

Direct Cover Life Insurance Target Market Determination (TMD)

Issuer: Hallmark Life Insurance Company Ltd ABN 87 008 446 884, AFSL 243469 (Hallmark Life)

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1. Purpose of this document

This Target Market Determination (TMD) is required under section 994B of the Corporations Act 2001 (Cth) (the Act). It sets out the target market for the product, information about distribution conditions, triggers for us to review the TMD, and other important information. It forms part of Hallmark Life's product design and distribution framework for Direct Cover Life Insurance. Hallmark Life is referred to in this document as 'we', 'us' or 'our'.

It is important to note that this TMD is not a Product Disclosure Statement (PDS) and is not a summary of the product features, terms or conditions of the product. The full terms and conditions of the product are outlined in the Direct Cover Life Insurance PDS.

This TMD does not consider any customer's personal objectives, financial situation or needs. Customers interested in acquiring this product should carefully review the Direct Cover Life Insurance PDS before deciding whether to buy this product or continue to hold the product.

2. Description of the target market

Likely objectives and needs of customers in the target market

The likely objectives and needs of consumers within the target market for Direct Cover Life Insurance are consumers who:

- Have, or expect to have, outstanding financial commitments that may not be fully satisfied by their estate, or any other insurance or financial protection, in the event of their death or terminal illness diagnosis. Financial commitments include (but are not limited to):
 - supporting dependents such as a spouse or children;
 - outstanding mortgage commitments or other debts;
 - school fees and future education expenses for children;
 - final expenses, medical costs associated with a terminal illness and personal and palliative care costs; or
- Want to leave an inheritance behind, or continue to provide financial support, for their loved ones in the event of their death or terminal illness diagnosis; and
- To access their preferred level of cover, are willing to go through an underwriting process.

Likely financial situation of customers in the target market

Direct Cover Life Insurance has a variable age-stepped premium structure, meaning premiums will generally increase as the life insured ages. As such, the likely financial situation of consumers within the target market for Direct Cover Life Insurance are consumers who have the financial capacity to afford the ongoing policy premium payments on the basis those ongoing premium payments will increase annually.

Consumers are required to make their own assessment of their financial capacity to cover ongoing premium payments in accordance with the variable age-stepped premium structure.

Who is the product suitable for?

For consumers with the above likely objectives, financial situation and needs, the consumers that the product is suitable for, and is not suitable for, are described in further detail below.

Suitable for a person who:

- is an Australian resident (as defined in the PDS); and
- is aged between 18 to 70 years old at the time of application.

Unsuitable for a person who:

- requires a level of cover that exceeds the maximum sum insured available under the policy;
- requires premium stability or certainty (such as a product that provides a level premium structure);
- is unable to fund or afford the policy premiums in accordance with a variable age-stepped premium structure;
- is unable to satisfy the underwriting requirements of the application process, which includes answering health and lifestyle questions; or
- is seeking life insurance cover which is not offered by the Direct Cover Life Insurance product (such as total and permanent disability insurance, trauma insurance or income protection insurance).

3. Product overview

Product description

Direct Cover Life Insurance provides a lump sum payment in the event the life insured:

- dies; or
- is diagnosed with a terminal illness,

in accordance with the terms and conditions outlined in the Direct Cover Life Insurance PDS.

The product does not accumulate a cash value. No premiums or refunds will be payable if the policy is cancelled outside the 30-day cooling-off period.

Key attributes

Key attributes of Direct Cover Life Insurance are:

- Who can purchase – you can only insure your own life under Direct Cover Life Insurance (not the life of another). To be eligible, you must be an Australian resident (as defined in the PDS), aged between 18 and 70 years old at the time of application and satisfy the underwriting requirements of the application process.
- The underwriting process (health and lifestyle questions) may impact the price of the product and whether any special terms and conditions are applied to the cover.
- Benefit amounts – you can choose a benefit amount from \$100,000 up to a maximum of:
 - \$1,500,000 if you are 18 to 45 years old at the time of application;
 - \$1,000,000 if you are 46 to 55 years old at the time of application;
 - \$600,000 if you are 56 to 60 years old at the time of application;
 - \$300,000 if you are 61 to 65 years old at the time of application; or
 - \$200,000 if you are 66 to 70 years old at the time of application.
- The benefit amount is paid as a lump sum to your beneficiary/ies in the event of your death or to you in the event of diagnosis of a terminal illness.
- Automatic increase of benefit amount - the Automatic Benefit Amount Increase feature increases the benefit amount on each policy anniversary by 3% of the most recently chosen benefit amount (i.e. 3% of the benefit amount chosen at policy commencement or chosen when you subsequently requested an increase or decrease to the benefit amount). You can opt-out of this feature.

- Payment of premiums – premiums can be paid fortnightly or monthly by direct debit or payment card (credit or debit).
- Premium structure – Direct Cover Life Insurance has a ‘variable age-stepped premium’ structure meaning premiums will increase each year in line with the life insured’s age and the Automatic Benefit Amount Increase feature, if applicable.
- Expiry age – there is no expiry age. Your policy continues until the earlier of your death, the payment of the benefit amount for a terminal illness claim or cancellation.

Key exclusions and limitations:

- No benefit amount will be payable if you die or are diagnosed with a terminal illness that is caused by an intentional self-inflicted injury or attempted suicide and that self-inflicted injury or attempted suicide occurred before the policy commencement date or within 13 months from either the policy commencement date or the policy reinstatement date (if reinstated more than 3 months after cancellation).
- If you choose to increase your benefit amount, the amount of the increase will not be payable if you die or are diagnosed with a terminal illness caused by an intentional self-inflicted injury or attempted suicide and that self-inflicted injury or attempted suicide occurred within 13 months from the commencement date of the increased benefit amount.
- Any special terms agreed during underwriting and shown on the policy schedule.

Appropriateness of the target market

Direct Cover Life Insurance is likely to be consistent with the likely objectives, financial situation and needs of consumers in the target market because the product provides a lump sum payment on death or terminal illness which can be used by the beneficiary/ies or the insured (as applicable) to meet outstanding financial commitments later in life, such as a mortgage or final expenses, or to leave an inheritance or financial support for loved ones.

4. Distribution requirements

Distribution conditions

Direct Cover Life Insurance is designed to be distributed by Neilson Financial Services Pty Ltd ABN 52 668 314 896 AFSL 552284 (Neilson) through their contact centre only and cannot be purchased directly from us.

This product can only be distributed to customers under general advice. No personal advice is to be provided to a customer at any point in the distribution process. Direct Cover Life Insurance can only be issued to customers who meet the eligibility and underwriting criteria of the application process.

To ensure that distribution of the product is directed towards customers in the target market, Neilson can only offer Direct Cover Life Insurance if they do the following:

- Neilson obtain necessary customer information to determine that the customer meets key eligibility and suitability criteria;
- Neilson meets its regulatory obligations to make available to customers a copy of the PDS and any other relevant information for them to review so that they can make an informed decision about the product; and
- Neilson operates the call centre in accordance with policies, processes and procedures designed to ensure appropriate distribution of the product. This includes the requirement for Neilson to have in place call scripts, training, monitoring and quality assurance processes.

By implementing the distribution conditions outlined above, it is likely that Direct Cover Life Insurance will only be distributed to consumers who are in the target market because:

- Neilson and its representatives have knowledge of the policy terms and conditions;
- The sales process is designed to identify consumers outside the target market and prevent the product being sold to those consumers; and
- Neilson and its representatives are trained and monitored in respect of that sales process.

5. Review triggers

We will review this TMD if any of the following events or circumstances occur:

1. The commencement of a significant change in law, applicable industry code, decision/direction of a court or other regulatory body (including through regulatory guidance), that materially affects the product design or distribution of the product or a class of products that includes this product.
2. Product performance/value metrics, including:
 - claim ratios;
 - the number of paid, denied and withdrawn claims;
 - sales volume; and
 - policy cancellation and lapse levels,indicate that the product is not providing value or reasonably suggests that the TMD is no longer appropriate.
3. Significant number of complaints regarding product design, product availability, claims and distribution conditions, including Australian Financial Complaints Authority (AFCA) determinations, that would reasonably suggest that the TMD is no longer appropriate.
4. There is a significant dealing in the product outside the target market.
5. Material changes to the design or distribution of the product, such as revisions in product eligibility criteria.

6. Reporting

Neilson will provide us with the following information to enable us to effectively identify if a review trigger has occurred:

- Monthly reports on the number of complaints received in the preceding month and the nature of those complaints.
- If Neilson becomes aware of a significant dealing in the product, they must report that to us within 10 business days.

We also prepare our own quarterly reports examining data relevant to the review triggers described above. The information addressed in these reports includes:

- Information regarding the number and type of complaints we receive directly; and
- Key product performance/value metrics, including sales volumes, loss ratios, lapse and cancellation rates and claims acceptance rates.

7. Review period

Subject to intervening review triggers and any further regulatory guidance, we will review this TMD as follows:

First review: Within at least 12 months from the issue date of this TMD.

Subsequent reviews: At least annually after the first review.