

# TARGET MARKET DETERMINATION

**For SMSF Master Insurance Plan and Bell Direct SMSF Master Insurance Plan (the Plan) issued by AIA Australia Limited (ABN 79 004 837 861, AFSL 230043) to Australian Group Insurances Pty Ltd (AGI) ABN 97 140 572 434 AFSL 379565 (Policy Owner and Administrator) of the Plan**

October 2021



## 1. About this document

### When to use this target market determination

This target market determination (TMD) provides customers, distributors and staff with an understanding of the class of customers this product has been designed for, having regard to the likely objectives, financial situation and needs of the target market. Further, it sets out how the product is distributed, review periods and triggers relating to the TMD, and reporting and monitoring the TMD.

This document is not a summary of the product's terms and conditions and is not intended to provide financial advice. Persons interested in acquiring this product should carefully read the Product Disclosure Statement (PDS) and any applicable Supplementary Product Disclosure Statement(s) which outline the relevant terms and conditions before making a decision whether to buy this product.

### PDS to which this target market determination applies

This TMD applies to the life insurance cover referred to in the following PDS's:

- SMSF Master Insurance Plan
- Bell Direct SMSF Master Insurance Plan

### Effective date

5 October 2021

### Version

1.1

## 2. Class of customers that fall within this target market

The information below summarises the class of customers that fall within the target market for this insurance cover, and the likely objectives, financial situation and needs that this cover has been designed to meet.

### Class of customers

- Customers with a Self Managed Superannuation Fund who require insurance cover that can be accessed through a wholesale group insurance arrangement.
- The customer has (or envisages that in future they will or may have) outstanding financial or financial-in-kind commitments (including financial commitments to dependents such as spouse or children) that will not be satisfied by their estate in the event of their terminal illness, death, diagnosis as being totally and permanently disabled or a need to replace their pre-disability income in the event that they are unable to earn their income due to injury or sickness in accordance with the terms of the PDS (where those optional covers are held).

These financial or financial-in-kind commitments include but are not limited to:

- Mortgage and other debt servicing costs, final expenses, and income replacement
- Medical costs, transportation and accommodation costs, and personal palliative care

### Excluded class of customers

The insurance cover has not been designed for individuals who:

- are not an Australian citizen or permanent resident, or 457, 422 or 418 Visa holders;
- are not residing in Australia at the time of application;
- are not aged between 15 and 64 years old at the time of application;
- do not meet underwriting requirements and other lifestyle/medical factors;
- require a total TPD sum insured above the maximum sum insured (including insurance of a similar type held with any other insurers);
- do not have a Self-managed Superannuation Fund (SMSF);
- do not want death cover to be held within superannuation or premiums paid by their SMSF;
- are not eligible to contribute to their superannuation and do not expect to have sufficient funds available within their SMSF to pay their premiums; and
- are unlikely to be able to afford to pay the regular policy premium.

### Likely needs and objectives

This insurance cover has been designed for customers with an SMSF who have the following likely needs and objectives:

Type	Likely needs and objectives
Death cover	<ul style="list-style-type: none"> <li>• want cover to be held within their SMSF;</li> <li>• want to reduce the burden of financial commitment through the receipt of a lump sum amount in the event of diagnosis of terminal illness or death;</li> <li>• want to leave a financial legacy or inheritance for their family or dependants in the event of their death, where there are no other outstanding liabilities.</li> <li>• want to protect their assets (such as home, car, investments) and limit exposure of liabilities (such as mortgage or other debts) in the event of terminal illness or death;</li> </ul>
<b>Optional</b> TPD cover	<ul style="list-style-type: none"> <li>• want to reduce the burden of financial commitment through the receipt of a lump sum amount if they become totally and permanently disabled due to sickness or injury and are unable to work (paid or unpaid);</li> <li>• want to support an independent lifestyle which includes funds for medical and rehabilitation costs, transportation and accommodation costs, personal care, palliative care, if they become totally and permanently disabled due to sickness or injury and are unable to work (paid or unpaid);</li> <li>• want to protect their assets (such as home and investments), and limit exposure of liabilities (such as mortgage or other debts) if they become totally and permanently disabled due to sickness or injury and are unable to work (paid or unpaid);</li> </ul>
<b>Optional Non-Super</b> TPD cover (own occupation)	<ul style="list-style-type: none"> <li>• want to reduce the burden of financial commitment through the receipt of a lump sum amount outside of their superannuation arrangement, if they become totally and permanently disabled due to sickness or injury and are unable to work in their own occupation;</li> <li>• want to support an independent lifestyle which includes funds for medical and rehabilitation costs, transportation and accommodation costs, personal care, palliative care, if they become totally and permanently disabled due to sickness or injury and are unable to work in their own occupation;</li> <li>• want to protect their assets (such as home and investments), and limit exposure of liabilities (such as mortgage or other debts) if they become totally and permanently disabled due to sickness or injury and are unable to work in their own occupation;</li> </ul>

Type	Likely needs and objectives
<b>Optional Non-Super</b> Income Protection (IP) cover	<ul style="list-style-type: none"> <li>want to reduce the burden of financial commitment through the receipt of a monthly payments outside of their superannuation arrangement for a specified benefit term, if they are unable to work due to injury or sickness;</li> <li>want to protect their income through receipt of monthly payments for a specified benefit term; and</li> <li>want to support dependants and maintain their lifestyle for a specified benefit term, while they are unable to work due to sickness or injury.</li> </ul>
<b>Optional Non-Super</b> Income Protection Plus Options	<ul style="list-style-type: none"> <li>wants additional ancillary benefits in addition to their IP cover which will be paid as lump sum payments outside of their superannuation arrangement, to assist you to pay medical bills, in regards to Specific Injury and Trauma benefit, if you meet the definition of the incident, prior to you being Totally Disabled.</li> </ul>

### Financial situation

A customer who is employed, has savings or otherwise has financial capacity (e.g. family or other relationships) to pay premiums (which may vary from time to time) to retain the product for the period of time it is intended to be held.

## 3. Product design descriptions

Below is a description of the key terms, features and attributes that affect whether this product is likely to be suitable for the needs of the target market. Refer to the PDS for a full description of this product and for the applicable terms and conditions.

### Product Application Eligibility

	Death Cover	TPD Cover	IP Cover
<b>Eligibility</b>	As a minimum, the trustee of the SMSF is required to apply for Death cover or Death and TPD cover under their superannuation Policy.		
<b>Residency Criteria</b>	Customers must be an Australian citizen or permanent resident or 457, 422 or 418 Visa holders, residing in Australia.		
<b>Benefit Description</b>	Death cover provides a lump sum in the event of diagnosis of terminal illness or death.	TPD provides a lump sum in the event the customer meets the definition of total and permanent disability applicable to their policy.	Income Protection provides a monthly payment in the event the customer becomes Totally or Partially Disabled and unable to work due to an accident or sickness for a chosen benefit period of either 2 Years, 5 Years or To Age 65 after a chosen waiting period of 30, 60 or 90 days.
<b>Age Eligibility at application</b>	15–64	15–64	15–64
<b>Max Cover</b>	Unlimited	\$3 million	Up to 75% of your monthly income up to a maximum of \$30,000 per month
<b>Claim payments</b>	The policy ceases after a payment is made		
<b>Minimum Hours Work</b>		20 hours per week in an occupation which does not involve heavy, manual work.	Gainfully Employed working a minimum 15 hours per week

## Policy Premium

Premiums for Death and TPD cover held within the SMSF are charged to the trustee and deducted from the SMSF bank account. In the event of a claim, benefits are payable directly to the trustee.

Individual members are responsible for the payment of premiums for non-superannuation cover. In the event of a claim, benefits are payable directly to the member as owner of the cover.

Paying premiums on time in accordance with the product conditions is a requirement of continued cover. If premiums are not paid when due, the policy may lapse in which case the life insured would no longer be covered and cannot make a claim.

Premiums are dependent on the information provided at application stage including, the level of cover, and options chosen, for example: age, gender, smoking status, campaign discounts, individual and underwriting loadings determined at point of application.

Premiums can change over time based on the customer's increasing age and changes in their cover amount and if any discounts apply.

## Product Exclusions

- Death cover will not be payable in the event of suicide within the first 13 months of policy commencement date, reinstatement date or increase in the sum insured;
  - regarding TPD or IP cover, a benefit will not be payable as a result of any deliberately self-inflicted injury or sickness or attempted suicide or self destruction while either sane or insane;
  - regarding death cover, TPD or IP, a benefit will not be payable in the event of death, TPD or Total or Partial Disability (IP) arising from criminal activities, war and active service in the armed forces of any country or international organisation\*;
- \* Note: In the case that you are enrolled in the Australian Army Reserve, exclusion b) above is only applicable where you have been called up for active service.
- regarding IP cover, a benefit will not be paid if Total or Partial Disability is caused by uncomplicated pregnancy, childbirth or miscarriage; and
  - any other exclusions imposed by us on your cover as a result of the underwriting process.

## Cover Amount Limitations

Where Death cover is held in conjunction with TPD cover within the SMSF, then your Death cover will be reduced by any TPD benefit that becomes payable under the superannuation Policy.

The reduced Death cover (if any) will be frozen and subsequently payable upon your death prior to the Cover Expiry Age and subject to the continued payment of premiums for your reduced Death cover.

## Other information

Death cover must be purchased inside the superannuation environment, whilst TPD cover can be obtained either inside or outside of the superannuation environment. IP is available as a linked policy that sits outside of the superannuation environment.

Cover is provided through a superannuation and non-superannuation master insurance policy issued by AIA Australia Limited to AGI as Policy Owner and Administrator of the Plan. Cover is available to one or more members of the SMSF.

Under a superannuation Policy, the trustee of the SMSF is able to tailor the type and level of cover to suit their members' needs, while under a non-superannuation Policy, the member can tailor the type and level of cover to suit their own individual needs. Each member must have a minimum of Death cover within the SMSF held on their behalf under the Policy in order to be eligible for other cover options. Details of all insurance options are described throughout the PDS.

For cover to be issued under a non-superannuation Policy, the member is required to complete and submit their own application, with the appropriate authority from the trustee of the SMSF. Once the application has been accepted by the Trustee, they will issue a Policy Insurance Certificate to the member outlining their individual cover details.

Individual members are responsible for the payment of premiums for non-superannuation cover. In the event of a claim, benefits are payable directly to the member as owner of the cover.

Taxation laws apply to the insurance policy and/or premiums. Superannuation owned policies can be funded from superannuation monies, which may create taxation and cash flow efficiencies, however superannuation law prescribes what benefits are available and the conditions in which claim proceeds can be received.

For further information refer to the PDS.

### Appropriateness explanation

Broadly, the target market comprises customers with an SMSF who have or expect to have outstanding financial commitments that will not be satisfied in the event of their own death, terminal illness, TPD or not being able to work in their occupation due to a sickness or injury (where those optional covers are obtained) and who have a capacity to pay potentially variable premiums on an ongoing basis. Where the product pays a lump sum on death, terminal illness or TPD or where the product pays a monthly benefit for Income Protection on total disability, (where those optional covers are obtained), it is therefore likely to meet the needs, or go towards meeting the needs, of those in the target market.

## 4. How this product is to be distributed

### Distribution channels

- This product is distributed by AGI under AGI's AFSL (pursuant to a distribution agreement between AIA and AGI) online via AGI's SMSF website.
- AGI has also authorised Third Party Platform Pty Ltd (trading as Bell Direct) to provide information relating to the Bell Direct SMSF Master Insurance Plan and to refer interested individuals to AGI's SMSF website to apply for the product.

### Distribution conditions

AGI as the distributor must follow the distribution conditions to ensure that this product is sold to customers likely to be in the target market. These include:

- suitability and eligibility questions to determine whether the customer can apply for the product by meeting the eligibility requirements;
- a product disclosure statement and other materials that explain the product has been designed for customers in the target market; and
- customers have access to and have an opportunity to review the PDS before agreeing to purchase.

Customers are more likely to be in the target market if distributors distribute the product in alignment with the issuer's distribution conditions.

## 5. Reviewing this target market determination

We will review this target market determination in accordance with the below:

<b>Initial review</b>	12 months after the effective date by 5 October 2022
<b>Periodic reviews</b>	At least every three years from the initial review.

<b>Review triggers or events</b>	<p>A trigger event or circumstances which arise that would reasonably suggest the TMD is no longer appropriate or that the product is no longer consistent with the likely objectives, financial situation and needs of customers in the target market. Examples of trigger events include:</p> <ul style="list-style-type: none"> <li>• External Events <ul style="list-style-type: none"> <li>- A change in law or a change in the distribution conditions required to comply with regulatory standards;</li> <li>- A change in the likely needs of customers, for example as driven by significant advances in medical treatment or diagnosis standards; and</li> <li>- a material alteration in eligibility requirements or underwriting criteria of the product.</li> </ul> </li> <li>• Product Performance and Changes <ul style="list-style-type: none"> <li>- Alterations in product eligibility and suitability requirements or a significant change in product underwriting acceptance criteria;</li> <li>- any significant or unexpectedly large fluctuations in metrics, including, but not limited to, sales volumes, applications acceptance rates, policy cancellation levels and product value to customers; and</li> <li>- unexpectedly high number of complaints regarding the product outcomes for customers.</li> </ul> </li> <li>• AIA Australia as the Product Issuer <ul style="list-style-type: none"> <li>- The use of Product Intervention Powers in relation to the distribution or design of this product where AIA Australia considers this reasonably suggests that this TMD is no longer appropriate.</li> </ul> </li> <li>• Distribution Conditions and Performance <ul style="list-style-type: none"> <li>- the addition of new distribution channels or a material change in the design of existing distribution channels;</li> <li>- Unexpectedly high complaints regarding the distribution of the product; and</li> <li>- occurrence of a significant dealing.</li> </ul> </li> </ul>
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<b>Information needed for review triggers or events</b>	<p>In considering whether a trigger event has occurred, the following are examples of the types of information that will be considered.</p> <ul style="list-style-type: none"> <li>• External events: <ul style="list-style-type: none"> <li>- Published legislation by government;</li> <li>- Regulatory guides and industry consultation; and</li> <li>- Consumer research outlining changes in consumer behaviours and preferences.</li> </ul> </li> <li>• Product performance and Changes <ul style="list-style-type: none"> <li>- The actual and expected product performance of key metrics such as loss ratio, lapse rates, claims acceptance rates;</li> <li>- Product Specification documents;</li> <li>- Complaints captured in AIA Australia systems; and</li> <li>- Complaints captured and recorded by distributors.</li> </ul> </li> <li>• AIA Australia as the Product Issuer <ul style="list-style-type: none"> <li>- Relevant Product Intervention order.</li> </ul> </li> <li>• Distribution Conditions and Performance <ul style="list-style-type: none"> <li>- Level of customer engagement in application process and customer behaviours during application processes;</li> <li>- The outcomes of quality assurance reviews on assisted customer calls;</li> <li>- Complaints and the nature of the complaints regarding product design, claims, and distribution condition; and</li> <li>- A significant dealing in the product which is not consistent with the TMD (within 10 business days of becoming aware of the dealing).</li> </ul> </li> </ul>
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Where a review trigger has occurred, this target market determination will be reviewed within 10 business days using information available about the performance of the product against likely customer needs and objectives and about the adherence of the distribution of the product to the distribution conditions outlined in this TMD.

## 6. Reporting and monitoring

We will collect and report on the following information:

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**Complaints**

We will receive reports on all complaints in relation to this financial product half-yearly (within 10 business days of the end of the calendar half-year). This will include whether the distributor received complaints during the reporting period and if so, the number of complaints received, the nature of the complaints, including regarding product design, claims and distribution, in relation to the product, and the date on which each complaint was received.

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**Significant dealings**

We will receive notification if our distributors become aware of a significant dealing in the product that is inconsistent with the TMD within 10 business days.

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