



# METHODOLOGY

## DIRECT LIFE INSURANCE STAR RATINGS

### What are the CANSTAR *Direct Life Insurance Star Ratings*?

CANSTAR *Direct Life Insurance Star Ratings* use a sophisticated and unique ratings methodology that compares both cost and features across direct life insurance products. CANSTAR star ratings represent a shortlist of products, enabling consumers to narrow their search to products that have been assessed and ranked. CANSTAR *Direct Life Insurance Star Ratings* is a transparent analysis comparing all types of direct life insurance products.

Ratings range from five to one star. Five-star rated products have been assessed as offering outstanding value to consumers.

### Awards to insurers

CANSTAR names the insurer or insurers who offer outstanding value based on their star ratings performance across the entire 20 direct life insurance profiles.



### Profile descriptions

The 20 overall profiles are determined by three categories – age group, gender and smoking status. The star ratings across all profiles help to arrive at the national award.

The categories are:

#### Age group

- Twenties: 20-29 years
- Thirties: 30-39 years
- Forties: 40-49 years
- Early Fifties: 50-54 years
- Late Fifties: 55-59 years

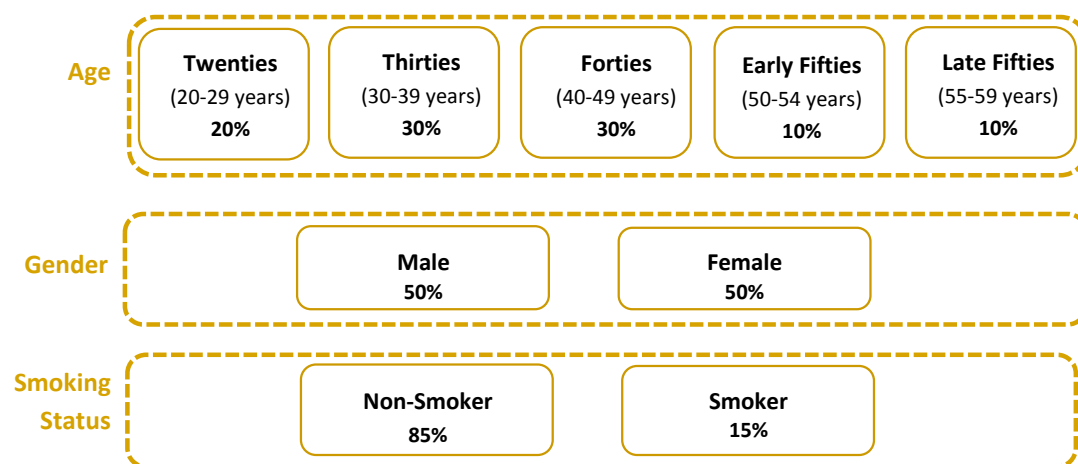
#### Gender

- Male
- Female

#### Smoking status

- Smoker
- Non-smoker (where a *non-smoker is defined as a person who has not smoked for at least the last 12 months*)

The weightings of each input within the three categories are shown below, and represent the relative importance of each input in determining the outstanding direct life insurance products.



## Eligibility requirements for Direct Life Star Ratings

In order to be considered for the rating, a product must meet the following requirements:

- Has been available in the market for at least 12 months
- Available directly to the consumer with no planner involvement
- Not restricted solely to members of a specific organisation
- Cover is for sickness and accident (i.e. it is not accident-only cover)
- A quote must be available without the need for a medical
- A quote must be available for all three coverage amounts considered for comparison purposes
- Quoting must be possible either online, from rates in the Product Disclosure Statement or via information the provider supplies to us directly.

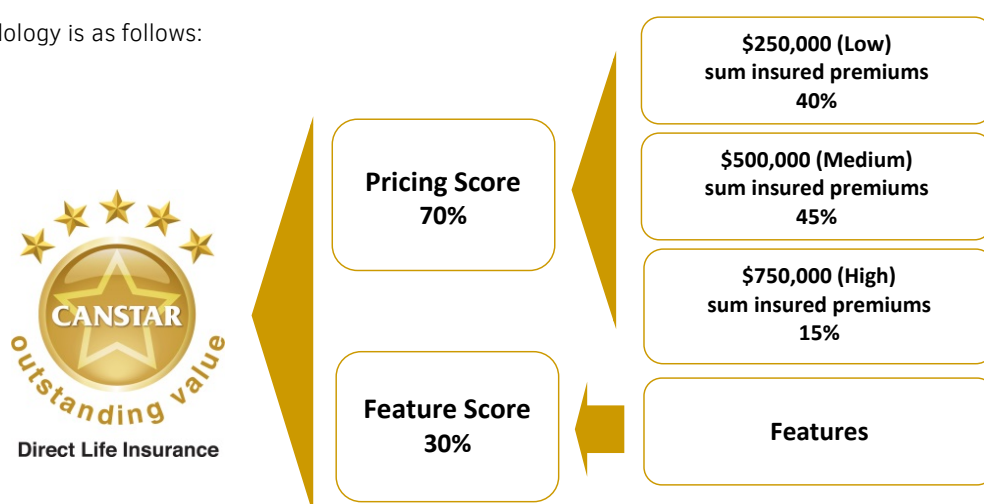
## CANSTAR Star Ratings

Each direct life insurance product reviewed for the *CANSTAR Direct Life Star Ratings* is awarded points for its comparative pricing and for the array of positive features attached to the product. Points are aggregated to achieve a 'Pricing' score and a 'Feature' score.

To arrive at the total score, CANSTAR applies a weight (w) against the Pricing and Feature scores. The weights for each profile are 70% for pricing and 30% for features, reflecting the relative importance of costs and features in determining the outstanding direct life insurance products. This method can be summarised as:

$$\text{TOTAL STAR RATINGS SCORE (T)} = w_1 \text{PRICING SCORE (P)} + w_2 \text{FEATURES SCORE (F)}$$

The methodology is as follows:



## Pricing score

The pricing score is calculated by collecting the premium data for all the 20 profiles, with quotes based on three levels of cover, \$250,000, \$500,000 and \$750,000, considered a low, medium and high sum insured amount, respectively. All ages within a profile are considered. The lowest priced product within each profile is allocated the maximum pricing score, with all remaining products scored against it. Each coverage level is equally weighted.

## Feature score

The feature score is calculated by dividing the features into four categories, with each category carrying a point allocation and weighting. The product with the highest features score is allocated the maximum score, with all remaining products within the profile scored against it. The features categories and subcategories are:

Category	Weight	Examples
<b>Policy Terms</b>	<b>15%</b>	
<i>Eligibility</i>	<i>20%</i>	Entry and expiry age
<i>Premiums</i>	<i>40%</i>	Minimum, stepped/level, frequency
<i>Sums Insured</i>	<i>40%</i>	Restricted by amounts/age, discount
<b>Standard Company Terms</b>	<b>40%</b>	
<i>Exclusions</i>	<i>50%</i>	Suicide, self-inflicted
<i>Indexation</i>	<i>5%</i>	Indexation of sum insured, % cap
<i>Pre-Existing Conditions (PECS)</i>	<i>30%</i>	PECS excluded, period of exclusion
<i>Other Company Terms</i>	<i>15%</i>	Guaranteed renewable
<b>Policy Benefits &amp; Options</b>	<b>20%</b>	
<i>Financial Advice</i>	<i>10%</i>	Advice available and amount paid
<i>Funeral Benefit</i>	<i>30%</i>	Advancement provided, maximum
<i>Guaranteed Future Insurability</i>	<i>10%</i>	Max age, defined events, annual limit
<i>Terminal Illness</i>	<i>30%</i>	Terminal illness benefit, max age
<i>Riders</i>	<i>10%</i>	TPD/Trauma rider available
<i>Other Benefits &amp; Options</i>	<i>10%</i>	Counselling, child cover
<b>Application &amp; Claims Process</b>	<b>25%</b>	
<i>Application Process</i>	<i>40%</i>	Online application, phone support
<i>Claims Process</i>	<i>30%</i>	Standard time to process claim
<i>Interim Cover</i>	<i>10%</i>	Max amount, period, immediate decision
<i>Support</i>	<i>20%</i>	Phone support

## How many products and insurers are analysed?

In order to calculate the ratings, CANSTAR analysed 31 direct life insurance policies from 27 insurers in Australia.

## Does CANSTAR rate all products available in the market?

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

## How often are CANSTAR *Direct Life Insurance Star Ratings* re-rated?

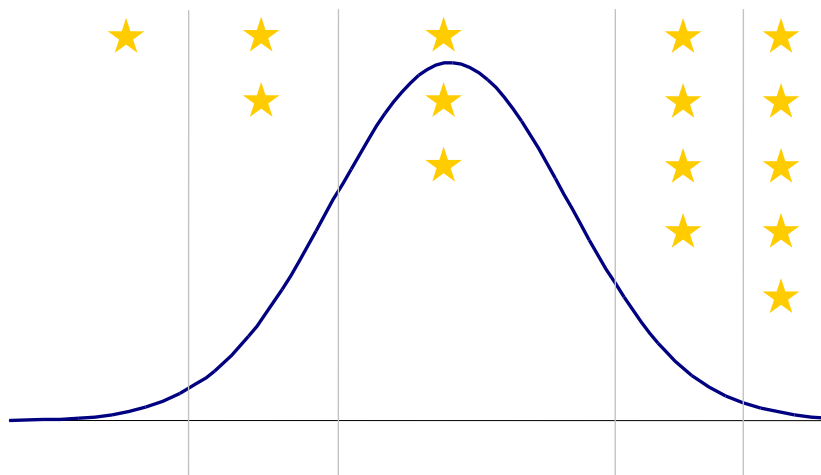
All ratings are fully recalculated every 12 months based on the latest pricing and features offered by each insurer.

## How are the stars awarded?

CANSTAR ranks direct life insurance based on value-for-money measures and then awards a star rating according to rank. The number of products awarded each of the one- to five-star ratings within each profile will ultimately depend on the dispersion of final scores.

Scores are awarded to each product on the basis of price (premiums) and features (benefits and options). The methodology is revised and parameters are updated on a regular basis to make sure that the products are analysed using the most up-to-date information capturing all industry developments.

The objective is to award the top 5-10% of products with the CANSTAR five-star rating.



## Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR website at [www.canstar.com.au](http://www.canstar.com.au) if you would like to view the latest star ratings reports of interest.



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|---------------------------|-------------------------|------------------------|
| • Account based pensions  | • Agribusiness          | • Business banking     |
| • Business life insurance | • Car insurance         | • Credit cards         |
| • Deposit accounts        | • Direct life insurance | • First home buyer     |
| • Health insurance        | • Home & contents       | • Home loans           |
| • Landlord insurance      | • Life insurance        | • Managed investments  |
| • Margin lending          | • Online banking        | • Online share trading |
| • Package banking         | • Personal loans        | • Pet insurance        |
| • Reward programs         | • Superannuation        | • Term deposits        |
| • Travel insurance        | • Travel money cards    | • Youth banking        |

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