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ONECARE TPD COVER TARGET MARKET DETERMINATION

1. About this document

This document is a Target Market Determination (TMD). It sets out the target market for total and permanent disability cover under the OneCare 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 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 TPD 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 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.

TPD 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.

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

2. Product description

TPD Cover is designed for consumers with the needs and objectives set out below. It pays either a lump sum or fixed term instalment amounts if the life insured suffers a permanent disability that meets the selected or allocated TPD definition.

TPD Cover can be selected as stand-alone cover or it can be linked to Life Cover and/or Trauma Cover. When TPD Cover is linked to other covers, a TPD benefit payment reduces the sum insured of the other linked covers, and benefit payments under other linked covers will reduce the sum insured of the TPD Cover. The product includes the option to buy back or reinstate at a later time, Life cover reduced by a TPD claim.

If TPD Cover is held in the superannuation environment, it can also be supplemented with cover outside superannuation.

There are six definitions of TPD available, as follows:

- Own occupation TPD (non-superannuation only);
- Any occupation TPD;
- SuperLink TPD;
- Home-maker TPD;
- Non-working TPD (a more severe level of disability); and
- Business TPD (non-superannuation only).

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

TPD Cover is designed to provide financial protection for personal and business consumers:

<p>For personal consumers</p>	<p>A consumer who has one or more of the following objectives and needs:</p> <ul style="list-style-type: none"> • Has (or envisages that in future they will or may have) outstanding financial commitments that will not be satisfied by any other insurance, or superannuation benefits, in the event the life insured becomes totally and permanently disabled. The financial commitments may include (but are not limited to) mortgage and other debt servicing costs, home modifications, mobility aids, and income replacement. • Wants to fund an income gap in the event paid work changes or ceases as a result of total and permanent disability.
<p>For consumers who are a business (not for TPD Cover held in superannuation)</p>	<p>A business that has either of the following objectives and needs:</p> <ul style="list-style-type: none"> • 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 loss of a key-person due to total and permanent disability. • Wants to ensure business succession if a business owner leaves the business due to becoming totally and permanently disabled.

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

- want to obtain TPD 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.

The six definitions of TPD are designed for the needs of different consumers:

- Own occupation TPD provides cover that is designed for consumers 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.
- Any occupation TPD is a broad definition, designed for consumers in most occupations. It allows for TPD assessment against any occupation to which the life insured is suited by education, training, or experience.
- SuperLink TPD provides Own occupation TPD with the Any occupation TPD component funded by and owned within a super fund.
- Home-maker TPD is designed for consumers who describe their main occupation as maintaining the family home.
- Non-working TPD provides a base level of TPD Cover, which pays for very severe illness or injury based on permanent day-to-day living functional impairment criteria. It is designed for consumers who meet one or more of the following criteria:
 - are unable to obtain more comprehensive cover due to health, occupation or pastimes;
 - elect to take a limited level of cover as a way to put some low-cost cover in place;
 - wish to top-up existing cover.
- Business TPD provides top-up cover with an Own occupation definition and is designed for consumers who are self-employed and who have financial commitments, where the fulfilment of those commitments ensures that their business continues to operate upon their disability.

When cover may be suitable

TPD 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 individual needs or circumstances;
- 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 a 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

TPD Cover may not be suitable for consumers who:

- are engaged in an occupation for which OnePath does not provide insurance cover;
- seek automatic insurance cover without health or medical assessment;
- are ineligible for underwritten cover on the basis of medical history, occupational (for example, hazardous occupations), pursuits or pastimes;
- already hold sufficient TPD cover or are otherwise able to meet financial commitments in the event they become totally and permanently disabled;
- are unable to fund premiums over the timeframe identified for financial protection; or
- are seeking cover for any benefit which is subject to the exclusions outlined below.

Financial capacity

TPD 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 chosen 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 TPD 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 TPD 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

TPD Cover provides value to consumers because it can help consumers cope financially in the event of the life insured suffering a permanent disability that meets the selected or allocated TPD definition. It provides a lump sum or fixed term instalment amounts 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 life insured's partner to reduce their working hours to look after the life insured or, alternatively, to fund a carer;
- pay off or reduce mortgages or any other debts previously serviced by the life insured's income;
- provide a reserve to use as an income replacement; and
- reduce the financial disruption impact to a business, when used for business purposes.

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

Consumers can select to have TPD cover as stand-alone cover or linked to Life and/or Trauma cover. Linking cover helps reduce overlap in cover and costs.

Eligibility requirements

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

- are aged between 15 and 60 (or between 15 and 75 for Non-working TPD);
- 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.

TPD cover provides a lump sum or fixed term instalment amounts if the life insured is totally and permanently disabled due to illness or injury. It assists in meeting financial commitments and the above eligibility criteria provides parameters for consumers for whom TPD cover is likely to be suitable.

TPD Cover is subject to our assessment of health, financial information, occupation, and pastimes and so:

- the Own occupation definition is only available to consumers who are gainfully employed for a minimum of 20 hours per week. Consumers working between 15 – 19 hours per week will be considered in certain circumstances;
- the Any occupation definition is only available to consumers who are gainfully employed for a minimum of 15 hours per week;
- not all occupations have a choice of definitions;
- not all occupations are eligible for cover;
- Home-maker definition may be available if the primary role is as a home duties person;
- 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 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 buyback 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.

Stepped premiums generally increase each year based on rates for the consumer's age. Level premiums for the benefit amount at policy outset are based on the age of the consumer when cover begins.

Level premiums are 'averaged out' or smoothed, which means they are generally higher than stepped premiums during the initial years, but lower than stepped premiums in later years. Level premiums may be more cost effective than stepped premiums for a consumer's longer term need for insurance. Level premiums don't stay level for the life of the policy. Level premiums convert to stepped premiums on the policy anniversary when the life insured is 65.

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. Level premiums may be more suitable where cover is to be held for a duration such that the level premiums are expected to result in lower overall cost than stepped premiums and where the consumer is comfortable with higher upfront costs, particularly in the event of early policy terminations.

Whether stepped or level 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 TPD Cover:

- intentional self-inflicted act;
- where applicable under the Limited Death benefit, there is no cover during the first 13 months of any cover or any reinstated cover, caused by an intentional self-inflicted act. This also applies to any increases in cover after the cover starts.

Under the Business TPD definition, in addition to the above, a benefit will not be paid for TPD arising directly or indirectly, wholly or partly, as a result of:

- stress, anxiety, depression, fatigue (including chronic fatigue syndrome, fibromyalgia), physical symptoms of a psychiatric illness or condition, or psychosis;
- personality disorders or emotional or behavioural disorders where those disorders are related to substance abuse or dependency (including alcohol, drug or chemical abuse or dependency).

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

Key limitations

- Non-working TPD describes a more severe level of disability, for example the total and irreversible inability to perform at least two activities of daily living without the help of another person.
- All TPD definitions convert to Non-working TPD from the policy anniversary following the life insured's 65th birthday. However:
 - If the life insured's occupation is classified as white collar and Own occupation or Any occupation TPD applies, the consumer can apply to continue with the existing TPD definition (capped at \$1 million) until the policy anniversary after the life insured is 70. The TPD definition of any insured amounts over \$1 million will convert to Non-working TPD.
 - If the life insured's occupation is classified as white collar and SuperLink TPD applies, the consumer can apply to continue with the Any occupation TPD definition under the superannuation policy (capped at \$1 million) until the policy anniversary after the life insured is 70. The TPD definition of any insured amounts over \$1 million will convert to Non-working TPD.
- TPD Cover over \$3 million reduces automatically to \$3 million on the policy anniversary after the life insured is 65 and the maximum benefit amount of \$3 million will apply across all policies issued by OnePath.
- When TPD Cover is stand-alone or linked to Trauma Cover, the life insured must survive without life support for at least 8 days after the date the TPD definition is satisfied.
- There are some built-in benefits that are not payable under the Business TPD Definition or for TPD Cover held under superannuation, for example the partial TPD benefit.
- Where Business TPD is held and the life insured's occupation changes from that disclosed in the application, the TPD definition the life insured must meet may change.
- Benefit entitlements under SuperLink TPD will first be assessed under the TPD definition and requirements of the policy held through superannuation.
- The TPD sum insured payable at claim time is the amount on the earlier of:
 - the date when the selected or allocated TPD definition is met; or
 - where there is a qualification period as part of the definition, the start of that period. This means the benefit amount is based on the date when the life insured stopped work because of the disability that led to the claim. It isn't when evidence confirms that the disability is permanent.
- 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 life insured's medical practitioner is important and will be used in assessments. OnePath will also review other medical and occupational information available to determine if the selected or allocated TPD definition is met.

Full details of 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 total and permanent disability and who have capacity to pay premiums on an ongoing basis. As the product pays a lump sum or fixed term instalment amounts on total and permanent disability 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 TPD 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 TPD 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 TPD 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 TPD 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 the 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