reside in Australia, unless we agree otherwise;
- satisfy the eligibility rules in the policy schedule;

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- be an Australian citizen, a New Zealand citizen or a permanent resident within the meaning of the *Migration Act 1958* (Cth), or the holder of a visa permitting residence or employment in Australia issued in accordance with the *Migration Act 1958* (Cth);
- be working in an occupation that we do not class as an excluded occupation;
- be employed and working at least 15 hours per week as a permanent employee (including any contractor performing all normal duties and working on a contracted basis under a fixed term contract of no less than one year);
- be aged between 15 and 69; and
- satisfy any additional or amended eligibility requirements/exclusions which might be negotiated and applied for a particular plan.

In addition to the eligibility requirements above, cover by application is subject to our assessment of health, occupation, and pastimes and as such:

- those with pre-existing health conditions may not be eligible for additional insurance;
- not all occupations are eligible for additional insurance;
- those who participate in high-risk pastimes may not be eligible for additional insurance; 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.

Premium structure

Premium rates for GSC Cover are either age-based or unit-based. Policies may have a number of categories, with either age or unit based premium rates applying.

Age-based premium rates are recalculated at each review date, based on the Insured Person's age at that time. Unit-based premium rates are calculated on each review date, based on a single premium rate for each Insured Person at that time. A different unit rate may apply to different categories of Insured Persons under the policy.

Whether age-based or unit-based premiums apply, premium rates aren't guaranteed and can change. Detailed information on understanding premiums, what factors impact them and why they change is available in the PDS.

Premiums will generally be paid by employers or superannuation fund trustees. For cover by application, the relevant Insured Person may make arrangements with their employer or superannuation fund trustee for the payment of these additional premiums.

Key exclusions

Total or partial disability caused directly, indirectly, wholly or partially, by any of the following events are not covered under GSC Cover:

- war or an act of war occurring in Australia or New Zealand;
- the Insured Person engaging in war service;
- an intentional self-inflicted act of the Insured Person; and
- pregnancy, unless the Insured Person is disabled for more than three months after the end of the pregnancy.

In addition, benefits may not be payable, or may be reduced:

- while the Insured Person is imprisoned or on remand in a correctional or rehabilitation facility;
- where the Insured Person only holds new events cover under GSC Cover, total or partial disability caused by an injury that first occurs, or an illness which first became apparent, to the Insured Person, or any directly or indirectly related condition, prior to holding GSC Cover;
- the Insured Person or their employer or superannuation fund trustee (as relevant) do not comply with reasonable claim requirements; or
- where we have not received notice at the time an Insured Person's disability starts, to the extent our assessment or management of the Insured Person's claim is prejudiced.

The policy cannot reimburse any expenses which:

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

Terms used in these exclusions have specific definitions within the policy. Further information on this can be found within the relevant PDS.

Cover by application may be subject to additional exclusions, based on our assessment of an application.

Key limitations

- This policy provides a monthly benefit which is based on the Insured Person's annual income at the time of the claim. The monthly benefit received may be less than the insured monthly benefit if the Insured Person's income has reduced prior to going on claim.
- Any benefits payable cease at the end of the selected benefit period, even if the Insured Person's disability continues after the end of the benefit period. If the member reaches the benefit expiry age before the end of the selected benefit period, then the Insured Person's benefit will end. For example, if the policy has a benefit expiry age of 65 years, and a benefit period of 1, 2, 5, 7 or 10 years, all benefit payments will end at age 65, even if the Insured Person continues to be disabled and the benefit period for the payment has not ended at that time.
- Automatic Cover may not be available to an employee or superannuation fund member who first seeks to obtain GSC Cover after age 65, 67 or 70 (depending on the benefit period selected).
- Where an Insured Person's disability started at age 65 or older and the benefit paid to age is greater than 65, their benefits will be capped as follows:
 - 65: \$10,000
 - 66: \$8,000
 - 67: \$6,000
 - 68: \$4,000
 - 69: \$2,000.
- Total disability benefits or partial disability benefits will be adjusted to reflect income the Insured Person receives or is entitled to receive, as well as other payments received in the month because of the sickness or injury. For example, where an Insured Person is on claim and is receiving ongoing income, or workers compensation, benefits, this will reduce the benefit payable.

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

5. Appropriateness of the product for the target market

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 markets.

6. Conditions and restrictions on distribution

Distribution Channels

An application for GSC Cover can be submitted:

- by a distributor who is operating under an AFSL and who is authorised by us to distribute the product as per the terms of the distribution agreement with us ('Distributor'), or
- directly to us by those seeking cover by application, via their employer, superannuation fund trustee, or through their Distributor. In some circumstances therefore, we will also be a distributor of the product.

Distribution Conditions

Distributors other than us

Where we are not the distributor of the product, a Distributor may only submit applications for GSC Cover where:

- the Distributor has provided the consumer with a current Group Salary Continuance Insurance PDS;
- the consumer meets the eligibility criteria set out in this TMD;
- the Distributor holds an active AFSL that includes the appropriate authorisations to arrange or deal in life risk products;
- the Distributor has provided information on employees and superannuation fund members as may be required to assess their application for GSC Cover, and the persons to be insured under it, and has agreed to provide such information on an ongoing basis;
- the consumer has received and agreed to a current quote and premium estimate for GSC Cover; and
- the consumer is in Australia.

These distribution conditions and restrictions are appropriate, and will make it more likely that consumers who acquire GSC Cover are in the target market because:

- AFSL holders operate under a regulatory regime that has been designed with consumer protection in mind and which requires the AFSL holder to act honestly, efficiently and fairly and to have in place arrangements to manage conflicts of interest, ensure compliance with financial services laws, and supervise those working underneath the licence to ensure adherence to financial services laws;
- we undertake comprehensive on-boarding checks and due diligence of the Distributor to ensure that Distributors hold appropriate authorisation under their AFSL to distribute the product in accordance with the distribution agreement, as well as undertaking annual compliance checks;
- the annual collection and review of membership data, including salary and eligibility information, will inform our assessment of whether GSC Cover, and/or certain features of GSC Cover such as AALs, will continue to be offered to consumers who fall within the target market; and
- we provide ongoing support and ad hoc training to Distributors, as well as approved collateral to assist them to understand the product and its target market.

Where we are the distributor of the product

Where we distribute the product directly to those seeking cover by application:

- we provide the consumer with a current Group Salary Continuance Insurance PDS and the relevant application form;
- the consumer must be an Insured Person, or an employee or a superannuation fund member who meets the eligibility criteria set out in this TMD and who is able to request cover by application; and
- the consumer must complete and submit an application that includes details of their income, health and pastimes, which will be subject to review and our approval.

These distribution conditions and restrictions are appropriate, and will make it more likely that consumers who acquire cover by application are in the target market because:

- our representatives dealing with consumers seeking cover by application are provided with regular training and have expertise relevant to the product and are available to provide the consumers with additional information where requested, and
- the application process for cover by application will require collection of information covering the key eligibility criteria. If the eligibility criteria are not satisfied, cover will not be provided for those consumers. This will improve the likelihood that cover has been sold to consumers within that target market.

7. Our 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.

These review triggers are:

- 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. We may choose to undertake a review even if this review trigger is not met;
- the use of Product Intervention Powers in relation to the distribution or design of this product where we consider this reasonably suggests that this TMD is no longer appropriate;
- significant or unexpectedly high number of complaints regarding product design, product availability, claims and any distribution conditions that would reasonably suggest that the TMD is no longer appropriate;
- where we determine that a significant dealing in the product outside the target market (except for an excluded dealing) has occurred;
- when changes in medical advances impact product design or the market for the product; and
- when distribution conditions set out in the TMD are otherwise no longer appropriate.

Where relevant, our product manager will consider actual data against forecast data, within 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.

Maximum TMD lifespan

Subject to intervening review triggers, no more than two years after the effective date of the TMD.

Reporting period for any complaints about this product

Distributors must report complaints 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. If no complaints are received, half-yearly reporting should confirm no complaints have been received in the period.

How we will decide if this TMD is no longer appropriate

We will review the information set out below on a regular basis to ensure that the TMD is still appropriate:

- relevant legislation, regulations and ASIC instruments for changes in relevant law;
- relevant Product Intervention orders;
- complaints records for complaints regarding product design, claims and any distribution conditions; and
- any significant dealing in the product which we become aware is not consistent with the TMD (within 10 business days of becoming aware of the dealing).

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

- complaints reporting and the nature of the complaints regarding product design, claims and any distribution conditions (within 10 business days of the end of the calendar quarter); and
- reporting on any significant dealing in the product which the Distributor becomes aware is not consistent with the TMD (within 10 business days of becoming aware of the dealing).

If you are required to report a complaint or significant dealing as per the reporting obligations outlined in any of the TMDs for Zurich Group Salary Continuance insurance, you can do so by emailing group.product@zurich.com.au.

Submitting data to Zurich

Distributors may submit data in any of the accepted formats. Refer to our website for more information: zurich.com.au/group-insurance/cover