

# Target Market Determination

## Real Income Protection Insurance

### Purpose of this document

This Target Market Determination (**TMD**) is required under section 994B of the Corporations Act 2001 (Cth) (**the Act**), effective from 5th October 2021.

This TMD was issued by Hannover Life Re of Australasia Ltd (**Hannover**) on 8 April 2024. It sets out the target market for Real Income Protection Insurance, the triggers to review this target market determination, and other relevant information. It forms part of Hannover's Design and Distribution Obligations for this product.

This document is not a Product Disclosure Statement (**PDS**) and is not a summary of the features or terms of the product. It provides general information only and does not take into account any person's individual objectives, financial situation or needs. Persons interested in acquiring this product should carefully read Hannover's Product Disclosure Statement for Real Income Protection Insurance before making a decision to purchase the product.

**Target Market Determination:** Real Income Protection Insurance

**Issuer of this TMD:** Hannover Life Re of Australasia Ltd ABN: 37062395484, AFSL No. 530811 for handling and settling claims

**Current as at:** 8 April 2024

**TMD version:** 2

## Product overview

### Product description

Real Income Protection Insurance is designed to provide a monthly benefit if you, the Life Insured is unable to work solely due to a disabling sickness or injury where:

- a. You are unable to perform the usual duties of your regular occupation necessary to produce income; and
- b. You are under the regular care of, and following the advice and treatment of a medical practitioner in relation to that disabling sickness or injury, for which you are claiming; and
- c. You are suffering a loss of income; and
- d. You are not engaged in your regular occupation or any other gainful occupation

in accordance with the terms and conditions outlined in the Product Disclosure Statement (PDS).

Your monthly Income Benefit payments will commence after you have served your nominated waiting period and is paid monthly in arrears while you continue to satisfy the policy's claim assessment criteria or the end of the benefit period, whichever is earlier. This means that you will not receive any insured amount during the waiting period plus another 30 days.

Real Income Protection Insurance may also reimburse rehabilitation expenses incurred by the Life Insured.

Redundancy and unemployment are not covered by this product.

### Key attributes

Key attributes of Real Income Protection Insurance include:

- ✓ The payment of premiums – if premiums are not paid when due, the policy will end (subject to the required notice periods) and the Life Insured will no longer be covered and cannot make a claim.
- ✓ Premium structure – premiums are structured on a stepped premium basis and will increase every year.
- ✓ Eligibility criteria – certain persons may be ineligible for cover if they do not meet the eligibility criteria for this product. Eligibility criteria include:
  - the age;
  - duties of your occupation type, employment status and hours worked;
  - income status; and
  - residency statusof the life to be insured.
- ✓ Underwriting process – This is an underwritten product. The underwriting process could result in an increase in the price of the product, limitations to the Benefit Amount Insured, special terms and conditions or exclusions applied to cover, or declining cover. This product is not appropriate for consumers who are unwilling or unable to meet the underwriting process requirements.

The following key product exclusions apply and no benefit would be available under the product if the claim was arising from:

- ✘ Normal pregnancy (including participation in an IVF or similar program, normal discomforts such as morning sickness, backache, varicose veins, ankle swelling or bladder problems), giving birth, miscarriage or having a pregnancy terminated; or
- ✘ War (whether declared or not) or war-like activity, or taking part in a riot or civil commotion; or
- ✘ Engaging in any criminal activities or illegal acts; or
- ✘ An intentional self-inflicted act; or
- ✘ Attempted suicide; or
- ✘ A specific exclusion and/or special term or condition that is applied to the Life Insured, during the underwriting process.

Please refer to the PDS for further information about what Real Income Protection Insurance does and does not cover.

## **How/why key product attributes make it likely that this product will meet the likely needs of customers in the target market**

Real Income Protection Insurance is designed to meet the likely objective, financial situation and need of the target market to reduce the financial exposure of the Life Insured by providing a monthly Income Benefit payment if the Life Insured is unable to work solely due to a disabling sickness or injury that stops them from earning an income. Broadly, the target market comprises of those who meet the eligibility criteria, who have or expect to have a need to replace a portion of their income, have outstanding financial commitments that will not be satisfied in the event which causes them to be unable to earn their pre-disability income, with a consequent loss of income due to a disabling sickness or injury.

This product replaces up to 70% of lost earned income. The amount of the Income Benefit payment is linked to current earnings at claim time and therefore likely to meet the needs or go towards meeting the needs of those in the target market.

Hannover regularly reviews the performance of this product, with reviews occurring at least once per quarter, which ensures the product remains appropriate for the identified target market.

It is important to note that:

- ✔ Premiums are charged for this product, and you will need to have the capacity to pay these premiums on an ongoing basis until the policy anniversary following your 65th birthday.
- ✔ Premiums paid may be tax deductible and the Income Benefit paid will generally be considered assessable as income and you should seek professional advice.
- ✔ If you already have an income protection policy with another insurer, this product may not be suitable for you. You should seek your own personal financial advice if this applies to you.

Please refer to the current PDS for detailed information on type of cover this product provides, how premiums are calculated and how tax is applied.

## **Description of the target market**

**The target market for this product is for Australian Residents aged between 18-60 with a need to replace a portion of their income in the event of disabling sickness or injury, who have the capacity to pay ongoing premiums that will increase on an annual basis.**

### **Likely objectives, financial situation and needs of customers in the target market of Real Income Protection Insurance**

The objective of consumers in the target market is to reduce their exposure to the following financial situation:

- ✔ the consumer (the policy owner) has (or envisages that in the future they will or may have) a need to replace a portion of their income in the event that they are unable to earn their income due to an event which causes them to be unable to earn their pre-disability income, whether due to a disabling sickness or injury.

### **Financial situation of customers in the target market**

This product is suitable for customers who have the financial capacity to pay premiums (which will increase over time) in accordance with the stepped premium structure to retain the product for the period of time which it is intended to be held. This product is not suitable for customers who cannot commit to or afford payment of stepped premiums for the life of the policy.

Please note that your monthly Income Benefit payments will commence after you have served your nominated waiting period and is paid monthly in arrears while you continue to satisfy the policy's claim assessment criteria or the end of the benefit period, whichever is earlier. This means that you will not receive any insured amount during the waiting period plus another 30 days.

Customers will be required to form their own assessment of their capacity to fund premiums and to financially sustain the waiting period plus 30 days.

## Demographic and eligibility requirements

When applying for Real Income Protection Insurance, customers must satisfy all of the following requirements:

- a. Age 18-60; and
- b. Australian Resident; and
- c. Are in gainful employment of at least 15 hours per week and meet the minimum income requirement; and
- d. Meet the health and lifestyle criteria during the underwriting application process.

Customers should carefully consider if the product is right for them before applying.

Real Income Protection Insurance is subject to Hannover's assessment of health, lifestyle, duties of occupation and financial information:

- ✔ Customers with pre-existing health conditions may not be eligible for cover or may receive an offer of alternate terms.
- ✔ Customers who participate in high-risk occupations or pastimes may not be eligible for cover or may receive an offer of alternate terms.
- ✔ Where alternate terms are offered, customers will be made aware of these alternate terms and the implications on their policy. Customers will confirm that they understand this at point of sale and will be reminded of these alternate terms in their annual renewal policy schedule.

### The following groups are outside of the target market for this product:

- ✘ Aged under 18 or over 60.
- ✘ Not an Australian resident.
- ✘ Are not gainfully employed or are working less than 15 hours per week and do not meet the minimum income requirement.
- ✘ Do not meet the health and lifestyle criteria of our underwriting requirements.
- ✘ Who are unable or unwilling to participate in the required underwriting process.
- ✘ Customers who cannot commit to or afford payment of stepped premiums for the life of the policy.

This product would not be appropriate for consumers whose objective is to save or invest funds in financial planning for loss of income due to disabling sickness or injury as the product is not a savings or investment plan.

## Distribution conditions

### In accordance with the obligations outlined under the Part 7.8A of the Corporations Act (product design and distribution obligations):

- ✔ This product is authorised for distribution by Greenstone Financial Services Pty Ltd (GFS) only and cannot be purchased directly from Hannover.
- ✔ This product may only be distributed to consumers under General Advice. No personal advice is to be provided to a consumer at any point in the distribution process.
- ✔ This product can only be purchased via GFS call centre.
- ✔ GFS should not sell this product to a customer where the underwriting criteria for the product are not met.
- ✔ GFS should not sell to a customer who does not satisfy the demographic factors of customers in the target market.
- ✔ GFS must provide a customer with a copy of the **PDS**.

### These distribution conditions and restrictions make it more likely that the consumers who acquire the product are in the target market because they have been designed to check that the customer meets criteria aligned with the target market:

- ✔ GFS will set minimum standards of conduct which are documented, operationalised through training and appropriate procedures, and are monitored via quality assurance practices.
- ✔ Call centre distribution must be undertaken in accordance with authorised call scripts and processes.
- ✔ GFS will provide adequate general explanations to consumers of the product's premium structure, how the premiums are expected to change over time, and its exclusions.
- ✔ Consumers must undergo the underwriting process and satisfy the health, lifestyle, duties of occupation and financial criteria during the underwriting process.
- ✔ Marketing activities for Real Income Protection Insurance will be limited to channels that are likely to result in distribution to consumers in the target market.
- ✔ GFS will ensure only Australian residents aged 18-60 are able to purchase the policy.
- ✔ GFS will ensure only consumers who meet the health, lifestyle, duties of occupation and financial criteria of the underwriting process are able to purchase the policy.
- ✔ GFS will ensure only consumers who are working in gainful employment and meet the minimum income requirements are able to purchase the policy.
- ✔ GFS will provide Hannover with the information and data Hannover requires to promptly identify if a review trigger has occurred. This includes but is not limited to information in regard to sales, lapses, underwriting outcomes and complaints.

## Review triggers, and information to assess whether a review trigger has occurred

Review triggers	Information needed to enable Hannover to assess if the review trigger has occurred	Responsible party for providing information
<p><b>Review trigger 1:</b></p> <p>The commencement of a significant change in law, including taxation, that materially affects the product design or distribution of the product or class of products that includes this product.</p>	Hannover will monitor relevant regulations, legislation and/or ASIC instruments relating to the change in law during the review period.	Hannover
<p><b>Review trigger 2:</b></p> <p>The use of Product Intervention Powers in relation to the distribution or design of this product where the product issuer considers this reasonably suggests that this TMD is no longer appropriate.</p>	Hannover will monitor the use of Product Intervention Powers in relation to the distribution or design of this product where the product issuer considers this reasonably suggests that this TMD is no longer appropriate.	Hannover
<p><b>Review trigger 3:</b></p> <p>Product performance is materially inconsistent with Hannover's expectations having regard to:</p> <ul style="list-style-type: none"> <li>✓ claim ratios;</li> <li>✓ the volume of paid, denied and withdrawn claims;</li> <li>✓ the volume of policies sold;</li> <li>✓ the volume of applications declined at underwriting; and</li> <li>✓ policy lapse or cancellation rates.</li> </ul>	Hannover will monitor the expected and actual number of the product performance metrics during the review period, reported by GFS or Hannover quarterly.	GFS & Hannover
<p><b>Review trigger 4:</b></p> <p>Significant or unexpectedly high number of complaints regarding product design, product availability, claims and any distribution condition that would reasonably suggest that this TMD is no longer appropriate.</p>	Complaints and the nature of the complaints regarding product design, product availability, claims and any distribution condition, reported by GFS to Hannover monthly.	GFS & Hannover
<p><b>Review trigger 5:</b></p> <p>The product issuer determines that a significant dealing in the product outside the target market (except for an excluded dealing) has occurred.</p>	A significant dealing in the product which either GFS or Hannover becomes aware is not consistent with the TMD (within 10 business days of becoming aware of the dealing).	GFS & Hannover

**The occurrence of any of these review triggers would reasonably suggest that the product, including its key attributes, may no longer be consistent with the likely objectives, financial situation and needs of consumers in the target market. In the event of the occurrence of any review trigger, a review of the product, its target market and target market determination will occur.**

### The maximum initial period before this TMD is reviewed

Subject to intervening review triggers, no more **than one year after** the issue of this TMD.

### The maximum period before this TMD is reviewed (after the initial review)

After the first review of this TMD (see above), and subject to intervening review triggers, this TMD will be reviewed **annually**. Reviews are to occur more frequently in the event risk of detriment to a consumer is identified necessitating an earlier review.