

# Zurich Wealth Protection Child cover

## Target Market Determination

<b>Issuer of this TMD:</b>	Zurich Australia Limited (Zurich) ABN 92 000 010 195, AFSL 232510
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## 1. About this document

This document is a Target Market Determination (TMD). It sets out the target market for child cover under the Zurich Wealth Protection product suite (Child 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 Zurich'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 Child cover, based on consumer 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 Zurich Wealth Protection before making a decision to apply for this product. The PDS can be found at [zurich.com.au/pds](http://zurich.com.au/pds). Consumers may want to consider obtaining personal financial advice to ensure the cover they select is tailored to their objectives, financial situation, and needs.

Child 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 the health of the insured child for our assessment and they understand that the outcome of the assessment may be that they are not eligible for cover.

Child cover can only be held outside of the superannuation environment.

## 2. Product description

Child cover is designed for consumers with the needs and objectives set out below. It provides a lump sum payment if an insured child suffers a trauma condition which is covered by the policy and meets our specific definition of that condition, or dies.

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

Child cover is designed to provide financial protection for personal consumers who have one or more of the following objectives or needs:

- want to reduce financial return-to-work pressure in the event of their child's serious illness or injury by funding extended carer leave;
- want help with funding treatments in the event of their child's serious illness or injury which could otherwise result in out-of-pocket medical expenses not covered by Medicare or private health insurance, transport expenses and accommodation costs;
- want help with further education expenses for a child who has disrupted schooling due to serious illness or injury;
- want to reduce financial return-to-work pressure in the event of a child's death.

### When cover may be suitable

Child 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 provide consent for the insured child to undergo an assessment conducted by Zurich in relation to health and medical history and are willing to accept restrictions, loadings or exclusions determined by Zurich following that assessment; or who have an eligible existing Zurich 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

Child cover may not be suitable for consumers who:

- seek automatic insurance cover without health or medical assessment;
- are ineligible for underwritten cover on the basis of medical history;
- already hold sufficient child cover or are otherwise able to meet financial commitments in the event that the insured child meets a specified trauma condition or dies;
- 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.

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### Financial capacity

Child cover is designed for consumers who have the financial capacity to purchase it and to fund the cost of cover, in accordance with the available premium structure, selected level of cover, fees and government charges over the timeframe identified for financial protection. This is important for two reasons:

- the cost of cover will generally increase over time;
- cover will be cancelled, and the insured child won't be covered, if premiums are not paid.

Appropriate consumers will thus meet some or all of the following criteria:

- be earning income;
- have personal savings;
- have other means to fund premiums such as family or other relationships.

## 4. Product design and key attributes

### Product value

Child cover provides value to consumers because it provides a benefit in the event that the insured child meets a specified trauma condition or dies, that can be used to cover unexpected expenses or allow a parent or guardian of the child to take time off work to care for the child whilst they are unwell.

### Eligibility requirements

When applying for Child cover, consumers must satisfy all of the following\*:

- are parents or guardians of children who are aged between 2 and 17;
- are seeking a sum insured of at least \$10,000;
- are in Australia; and
- have Australian residency or are in the process of applying for permanent Australian residency.

Child cover provides a lump sum benefit if the insured child meets a specified trauma condition, or dies, and the above eligibility criteria provides parameters for the consumers for whom Child cover is likely to be suitable.

Child cover is subject to our assessment of health and so:

- children with pre-existing health conditions may not be eligible for cover; 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.

\*Where we issue a new policy for one of the scenarios below, a consumer will still be considered eligible and within the target market:

- replacement of cover as result of a change of ownership; or
- policy reinstatement after cancellation due to non-payment of premium; or
- exercising an option to continue cover under the policy terms outlined in the PDS.

### Premium structure

The product is suitable for consumers who have the capacity to pay premiums on an ongoing basis over the timeframe identified for financial protection.

Premiums vary with the sum insured. 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.

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### Key exclusions and limitations

#### Key exclusions

The following events are not covered under Child cover:

- an intentional self-inflicted act in the first 13 months of any cover or any reinstated cover. This also applies to any increases in cover after the cover starts;
- attempted suicide in the first 13 months of any cover or any reinstated cover. This also applies to any increases in cover after the cover starts;
- the intentional act of the policy owner or person who will otherwise be entitled to the benefit payable;
- some events are not covered in the first 90 days of any cover or any reinstated cover. This also applies to any increases in cover after the cover starts.

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

#### Key limitations

- A benefit will only be paid when the trauma condition is met, and the Child cover is in force.
- We only pay the trauma benefit for one insured trauma condition for each insured child.
- The death benefit is limited to \$200,000 for each insured child. If the Child cover sum insured exceeds \$200,000, the portion which exceeds this amount is only payable for a trauma condition if the insured child survives for at least 14 days after meeting the definition.
- The amount payable is the benefit amount on the date the specified definition is met.
- Benefit payments reduce the Child cover sum insured.

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 that the insured child meets a specified trauma condition or dies, and who have capacity to pay premiums on an ongoing basis. As the product pays a lump sum in the event that the insured child meets a specified trauma condition or dies, 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 78A of the Corporations Act (product design and distribution obligations), an application for Child cover must be submitted by a Distributor who is operating under an AFSL with appropriate authorisations. The Distributor may only submit applications for consumers who:

- have received a current Zurich Wealth Protection 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 Child 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 Child 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 Child 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 Zurich's distribution conditions regarding:

- eligibility criteria;
- having considered the suitability of the product; and
- having provided general advice.

In addition, for every application, Zurich'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. Zurich'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. Zurich 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 Zurich 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.
- Zurich 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.
- Zurich 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 Zurich will decide if this TMD is no longer appropriate

Zurich'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 customers 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 Zurich's product manager becomes aware is not consistent with the TMD (within 10 business days of becoming aware of the dealing).

Where relevant, Zurich'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 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 Zurich

Distributors may submit data to Zurich in any of the accepted formats. Refer to our website for more information: [zurich.com.au/tmd](http://zurich.com.au/tmd).