

The way forward. A new era of income protection



Introducing Zurich Income Safeguard

Industry changes
September 2021

We will soon see a significant refresh of income protection offerings across the market, in line with APRA requirements.

At Zurich, we have viewed the requirements as an opportunity to revisit the core customer needs - and adviser challenges - in this vital category. As a result, we've gone back to the drawing board to design a new suite of products, making income protection easier to understand and afford, and ultimately offering more certainty for the future.

And for advisers, that means protecting your client's biggest asset - their income - with even more confidence.



Last year, more than 9,000 income protection claims were paid to the holders of retail advised policies in Australia.

The client need for income protection is greater than ever

Across the market, income protection is the most claimed upon life insurance product of all.

In 2020, there were more income protection claims than death, TPD and trauma claims combined.

Last year, more than 9,000 income protection claims were paid to the holders of retail advised policies. And across Zurich and OnePath, we paid close to \$300 million in retail income protection claims in 2020.

Which perhaps shouldn't come as a surprise, given research¹ suggests up to half of us will experience some sort of income loss due to accident or illness at some point in our working lives.

The core promise remains the same

Post October, the core promise of income protection cover, and its power to meet the obvious consumer need, remains the same.

The philosophy underlying APRA's mandated changes is one of sustainability through equity, ensuring income protection provides vital financial protection when it is most needed, whilst supporting claimants in their desire to return to work. All in a way which is fair to all policyholders.

It's for this reason that benefits paid regardless of a claimant's ability to work - such as trauma and specified injury benefits - can no longer be offered, and why the rules around offsets will become more equitable.

Ultimately this allows insurers to continue providing strong, vital coverage, but in a more sustainable framework.

Our guiding principles for the Income Protection product design



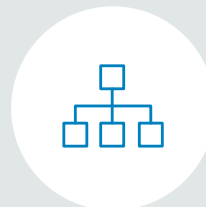
Work is good for you, supporting your mental health and wellbeing



Returning to health is a unique journey for every claimant



We pay genuine claims, meeting community expectations



Removing complexity, improves understanding and administration

1. Income Protection Gaps, challenges and opportunities, Zurich and Smith School of Enterprise and the Environment, University of Oxford, June 2016.

A new era of income protection

Wealth Protection and Active	Pre 27 September 2021	From 27 September 2021
Replacement ratio <i>now lower</i>	<ul style="list-style-type: none"> 75% of income (including super contributions) or 75% of income (excluding super contributions) + 100% of super contributions (max 15%) 	<ul style="list-style-type: none"> 70% of income (excluding super contributions) + 100% of super contributions (max 15%)
Maximum sum insured	<ul style="list-style-type: none"> 60K monthly benefit 	<ul style="list-style-type: none"> 60K monthly benefit
Definition of Totally disabled <i>changes</i>	<p>Income Protector Plus</p> <ul style="list-style-type: none"> Own occupation definition for entire claim period 3 tiers (1 duty, loss of income, 10 hours) <p>Income Protector</p> <ul style="list-style-type: none"> Own occupation definition applies for the first 2 years of claim; any occupation (ETE) applies after 2 years on claim 1 tier (1 duty) 	<ul style="list-style-type: none"> Own occupation definitions applies for the first 2 years of claim; any occupation (ETE) applies after 2 years on claim 1 tier (all important income producing duties) Participation in reasonable retraining or rehabilitation where appropriate
Income at risk (at claim time) calculation <i>changed</i>	<ul style="list-style-type: none"> Highest average 12 consecutive months in 24 months pre-disablement. 	<ul style="list-style-type: none"> Income earned at claim time and not more than 12 months old, or average earnings over an appropriate time period (for claimants with fluctuating incomes)
Capacity to work	<ul style="list-style-type: none"> Part of the calculation of partial disability benefits 	<ul style="list-style-type: none"> Part of the calculation of total and partial disability benefits
Ongoing income and paid leave	<ul style="list-style-type: none"> Not always offset 	<ul style="list-style-type: none"> Offset from Day 1*
Superannuation Optimiser	<ul style="list-style-type: none"> Available 	<ul style="list-style-type: none"> Not available – complimentary cover (super-owned policies) automatically issued to allow claims where the life insured is unemployed at time of sickness or injury
Severity booster option	<ul style="list-style-type: none"> Not applicable 	<ul style="list-style-type: none"> New option - allows for an additional 20% to be paid in the first 6 months for severe trauma events and hospitalisation

*Paid leave taken not entitlement

75 Becomes 70 (+ other changes)

At Zurich, we've placed a priority on providing both comprehensive protection and certainty.

One of the changes you will see across the industry is a new 70% limit on insured monthly benefits, replacing the old 75% 'rule of thumb'.

Whilst some insurers may choose to offer less than 70% - or cap the length of claim the 70% applies to - Zurich Income Safeguard offers the certainty of the full 70% for the entire claim.

And, because we recognise that out-of-pocket medical and household costs can often be higher in the period immediately after a claimable sickness or injury, we offer a unique Severity booster optional benefit, for extra peace of mind.

There are other changes too, designed to make cover more accessible and more affordable.





With the right support comes confidence

The industry-wide Income Protection reset is happening at the same time as other major regulatory changes, including Design and Distribution Obligations (DDO) coming into effect. We understand that changes of this magnitude will require you to refine your processes, your conversations, and your risk advice strategies.

That's why we have developed a range of practical resources to support you, every step of the way.

Our Change Navigator hub is a one-stop knowledge centre to help you understand and adapt to the changes. You'll find templates, fact sheets and FAQs, along with a new suite of customer facing materials.

And of course, your Zurich BDM is here to answer your questions and connect you to the support your business needs.

Meaning you can navigate these changes with confidence.

For more information and support

Visit our **Change Navigator hub**
zurich.com.au/changenavigator

Ask your **Zurich BDM**

Call our **Adviser Services Line on 1800 500 655**



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Expert view on the IDII changes

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