

Direct Income Protection

CANSTAR Star Ratings Methodology

2017



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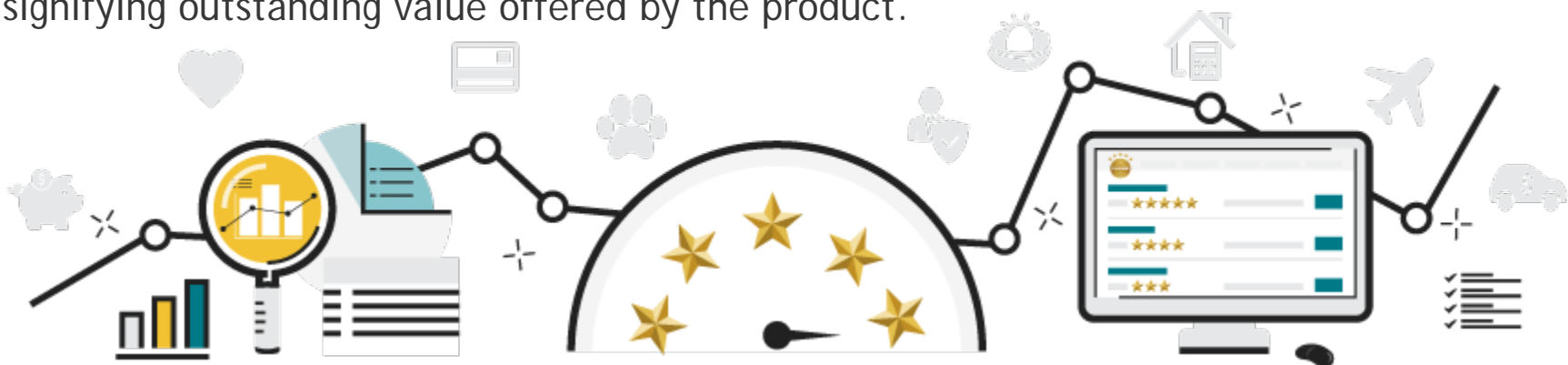


What are the CANSTAR Direct Income Protection Star Ratings?

CANSTAR rates financial products to find value

CANSTAR's Direct Income Protection Star Ratings involve a sophisticated rating methodology, unique to CANSTAR, that compares policies offered to Australian's. CANSTAR's star ratings provide a transparent analysis of a shortlist of income protection products, enabling consumers to narrow their search to products that have been reviewed, assessed and ranked.

The results are reflected in a consumer-friendly five-star concept, with five stars signifying outstanding value offered by the product.



What types of products are considered?

Product eligibility

For policies to be eligible for the Direct Income Protection star ratings, they must meet certain basic feature requirements in order to be included in the ratings. The requirements are:

- Cover is for sickness and accident (i.e. it is not accident-only cover)
- The policy must have been available in the market for 12 months or longer
- The policy is not restricted solely to members of a specific organisation
- The policy must be available directly to the consumer without an intermediary (e.g. a financial planner)
- For comparison purposes, the policy 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.

Direct Income Protection Methodology

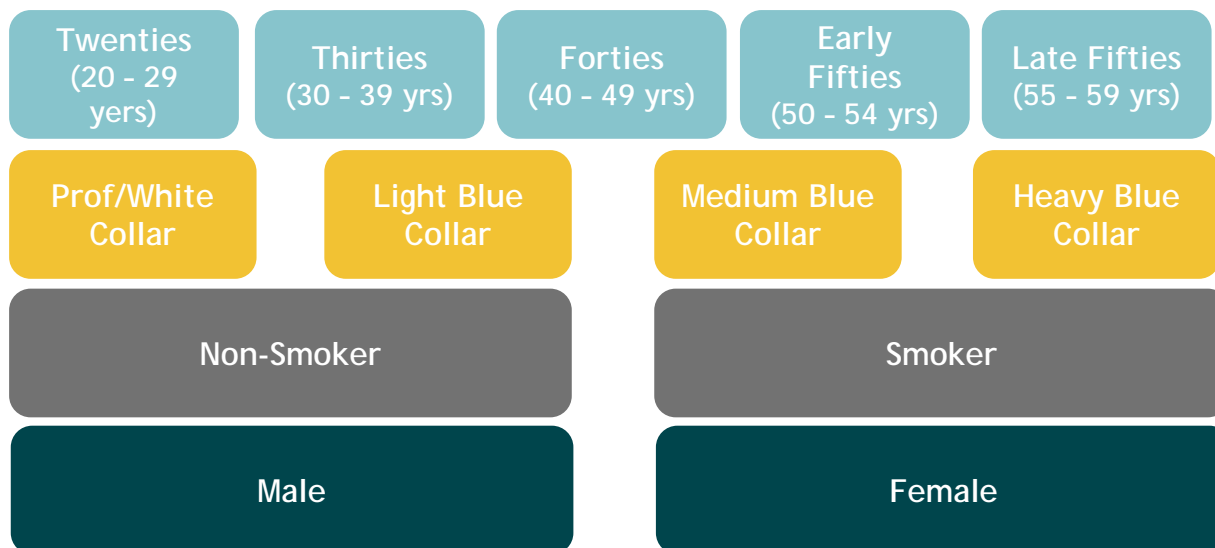
To arrive at the total score, CANSTAR applies a weight against the Price and Features scores. This weight will vary from profile to profile and will reflect the relative importance of costs and features in determining the policy which represents the best value. This method can be summarised as: **Total Score = Price Score + Features Score**



How does CANSTAR cater for the different and changing needs of consumers?

Consumer Profiles

CANSTAR understands the different needs and wants consumers require from their insurance policy. To cater for this, CANSTAR identifies consumer profiles to help Australian's find the best value direct income protection product relevant to them. CANSTAR's profiles consider age, occupation, smoker status and gender. An example of a consumer profile may be a Twenty year old male, who works in a light blue collar job and doesn't smoke. The combination of these means policies are rated across 80 profiles



How does CANSTAR calculate the Price Score?

Price 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). CANSTAR quotes for four specific occupations within each occupation profile

How does CANSTAR calculate the Features Score?

Feature Score

Direct income protection policy features are split into different categories that are again broken down and allocated appropriate weights. CANSTAR considers five main feature categories and 27 sub-categories.

Category	Weight
Claim Payment Terms	30%
Standard Company Terms	10%
Policy Benefits and Options	30%
Application & Claims Process	10%
Policy Terms	20%

The table highlighting relative weights is detailed on the following slide.

Feature Score weightings

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

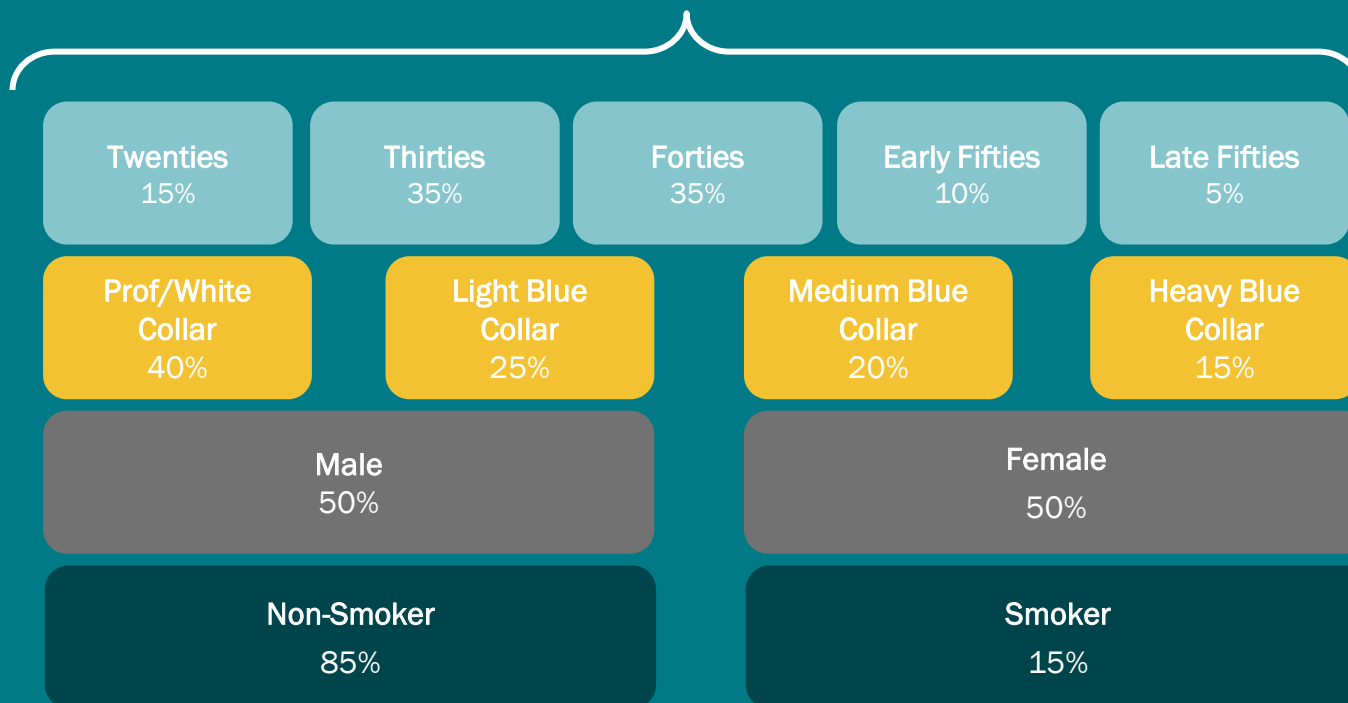
Outstanding Value Direct Income Protection Awards

In conjunction with the Direct Income Protection Star Ratings, CANSTAR recognises institutions who offer Outstanding Value to Australians. CANSTAR considers an insurers 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 on the following slide.



Award Methodology



Additional information

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 all the products reviewed for ratings purposes?

All ratings are recalculated annually based on the latest features offered by each provider. CANSTAR also monitors changes on an ongoing basis. The results are published in a variety of mediums (newspapers, magazine, television, websites, etc.).

How are stars awarded?

The products are ranked with each category based on the total score received. The stars are then awarded based on the distribution of the scores with the objective to award the top 5-10% of products with the CANSTAR five-star rating. The results are reflected in a consumer-friendly CANSTAR star rating concept, with five stars denoting outstanding value.

What other product areas does CANSTAR rate?



CANSTAR researches and rates over 16,000 products across 40 different categories including banking, insurance and wealth. We then display our expert value based Star Ratings in our comparison tables so that you can easily compare and find the right product for you. For more information regarding CANSTAR's ratings as well as news and updates from the market, visit www.canstar.com.au

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