

Total and Permanent Disablement 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 total and permanent disablement cover under the Group Life Insurance product suite ('TPD 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 TPD 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 TPD Cover should carefully read the PDS for Group Life 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.

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

2. Product Description

TPD Cover is taken out by employers or superannuation fund trustees to cover (respectively) eligible employees or superannuation fund members. TPD Cover provides a lump sum benefit if an employee or a superannuation fund member covered under the TPD Cover (each an 'Insured Person') becomes totally and permanently disabled in accordance with the relevant TPD definition.

Depending on the product design chosen, the following types of TPD 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 and TPD definition 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 TPD 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 meet their financial commitments in the event they become totally and permanently disabled.
- 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.

An employer or superannuation fund trustee will choose the TPD definition that applies to the plan. Different TPD definitions may apply to different categories of members. Where an employee or superannuation fund member seeks cover by application, they will need to seek information from their employer or the trustee on the applicable TPD definition that applies to their TPD Cover. It may be one of the below definitions, or a Non-Standard TPD definition that has been agreed with the employer or superannuation fund trustee.

There are four TPD definitions in the product including:

- Standard TPD Definition 1 comprising five parts – "Any Occupation", "Permanent Impairment," "Specific Loss", "Activities of Daily Work" and "Cognitive Loss"
- Standard TPD Definition Option 2 comprising two parts – "Any Occupation" and "Activities of Daily Work"
- Non-Standard TPD Definition 1 comprising five parts – "Own Occupation", "Permanent Impairment," "Specific Loss", "Activities of Daily Work" and "Cognitive Loss"
- Non-Standard TPD Definition 2 comprising six parts – "Any Occupation", "Permanent Impairment," "Specific Loss", "Activities of Daily Work", "Cognitive Loss" and "Normal Domestic Duties".

Any Occupation is designed for employees or superannuation fund members in most occupations. It allows for assessment against any occupation to which the Insured Person is suited by education, training, or experience. Only Insured Persons aged under 67, and working a minimum number of hours can be assessed under Any Occupation.

Target Market Determination for Total and Permanent Disablement Cover

Own Occupation provides cover that is designed for employees or superannuation fund members in specialised occupations with very specific occupational duties, where inability to perform all or some of those duties could prevent them from working in the same occupation ever again. This definition is not available if the product is held within the superannuation environment and only Insured Persons aged under 67, and working a minimum number of hours can be assessed under Own Occupation.

Permanent impairment assesses an employee or superannuation fund member who has suffered a whole person impairment of at least 25% as a result of illness or injury and whether they are unlikely to be able to return to work for which they are reasonably suited by education, training or experience.

Specific Loss assesses an employee or superannuation fund member who has suffered the total or permanent loss of use of either two limbs, or the sight in both eyes or one limb and the sight in one eye. It is a more restrictive definition and may apply where Insured Persons do not meet the criteria to be assessed under an Any Occupation or Own Occupation definition.

Activities of Daily Work assesses an employee or superannuation fund member against their ability to perform certain functional requirements which may form part of their daily work. It is a more restrictive definition and may apply where Insured Persons do not meet the criteria to be assessed under an Any Occupation or Own Occupation definition.

Cognitive Loss assesses an employee or superannuation fund member who has suffered a cognitive loss and who are unlikely ever to be able to work in any gainful employment for which the Insured Person is suited by education, training or experience. It is a more restrictive definition and may apply where Insured Persons do not meet the criteria to be assessed under an Any Occupation or Own Occupation definition.

Normal Domestic Duties is designed for consumers who describe their main occupation as maintaining the family home. It only applies to Insured Persons who are aged under 67.

Further details of these definitions and their components can be found in the PDS.

3. Target market

Needs and objectives

TPD 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 lump sum payment to employees or superannuation fund members if they become totally and permanently disabled and meet the applicable TPD definition.

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 engaged in an occupation for which we provide insurance cover; and
- want to provide Insured Persons with the opportunity to obtain additional TPD 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;

Target Market Determination for Total and Permanent Disablement Cover

- located outside Australia;
- seeking cover for employees or superannuation fund members who do not meet the eligibility criteria outlined below, 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):

- financial dependants and want to continue providing financial support for the dependants in the event they become totally and permanently disabled; or
- financial commitments that will not be fully met by any other insurance, or superannuation benefits, in the event that they become totally and permanently disabled. The financial commitments may include (but are not limited to) mortgage and other debt-servicing costs, income replacement and can also include medical costs, transport expenses and accommodation costs.

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 TPD Cover;
- meet the individual eligibility criteria outlined below;
- have or expect to have financial dependants who will require ongoing financial support, or commitments that will not be fully met in the event they become totally and permanently disabled;
- are seeking an amount of cover that can be tailored to meet their individual needs or circumstances;
- 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.

This cover may not be suitable for consumers who:

- do not meet the individual eligibility criteria set out below;
- already hold sufficient TPD Cover or are otherwise able to meet financial commitments if they become totally and permanently disabled;
- are seeking TPD Cover that is based on a specific TPD definition of their choice;
- 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 Life Insurance, and the TPD 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 lump sum benefit in the event the Insured Person becomes totally and permanently disabled

TPD Cover provides value to Insured Persons because it can help them cope financially in the event they become totally and permanently disabled and meet the selected or allocated TPD definition. It provides a lump sum which can be used to:

- pay for disability related costs, including treatment and rehabilitation;
- pay for changes to lifestyle, for example to refit and modify the home as necessitated by the disability;
- enable the Insured Person's partner to reduce their working hours to look after the Insured Person, or alternatively, to fund a carer;
- pay off or reduce mortgages or any other debts previously serviced by the Insured Person's income; and
- provide a reserve to use as an income replacement.

Eligibility requirements

The below eligibility criteria provide parameters for consumers for whom TPD Cover is likely to be suitable.

To apply for TPD 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 at each review 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;
- 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 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.

Target Market Determination for Total and Permanent Disablement Cover

Premium structure

Premium rates for TPD 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 on 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. Further 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 and permanent disability caused directly, indirectly, wholly or partially, by any of the following events is not covered under TPD Cover:

- war or an act of war occurring in Australia or New Zealand;
- the Insured Person engaging in war service; and
- where the Insured Person only holds new events cover under TPD Cover, total and permanent disability caused by an injury or illness which first became apparent, or a related condition, prior to holding TPD Cover.

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

- where the Insured Person becomes covered under a policy from another insurer providing similar benefits if the total and permanent disability arose or occurred during a period of Extended Cover under the policy;
- if an Insured Person's sum insured is determined by a benefit formula which includes a superannuation account balance, and they transfer all or part of their superannuation benefit to another fund, their benefit will be reduced by the amount of the superannuation account balance that was transferred to the superannuation fund;
- if TPD Cover is provided on the condition that it replaces insurance issued by another insurer and the insurance being replaced is not cancelled, by any benefits paid or payable under the insurance that was replaced.

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

- To be eligible to be assessed under certain TPD definitions, an Insured Person may be required to be gainfully working an average of at least 15 hours per week as a permanent employee (including an eligible contractor) in the 6 months prior to ceasing work. If they do not meet those requirements, or are a casual employee, they will only be able to be assessed under Part 3, Part 4, or Part 5 of the TPD definition, which are more restrictive.
- If an Insured Person is aged 67 or above at the date of the TPD event occurring, they will be ineligible to be assessed under Parts 1 and Parts 2 of the TPD Definition, and will only be eligible for Part 3, Part 4, Part 5 or Part 6. These are more restrictive TPD Definitions and apply where a benefit period exceeds 67 years.
- Some TPD definitions will not be available under superannuation.

Target Market Determination for Total and Permanent Disablement Cover

- TPD claims can take longer to assess and pay than other types of life insurance because of the complexity involved in determining whether a disability is permanent. The opinion of the Insured Person's medical practitioner is important and will be used in assessments. We will also review other medical and occupational information available to determine if the relevant TPD definition is met.
- TPD held by superannuation fund members will first be assessed under the TPD definition and requirements of the policy by us and will then be subject to review by the superannuation fund trustee, who will determine whether payment of any benefit meets the relevant conditions of release.
- The benefit design and formula is chosen by the employer or superannuation fund trustee and can be calculated by reference to a range of factors. In some circumstances the benefit formulas mean that the Insured Person's benefit may vary over time and may reduce as they get older. Where the TPD Cover does not reduce gradually to nil by the benefit expiry age, the benefits will be reduced as follows:
 - 10% per annum from the Insured Person's 61st birthday, where the benefit expiry age is 70;
 - 20% per annum from the Insured Person's 63rd birthday where the benefit expiry age is 67;
 - 20% per annum from the Insured Person's 61st birthday if the benefit expiry age is 65; or
 - on another basis as agreed by us with the employer or superannuation fund trustee.

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 lump sum benefit if an Insured Person becomes totally and permanently disabled, 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 TPD 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 TPD Cover where:

- the Distributor has provided the consumer with a current Group Life 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 TPD 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 TPD Cover; and
- the consumer is in Australia.

These distribution conditions and restrictions are appropriate, and will make it more likely that consumers who acquire TPD 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;

Target Market Determination for Total and Permanent Disablement Cover

- 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 TPD Cover, and/or certain features of TPD 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 Life 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 expected amounts, 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

We will seek feedback from Distributors regarding 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).

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