

Why the cost of your insurance has changed

Some important things you need to know to stay in control

Like many of Australia's life insurers, we're increasing premium rates across some of our products. We wanted to inform you of the reasons why and help you understand that there may be some things you can do to take control and reduce your premiums while still keeping your cover.

We've therefore created this guide to help you understand:

1.	2.	3.	4.	5.
<i>Why insurance is important and how it works</i>	<i>How the increases are being applied</i>	<i>Why we are increasing premium rates</i>	<i>Why increases vary across different cover types</i>	<i>You are in control and have options</i>

1. Why insurance is important and how it works

It is important to remember why you protected yourself and your family with insurance cover in the first place. It may have been to provide peace of mind for one or several of these reasons if something were to happen to you:

- ✓ help pay the mortgage
- ✓ cover debts
- ✓ pay bills
- ✓ fund your children's education
- ✓ financial help to live independently if you could not earn an income
- ✓ help with out-of-pocket medical costs
- ✓ provide a lump sum to supplement any reduction in your income.

There when you need us at the critical point of claim

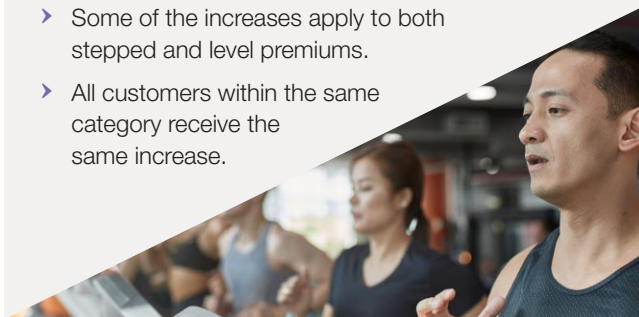
Your premium payments are pooled together with the premiums of all other customers. If anybody makes an eligible claim, then the pool must have the funds to pay.

In 2020 alone we needed around \$1.1 billion from the pool to pay claims, that's around
\$3.1 million every day.

Naturally, everyone hopes they never need to make an insurance claim. But we want all our customers to have the peace of mind of knowing that the funds are there to support them and their family should the worst happen.

2. How the increases are being applied

- ▶ We're increasing underlying premium rates in some of our **Income Protection, Death and Total & Permanent Disablement (TPD)** products.
- ▶ Some of our Death and TPD products carry in-built discounts for larger amounts of cover, although such discounts are not guaranteed. They will still apply but at reduced rates in some categories. If you're eligible for a discount it will show as a dollar amount in your annual statement.
- ▶ These increases will take effect as policies renew during the 12 months from 17 January 2022 onwards.
- ▶ They are in addition to age-based and inflation (also known as indexation, cost of living and CPI) increases.
- ▶ Some of the increases apply to both stepped and level premiums.
- ▶ All customers within the same category receive the same increase.



Learn more about stepped and level premiums
resolutionlife.com.au/stepped-premiums
resolutionlife.com.au/level-premiums

Other reasons why your premiums may increase

In your policy renewal letter or annual statement, the increases to underlying premium rates might be referred to as changes to 'Your premium rate' or 'Basic premium' but are only one component of the total premium amount you pay.

Additional reasons why the cost of your cover may have risen include:



Age-based increases



Inflation
(also known as indexation, cost of living, and CPI)



Plan fee



Stamp duty

Why level premiums can also increase

The increases to underlying premium rates also apply to level premiums. You chose to pay either stepped or level premiums when you first took out your cover. Unlike stepped premiums, level premiums don't increase each year because of your age. However, this doesn't mean level premiums can't increase for other reasons, such as for inflation (also known as indexation, cost of living, and CPI increases) or if underlying premium rates change.

3. Why we're increasing premium rates

The cost of claims

Our biggest cost, and the reason we exist, is the payment of claims to our customers. We must make sure we're always there when they need us and be able to keep paying claims long into the future.

In recent years more people are making claims, and in relation to income protection, are receiving payments for far longer.

A big contributor is Australia's mental health crisis. The number of mental health claims we receive has hugely increased with many more people being off work, and for longer, with conditions such as anxiety, stress and depression.

It is important that we monitor the ratio of premiums coming into the pool compared to claims payments going out, to ensure it remains balanced. Regular review of our product pricing means we can continue to sustainably support our customers over the long term.

The industry-wide challenge

Most life insurers are facing similar problems of the rising cost and number of claims.

In the three years to June 2021 the life insurance industry in Australia made losses of \$1.9 billion.¹

The wider economy

The record low interest rates of recent years have also put pressure on premiums. This is because the pool of customer premiums is generally invested in cash and other low risk assets to make sure the funds are there to pay claims. These low-risk assets generate lower returns than expected when interest rates are low, as they are now.

¹ Australian Prudential Regulation Authority (APRA) quarterly Life insurance performance statistics – June 2008 to June 2021.

4. Why increases vary across different types of cover

Rather than apply blanket increases right across all our products, we've targeted the increases where possible to the types of cover where we're experiencing higher claims costs.

This is why the biggest increases are for income protection cover where waiting periods are shorter, and benefit periods are longer, meaning we start paying a claim sooner and continue paying it for longer.

5. You are in control of your insurance cover and have options



It's important that you have a chat with your financial adviser, or with us, to understand your options before making a decision to change your insurance.

You can't change all the factors that contribute to the total cost of your insurance, but there are many elements you can control and ways of potentially reducing the cost of your insurance premiums whilst staying covered. Here are some options you could consider:

- **Consider paying your premiums from your superannuation fund**, rather than your monthly household cashflow (although this will reduce your retirement savings).
- **Remember that premiums paid for income protection cover are usually tax deductible.**
- **Remove automatic annual inflation** (also known as indexation, cost of living, and CPI) increases.
- **Review your sum insured** (your amount of cover).
- **Extend the waiting period** on your income protection policy.
- **Review the benefit period** on your income protection policy.
- **Cancel additional benefits** or cover types that you no longer need.

Consider before cancelling



You may be tempted to cancel your cover in response to increases in costs – but it isn't a decision you can easily reverse. If you subsequently applied for a new policy, you would have to undergo medical underwriting again. Any changes in your health, income and lifestyle since your existing policy was taken out may impact your ability to be insured. The terms, conditions and exclusions applicable to your cover could also change, and any new policy may cost more, or have excluded medical conditions due to your health.

Please talk to us or your adviser to understand your other options first.



Want to know more?

Learn more about options for reducing the cost of your cover

[resolutionlife.com.au/
insurance-affordability](https://resolutionlife.com.au/insurance-affordability)

We're here to help

Help is available. Please contact your adviser if you've got further questions about your insurance cover and changes you may want to make.

**Or contact us directly on 133 731
8.30am – 7pm Sydney time, Monday to Friday,
or email us at askus@resolutionlife.com.au**

What you need to know

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