

# Zurich Wealth Protection Trauma 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 trauma cover under the Zurich Wealth Protection product suite (Trauma 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 Trauma 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 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.

Trauma 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.

## 2. Product description

Trauma cover is designed for consumers with the needs and objectives set out below. It pays a lump sum if the life insured suffers a trauma condition which is covered by the policy and meets our specific definition of that condition. Examples of covered trauma conditions include cancer, heart attack and stroke. We have our own definition of each covered condition as we only cover trauma conditions at a specific level of severity.

Trauma cover can be selected as stand-alone cover or it can be linked to Death cover and/or TPD cover. When Trauma cover is linked to other covers, a trauma 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 Trauma cover. The product includes the option to buy back or reinstate at a later time, Death cover reduced by a Trauma claim.

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

Trauma cover is designed to provide financial protection for personal and business consumers.

<b>For personal consumers</b>	<p><b>A consumer who has one or more of the following objectives and needs:</b></p> <ul style="list-style-type: none"> <li>Has (or envisages that in future they will or may have) outstanding financial commitments that will not be satisfied by any other insurance in the event that the life insured suffers a specified trauma condition. The financial commitments may include (but are not limited to) mortgage and other debt servicing costs, home modifications, mobility aids, and income replacement.</li> <li>Wants to fund an income gap in the event work changes or ceases as a result of suffering a specified trauma condition.</li> <li>Wants a financial buffer if the life insured suffers a specified trauma condition to reduce financial return-to-work pressure or to help fund extended recovery leave.</li> <li>Wants a financial buffer if the life insured suffers a specified trauma condition to fund treatments which could result in out-of-pocket medical expenses not covered by Medicare or private health insurance, transport expenses and accommodation costs for short or long periods of time.</li> </ul>
<b>For consumers who are a business</b>	<p><b>A business that has either of the following objectives and needs:</b></p> <ul style="list-style-type: none"> <li>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 a specified trauma condition.</li> <li>Wants to ensure business succession if a business owner leaves the business due to a specified trauma condition.</li> </ul>

The two levels of Trauma cover are designed for the needs of different consumers:

- Trauma plus and Trauma pay a lump sum benefit if the life insured suffers a trauma condition which is covered by the policy and meets our specific definition.
- Trauma plus will also make partial payments for some earlier stage defined conditions via the partial trauma benefit. Trauma plus provides more generous terms at claim time in return for a higher premium. It is designed for consumers who want more comprehensive cover including partial benefit payments, for the purpose of, for example, funding out-of-pocket medical expenses closer to the time that they are incurred, and are prepared to pay the additional premium for that cover.

## Target Market Determination for Trauma cover

### When cover may be suitable

Trauma 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 Zurich 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 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;
- are engaged in an occupation or a class of activity for which Zurich 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

Trauma 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, occupational (for example, hazardous occupations), pursuits or pastimes;
- already hold sufficient Trauma cover or are otherwise able to meet financial commitments in the event they suffer a specified trauma condition;
- 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

Trauma cover is designed for consumers who have the financial capacity to purchase it and to fund the cost of cover, in accordance with the chosen 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; and
- cover will be cancelled, and the life insured 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, management fees and government charges, such as family or other relationships.

## 4. Product design and key attributes

### Product value

Trauma cover provides value to consumers because it can help consumers cope financially in the event of the life insured suffering a specified trauma condition that meets our specific definition of that condition as 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 trauma condition;
- 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 Trauma cover as stand-alone cover or linked to Death and/or TPD cover. Linking cover helps reduce overlap in cover and costs.

### Eligibility requirements

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

- are aged between 15 and 59 (up to age 63 is permitted on exception, subject to additional requirements at the time of assessment being met);
- 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.

Trauma cover provides a lump sum when the life insured suffers a trauma condition which is covered by the policy and meets our specific definition of that condition. It assists in meeting financial commitments and the above eligibility criteria provides parameters for consumers for whom Trauma cover is likely to be suitable.

Trauma cover is subject to our assessment of health, occupation, and pastimes and so:

- not all occupations are eligible for cover;
- 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.

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### 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.

There are two premium types:

- variable age-stepped premium
- variable premium.

Variable age-stepped premiums generally increase each year based on rates for the consumer's age. They may be lower at the start of the policy, on the basis that the customer's health has been recently assessed. Variable premiums for the benefit amount at policy outset are based on the age of the consumer when cover begins.

Variable premiums are 'averaged out' or smoothed, which means they are generally higher than variable age-stepped premiums during the initial years, but lower than variable age-stepped premiums in later years. Variable premiums may be more cost effective than variable age-stepped premiums for a consumer's longer term need for insurance. Variable premiums convert to variable age-stepped premiums on the policy anniversary when the life insured is 64.

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

Whether variable age-stepped or variable 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 Trauma cover:

- intentional self-inflicted act and attempted suicide;
- blood borne disease events are not covered if a treatment is developed and approved which renders them inactive and non-infectious or if the life insured elects not to take an approved vaccine;
- 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;
- elective and donor transplant surgery is not covered in the first six months 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

- Trauma conditions must meet the specified definition.
- If the definition of more than one trauma condition is met at the same time, only the condition with the highest benefit will be payable.
- A trauma benefit will only be paid when the trauma condition is met, and the Trauma cover is in force.
- If the Trauma cover is not linked to Death cover, the life insured must survive at least 14 days after meeting the trauma definition.
- Benefit payments reduce the Trauma cover sum insured.
- There are limits on the benefit amounts payable for partial payments.
- The amount payable is the trauma benefit amount on the date that the 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 the life insured suffers a specified trauma condition and who have capacity to pay premiums on an ongoing basis. As the product pays a lump sum in the event of a specified trauma condition 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 Trauma cover must be submitted by a Distributor who is operating under an AFSL with appropriate authorisations. The Distributor must be authorised by Zurich 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 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 have in place, where appropriate, processes relating to general advice scripting, training, monitoring and quality assurance.

These distribution conditions for Trauma 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 Trauma 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 Trauma 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 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 Zurich's product manager becomes aware is not consistent with the TMD (within 10 business days of becoming aware of the dealings).

Where relevant, Zurich's 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 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).