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SECTION 2

HOW WE ASSESS INJURY AND ILLNESS CLAIMS

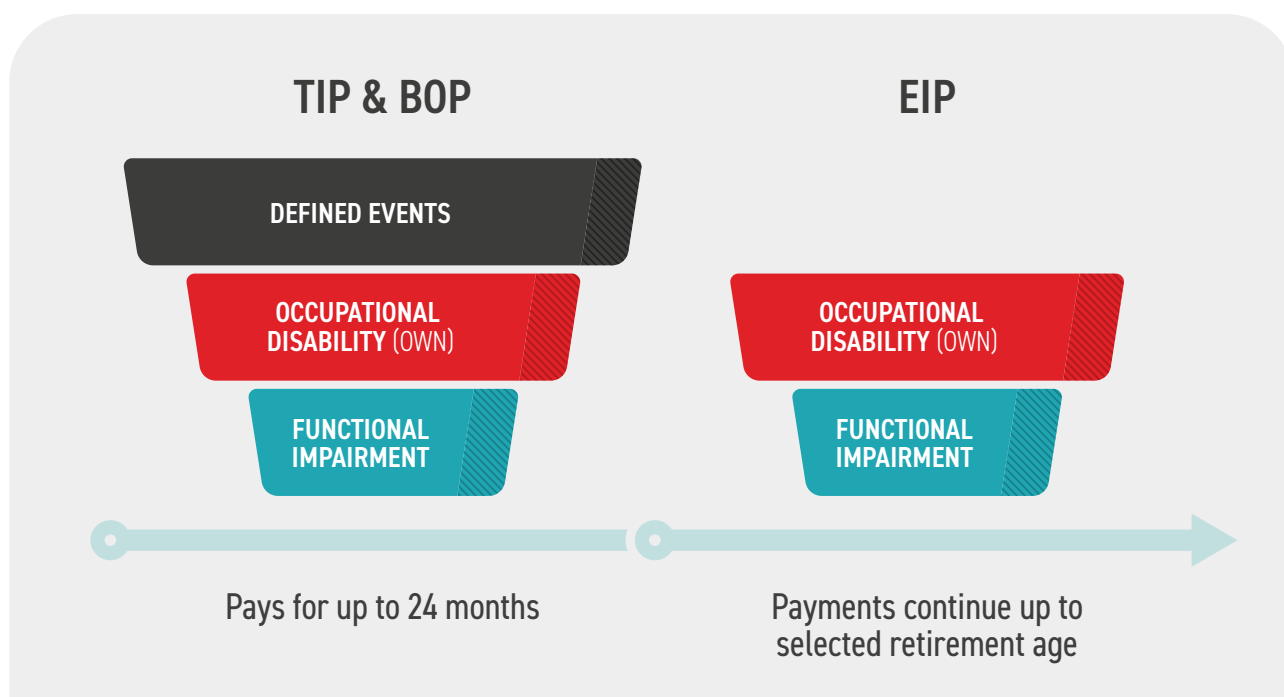
2019 Claims Report

HOW WE ASSESS INJURY AND ILLNESS CLAIMS

A successful claims experience is so much more than just getting your claim paid. It's also important that the process is quick, easy, empathetic and exceeds your expectations. Our extensive experience in assessing income protection claims has enabled us to improve our claims assessment criteria to ensure our clients qualify for a claim as often as possible.

FMI INDIVIDUAL – COMPREHENSIVE COVER

Your claim can be assessed on the following criteria:



1

DEFINED EVENTS

We developed a list of 200 defined injuries and illnesses, based on the most common claims we've paid. You'll receive 100% of your insured income for a specified period, even if you can still work!

2

OCCUPATIONAL DISABILITY

Your claim payout is based on your inability to perform the duties of your own occupation as a result of an injury or illness. Payments on the lump sum benefits require you to be permanently unable to do your job, whereas this is not a requirement on our income benefits.

3

FUNCTIONAL IMPAIRMENT

You will receive a percentage of your income or lump sum cover, based on the severity of a list of permanent functional impairments or the inability to ever perform certain daily activities.

Where the injury or illness triggers a payment on more than one criterion, we will pay you on the criterion that gives you the highest payout.

Once you have reached the end of your Temporary Income Protector benefit term and you are still unable to work due to injury or illness or are permanently functionally impaired, your claim will be assessed on the Extended Income Protector.

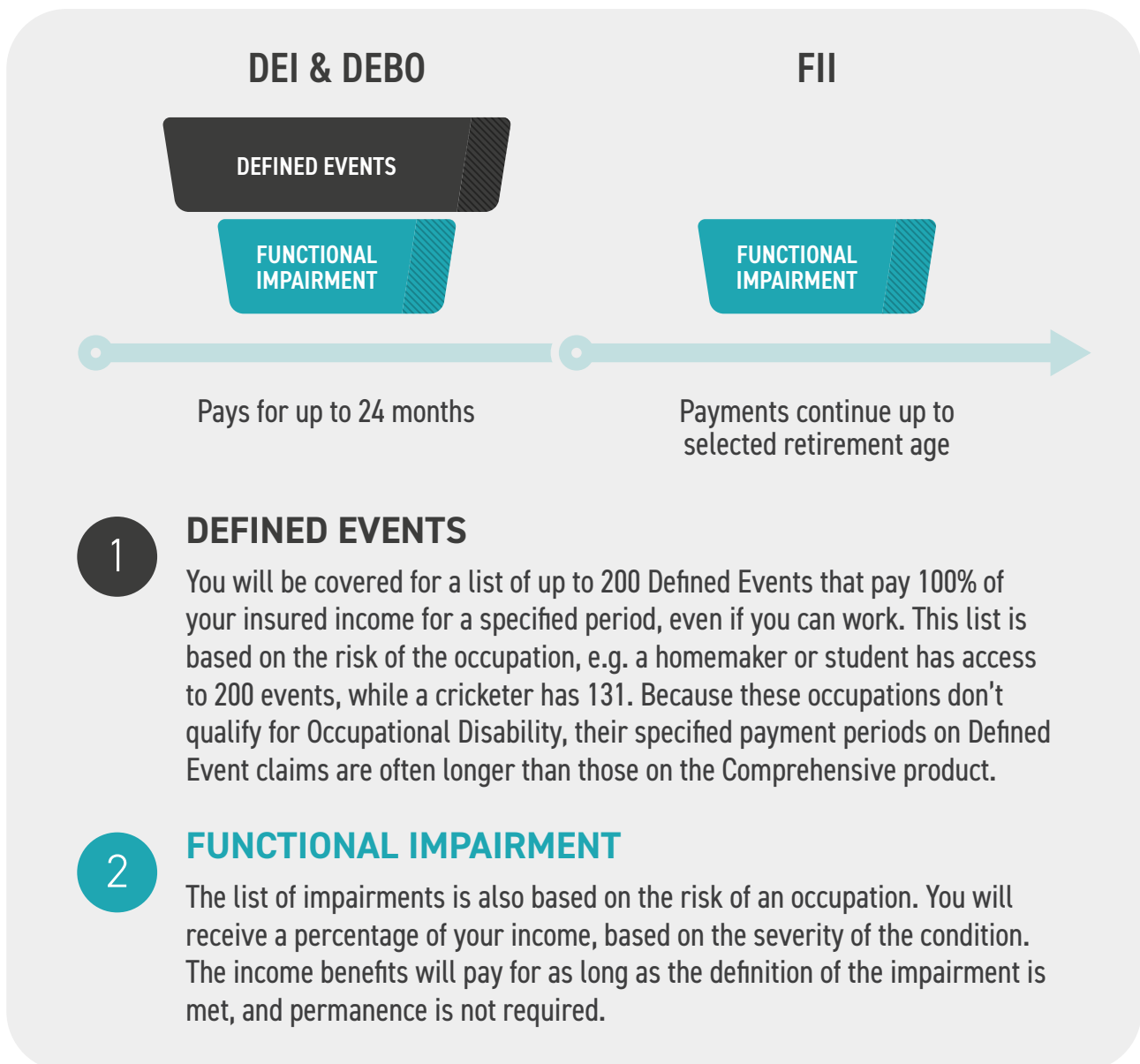
CI INCOME

By adding the CI Income benefit to your Temporary Income Protector, it allows a critical illness claim to be assessed against an increased list of critical illness events instead of Defined Events and will pay 130% of the income sum insured for up to 12 months (depending on the benefit term and waiting period selected). If you're still unable to work due to a critical illness after the CI Income benefit term, your claim will then be assessed on the Occupational Disability claims criterion.

FMI INDIVIDUAL - EVENT BASED COVER

With the introduction of Event Based cover, we're able to insure more occupations than ever before, and are making great strides in widening this circle even more. How it works is simple – we're able to provide you with claim certainty through cover for a specific list of claim events and payments for a specified period, giving you peace of mind knowing upfront what claim events are included and what's excluded, because of the risk of your occupation.

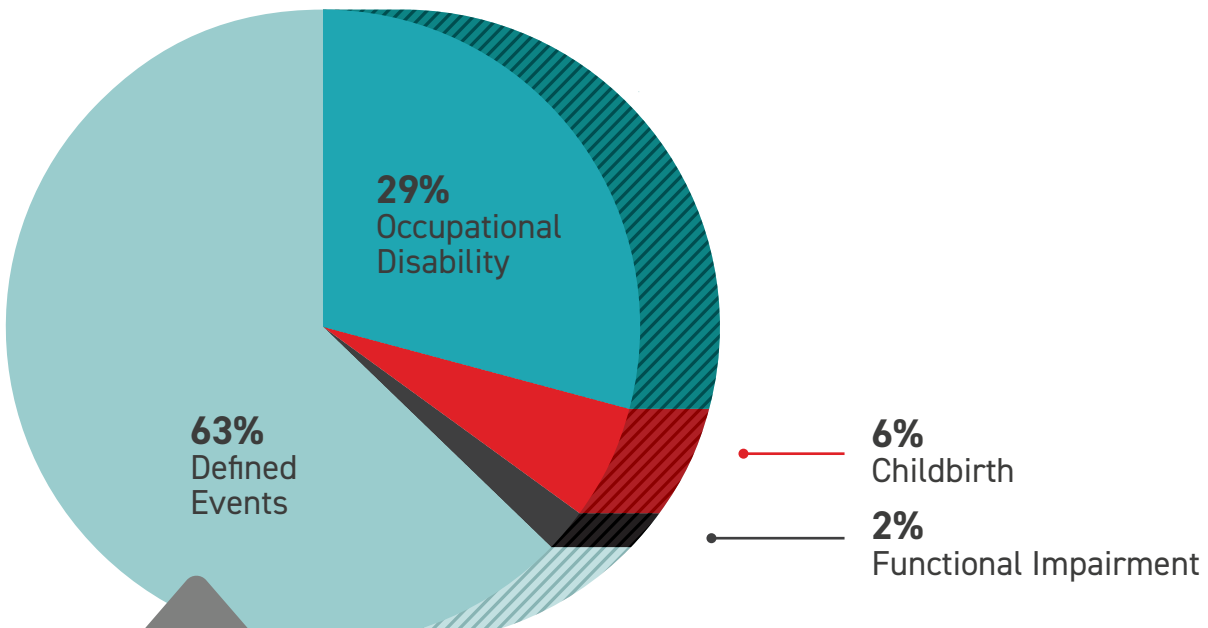
Your claim can be assessed on the following criteria:



CI INCOME

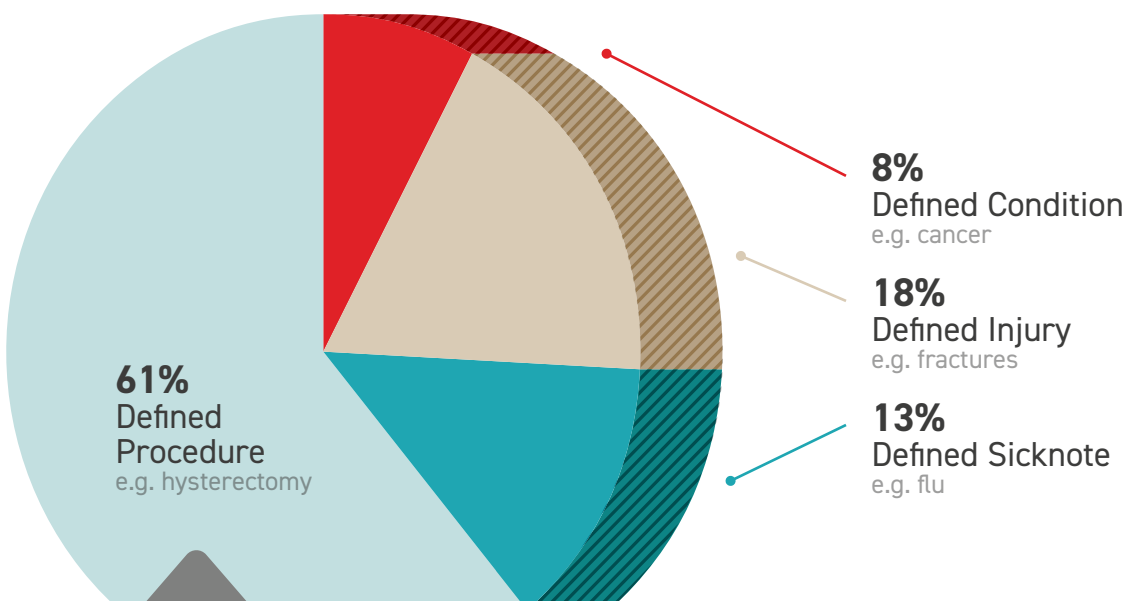
By adding the CI Income benefit to your Defined Event Income benefit, it allows a critical illness claim to be assessed against an increased list of critical illness events instead of Defined Events and we will pay 130% of the income sum insured for 12 months.

INITIAL CLAIMS ASSESSMENT CRITERIA



The majority of claims started as Defined Event claims. However, of these, most claims extended into the Occupational criterion (on the Comprehensive cover version) after paying for the specified payment period.

BREAKDOWN OF DEFINED EVENT CLAIMS INTO CATEGORIES



With procedures attributing to **61%** of all Defined Event claims, it's essential that you're not only covered for injuries or serious illnesses.

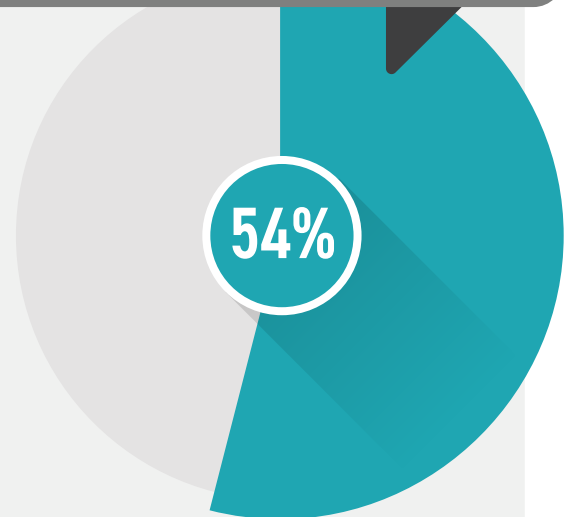
HOW RELATED INCOME PROTECTION CLAIMS ARE ASSESSED

In some cases, the period you are paid for under a single claim is not one uninterrupted period. This happens when all the periods of disability are deemed to be related (i.e. they were all as a result of a single, underlying cause). Where periods of disability are related, these separate periods of disability are added together, and the waiting period is only applied once.

Not all insurers define related claims in the same way. We define related claims as generously as possible to reduce the likelihood of you having to wait out the waiting period more than once.

- We will deem two periods of injury or illness as related if they are as a result of the same underlying cause and they are separated by less than 24 months. Some insurers will only consider these related if they are separated by less than 3 months, which can result in some periods of disability being deemed unrelated.
- We will also deem two periods of injury or illness as related if they affect the same area of the body and they are separated by less than 90 days. This is an additional option to help ensure that separate claim periods can be treated as related.

54% of the claims that were for separate, related periods of disability had a gap of more than 3 months.



HOW PARTIAL OCCUPATIONAL DISABILITY CLAIMS ARE ASSESSED

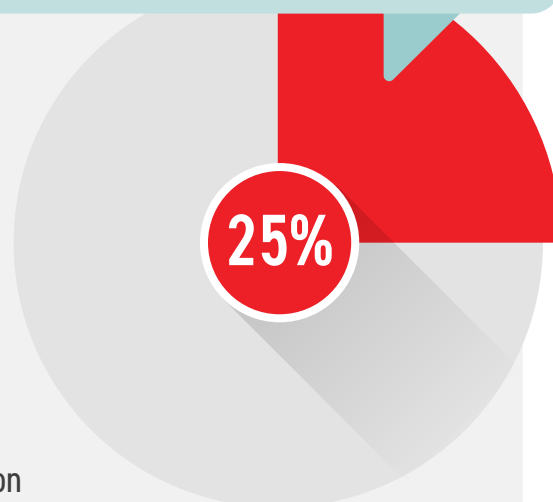
Income protection claims can also pay a benefit when you are partially unable to do your job. In these cases, a partial benefit is paid. This happens more often than you might expect and in the market these types

of claims are often assessed on proof of loss of income. This can be difficult to prove, because the impact on your earnings may not always coincide with the period that you're unable to work.

When considering partial claims, it is important to understand the following points:

- We do not require proof of loss of income for income protection claims. Our claims are based on the percentage of your occupational duties that you're unable to perform as a result of an injury or illness. This means that if you're unable to do more than 75% of your occupational duties, you will be paid 100% of your cover amount. However, if you are unable to do between 25% and 75% of your occupational duties, this will result in a partial payment. For insurers who do require proof of loss of income, your payout would be reduced if you still receive an income during the period of injury or illness. Consider that an adviser or sales representative may receive commission months after concluding the work, and could result in the claim payout being reduced with other insurers.
- We realise that every client's circumstances are unique and there may be times when you're partially unable to work, but your loss of income may be greater than the proportion of your occupation that you're unable to perform. That's why we allow you the option to have your claim assessed on a percentage disabled approach or a loss of income approach. Consider a self-employed building contractor, who can do admin work, but he is unable to do the manual duties as a result of an injury. His entire income is derived from the manual work that he normally does and therefore a claim on a loss of income basis is likely to result in a higher payout.

25% of the income protection claims we paid were paid partially at some point during the claim.



% OF DUTIES UNABLE TO PERFORM

What portion of your job are you unable to perform?

VS

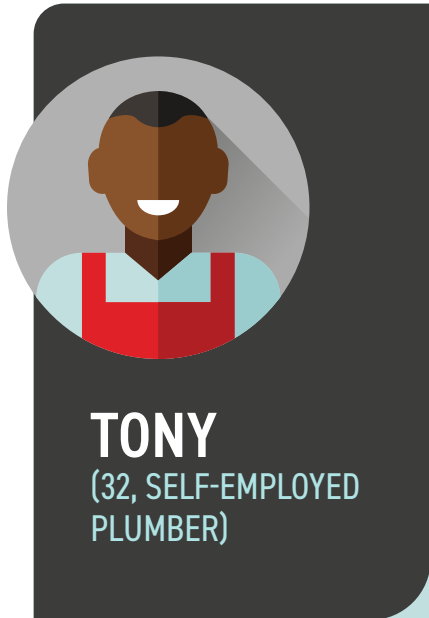
LOSS OF INCOME

How much income have you lost?

Your choice = highest possible payout

REAL CLAIMS IN ACTION

The following claim example illustrates the importance having temporary and long-term income protection (which does not require permanence).



CLAIM EVENT:
Fractured leg

INCOME BENEFITS CLAIMED ON:
Temporary Income Protector (7-day waiting period)
and Extended Income Protector

CLAIM:
This is an ongoing claim. To date, Tony has been paid for more than 800 days over multiple periods where he wasn't able to do his job – either in a full or a partial capacity.

WHICH BENEFITS WOULD RESULT IN A CLAIM?

	INJURY & ILLNESS COVER	LIFE COVER
INCOME BENEFITS	✓	✗
LUMP SUM BENEFITS	✗	✗

FAST-TRACKED DEFINED EVENTS CLAIMS

Income protection benefits are there to replace lost income, so speed to payment is an important factor. In the industry, a claim paid out 3 months after it is lodged is still counted as a successfully paid claim, but it probably didn't meet the immediate needs of the claimant, or their expectations.

Occupational Disability requires the medical practitioner to provide a medical report, which often causes delays as we have no control over how fast we receive this information. Our Defined Events claim criterion pays the first 60 days of the specified claim period on acceptance of the claim, without the need for a doctor's report. This means that we're able to process many of these claims much faster*.

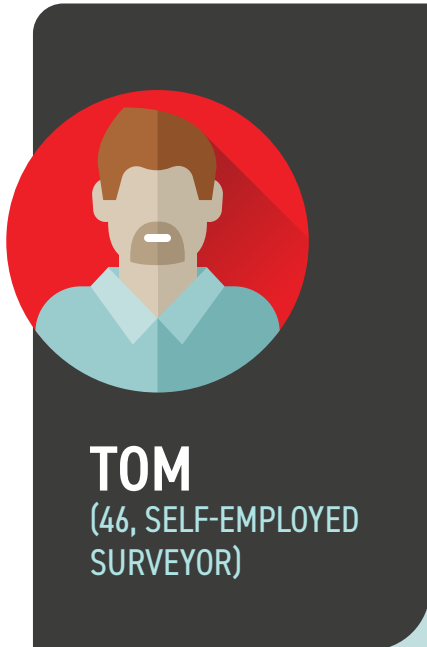
The average time from a claim first being lodged on a 7-day waiting period to the first payment was **22 days**.

*WE WILL REQUIRE MEDICAL RECORDS SHOULD A CLIENT CLAIM IN THE FIRST 2 YEARS FROM INCEPTION OF POLICY.

(WHILE THIS CRITERION HAS BEEN A STANDARD FEATURE ON NEW FMI POLICIES FOR MANY YEARS, WE DO HAVE A NUMBER OF OLDER POLICIES THAT DO NOT HAVE THIS FEATURE.)

REAL CLAIMS IN ACTION

The following claim example illustrates the speed of payment due to the simplified claim requirements for Defined Events.



CLAIM EVENT:

Fractured ankle

INCOME BENEFITS CLAIMED ON:

Temporary Income Protector (7-day waiting period)
and Business Overhead Protector (7-day waiting period)

CLAIM:

Tom received a payout for 89 days in total. The first 30 days of his claim were paid within 48 hours of receiving his claim form and x-ray.

WHICH BENEFITS WOULD RESULT IN A CLAIM?

	INJURY & ILLNESS COVER		LIFE COVER
INCOME BENEFITS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LUMP SUM BENEFITS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>