Direct Income Protection

What are the CANSTAR Direct Income Protection Star Ratings?

CANSTAR *Direct Income Protection Star Ratings* use a unique ratings methodology that compares both cost and features across direct income protection 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 Income Protection Star Ratings* are a transparent analysis comparing all products considered eligible for the star rating. Ratings range from five to one star. Five-star rated products have been assessed as offering outstanding value to consumers.
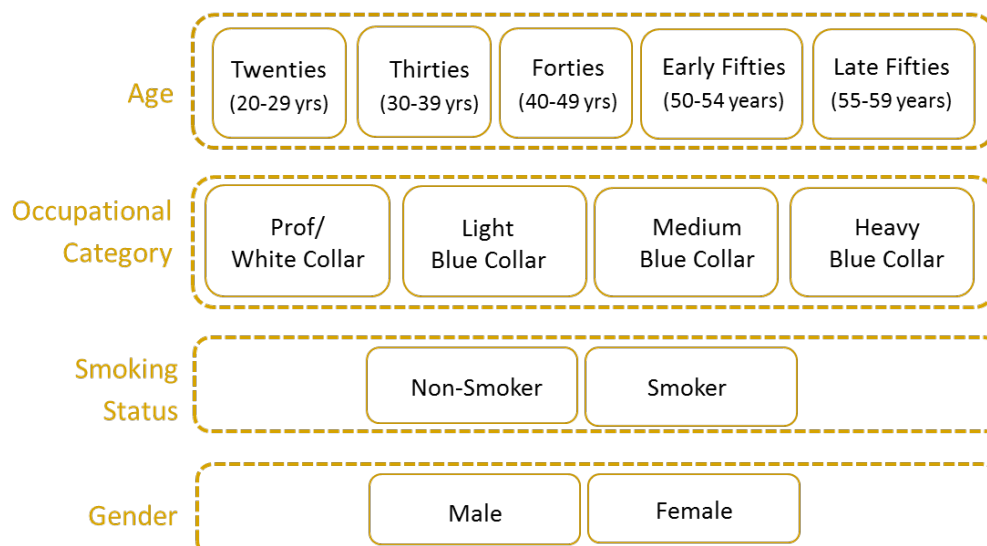
Eligibility requirements for the Direct Income Protection Star Ratings

A product must meet the following requirements to be considered for rating:

- Cover is for sickness and accident (i.e. it is not accident-only cover)
- It must have been available in the market for 12 months or longer
- It is not restricted solely to members of a specific organisation
- It must be available directly to the consumer without an intermediary (e.g. a financial planner)
- For comparison purposes it must have available a 28 or 30 day waiting period and a 2 year benefit period
- Quotes must be available:
  - directly from the provider, online, or from rates in the Product Disclosure Statement
  - at all coverage amounts we consider
  - without the need for a medical.

Profile descriptions

Products are assessed and rated in 80 different consumer profiles considering smokers and non-smokers, males and females, five age categories, and four occupational categories as shown below:

Age	Twenties (20-29 yrs)	Thirties (30-39 yrs)	Forties (40-49 yrs)	Early Fifties (50-54 years)	Late Fifties (55-59 years)

Occupational Category	Prof/ White Collar	Light Blue Collar	Medium Blue Collar	Heavy Blue Collar

Smoking Status	Non-Smoker	Smoker

Gender	Male	Female

How are the Star Ratings calculated?

Each direct income protection insurance product reviewed for the CANSTAR Direct Income Protection 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 'Features' score.

To arrive at the total score, CANSTAR applies a weight (w) against the Pricing and Features scores. The weights for each profile are 60% for pricing and 40% for features, reflecting the relative importance of either costs or features in determining the outstanding direct income protection 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 summarised as follows:
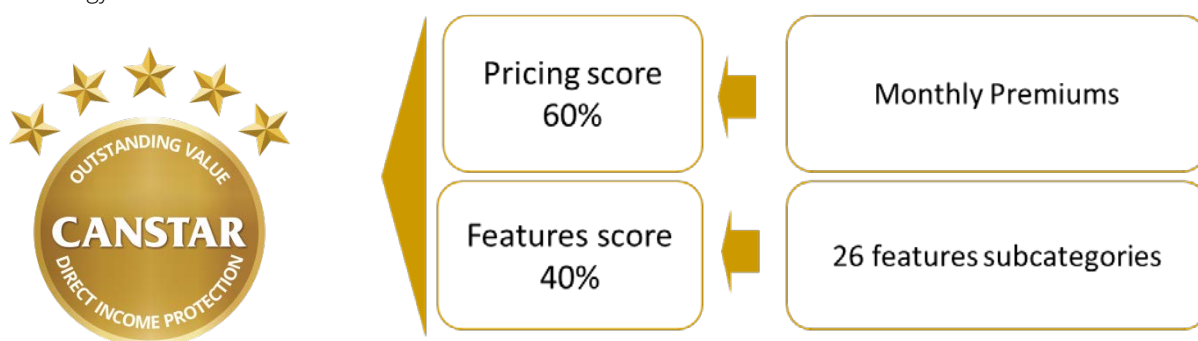
Pricing score

The pricing score is calculated by collecting monthly premiums for each of the 80 profiles. Monthly premiums are based on a 28 or 30 day waiting period, a 2 year benefit period and two levels of monthly cover. The annual income and monthly cover or sum insured amounts considered are shown below, with their respective weights:

Annual Income	Monthly Cover	Weight
$50,000	$3,125	50%
$100,000	$6,250	50%

Quotes are obtained for the midpoint age of each half of the age decades considered (e.g. for the twenties age profile a quote would be obtained for age 22 and 27). As the fifties are divided into early and late fifties, note only one age is considered for each of these age groups, i.e. 52 for Early Fifties (50-54 years) and 57 for Late Fifties (55-59 years).

Within the four occupational categories, four occupations are quoted as shown below:

Occupational Category	Occupations Quoted
Professional/ White Collar	1. Clerk (general) 2. Retail manager 3. Receptionist 4. Accountant (degree/CPA qualified)
Light Blue Collar	1. Sales Assistant 2. Store Person (office only, not qualified) 3. Sales Representative (Advertising) 4. Chef
Medium Blue Collar	1. Registered Nurse 2. Secondary School Teacher (PE/Trade) 3. Checkout Operator 4. Electrician
Heavy Blue Collar	1. Truck Driver (local, <200km, no overnights) 2. Commercial Cleaner 3. Waiter 4. Car Mechanic

The average premium for each product is calculated for each profile. The lowest priced product within each profile is allocated the maximum pricing score, with all remaining products scored against it.
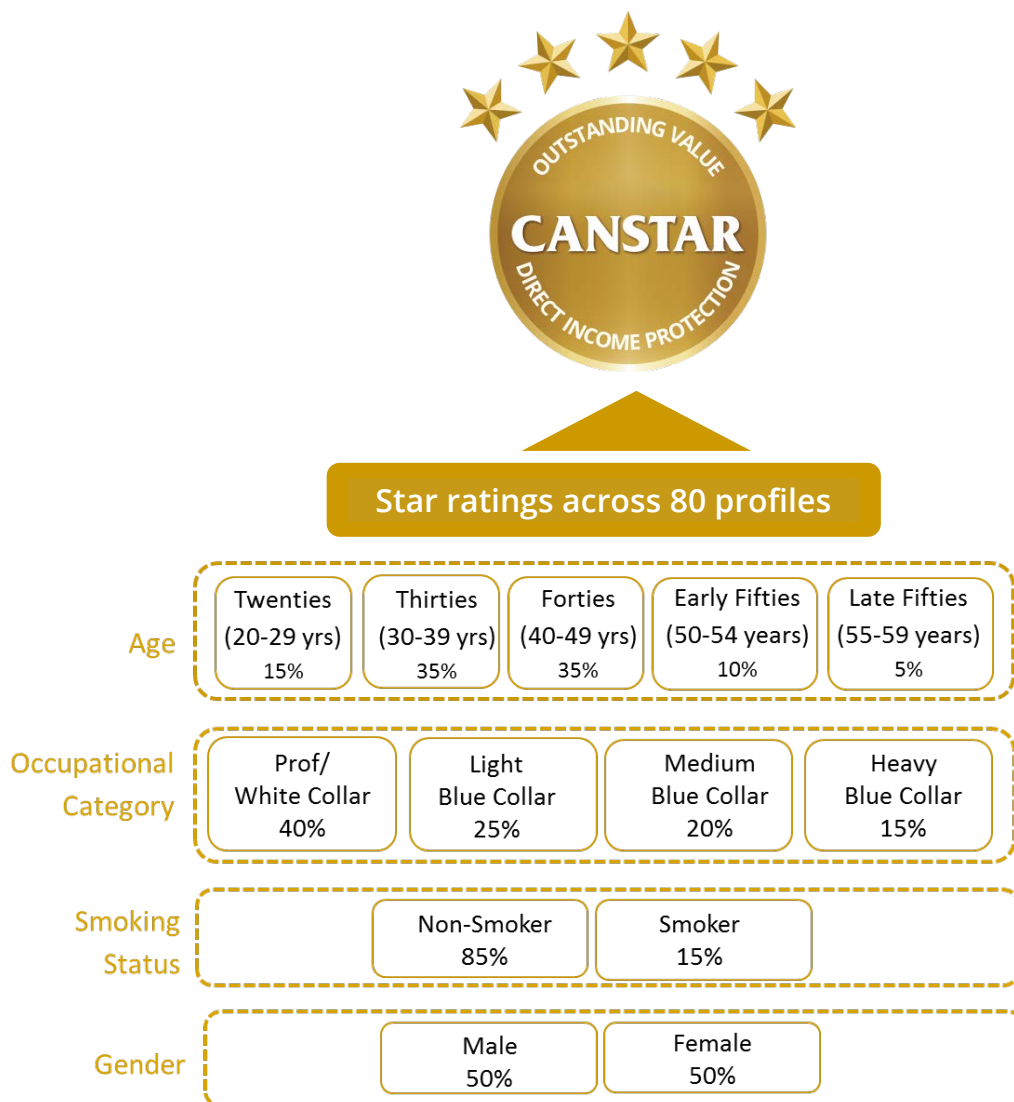
Features score

The features score is calculated by scoring a number of features, categorised into five different categories and 26 subcategories, with each category and subcategory carrying a specified weighting, shown below.

Category/Subcategory	Weight
Claim Payment Terms	**30%**
Benefit Offsets	20%
Claim Payment	20%
Occupation Definition	20%
Pre-Disability Income	20%
Return to work in Waiting Period	20%
Policy Benefits and Options	**30%**
Disability Definitions – Partial	30%
Disability Definitions – Total	30%
Recurrent Disability	10%
Specified Injury	10%
Specified Illness (i.e. Trauma)	5%
Unemployment	5%
Waiver of Premium	5%
Other Policy Benefits and Options	5%
Policy Terms	**20%**
Benefit Periods/Indexation	25%
Waiting Periods	25%
Eligibility	25%
Sum Insured	15%
Benefit Type	5%
Premium	5%
Standard Company Terms	**10%**
Other Exclusions	50%
Pre-Existing Conditions	30%
Other Company Terms	20%
Application & Claims Process	**10%**
Application Process	40%
Claims Process	30%
Support	20%
Interim Cover	10%

Outstanding Value Award to insurers

CANSTAR names the insurer or insurers who offer outstanding value based on their star ratings performance across all 80 direct income protection profiles. The weight placed on each profile is determined by the weight assigned to each component. The weight assigned to each component is shown below:

Age	Twenties (20-29 yrs) 15%	Thirties (30-39 yrs) 35%	Forties (40-49 yrs) 35%	Early Fifties (50-54 years) 10%	Late Fifties (55-59 years) 5%
Occupational Category	Prof/ White Collar 40%	Light Blue Collar 25%	Medium Blue Collar 20%	Heavy Blue Collar 15%	
Smoking Status		Non-Smoker 85%	Smoker 15%		
Gender		Male 50%	Female 50%		

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 Income Protection Star Ratings re-rated?

Our *Direct Income Protection Star Ratings* are recalculated every 12 months based on the latest pricing and features offered by each provider.

How are the stars awarded?

CANSTAR ranks direct income protection 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.
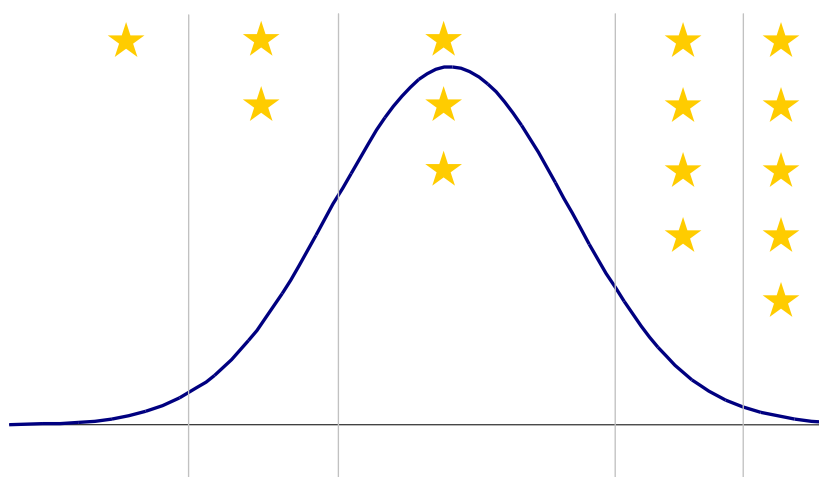
Does CANSTAR rate other product areas?

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 if you would like to view the latest star ratings reports of interest.

- Account-based pensions
- Agribusiness
- Business banking
- Business life insurance
- Car insurance
- Credit cards
- Deposit accounts
- Direct life insurance
- First home buyer
- Health insurance
- Home and contents

- Home loans
- Landlord insurance
- Life insurance
- Managed investments
- Margin lending
- Online banking
- Online share trading
- Package banking
- Personal loans
- Pet insurance
- Rewards programs

- Superannuation
- Term deposits
- Travel insurance
- Travel money cards
- Youth banking

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