



MLC RETAIL INSURANCE IN SUPER PRODUCTS

2020 Annual Outcomes Assessment

The MLC Retail Insurance In Super products (collectively referred to as 'MLC Insurance products' in this document) offer access to Death, Total and Permanent Disability (TPD) and Income Protection (IP) insurance cover provided by MLC Limited (the Insurer). Members also have access to other services to help them manage their insurance.

MLC Insurance products form part of the MLC Super Fund, of which NULIS Nominees (Australia) Limited ('NULIS') is the Trustee. NULIS is responsible for all fiduciary, legal and regulatory obligations in relation to running the superannuation fund.

Each year, NULIS is required to conduct an Outcomes Assessment which determines whether it has 'promoted the financial interests' of the members of MLC Insurance products.

The Outcomes Assessment is performed by MLC Wealth Limited (MLC) on behalf of NULIS using industry benchmarking, comparative data, in-house data and reviews performed by research houses. The Outcomes Assessment helps us to understand how we are performing on a range of measures. This benefits members since it helps us identify ways to improve the benefits and services we provide to them.

Note that MLC Limited is a different entity from MLC Wealth Limited. MLC Limited uses the MLC brand under licence. MLC Limited is part of the Nippon Life Insurance Group.

The Outcomes Assessment for the 2020 calendar year concluded that overall, **the MLC Insurance products are promoting the financial interests of members.**

This document provides a summary of the factors that were assessed in reaching this conclusion, including what we are doing well, areas identified as requiring improvement and how we intend to enhance the outcomes of members in future.

It should be noted that this document reflects an assessment of product performance based on data collected during the 2020 calendar year. Given the highly competitive nature of the superannuation and insurance industries, members can expect the performance of the products, in absolute and relative terms, to vary from year to year. Our members receive yearly updates about their insurance, including details about any product changes, in their annual statements and other communications.

This assessment covers three MLC Insurance products:

- MLC Insurance (Super) (MLCIS)
- MLC Life Cover Super (LCS)
- MLC Protectionfirst Super (PFS)

MLCIS is a contemporary insurance in superannuation product that is available to new members (subject to underwriting and acceptance by the Insurer). Contemporary products that are available to new members are also called 'on sale'. LCS and PFS are no longer offered to new members (which is also referred to as being 'off sale'). Existing members in each product can increase their cover, add additional benefits and make other changes, as permitted by the Insurer or can reduce or cancel their cover at any time.

MLC Insurance products were assessed together as they have similar insurance benefits and member services.

Product Assessment

Options, benefits and facilities

The MLC Insurance products offer members a range of insurance options with different features and benefits to choose from to enable members to adapt their insurance cover to their own individual circumstances and needs.

With the assistance of The Heron Partnership ('Heron') and MLC Limited, we compared the MLC Insurance products to similar peer products which confirmed that:

- MLCIS has competitive cover options, product features and medical definitions
- LCS and PFS are consistent with equivalent off sale products offered by peers and the basic product features were equivalent to on sale products

The MLC Insurance products also offer additional services to help members maintain their health and wellbeing and to provide support when they need medical care.

The 'MLC ON Track' reward programme, available to MLCIS members, allows members to pair a fitness tracker with an app on their smart phone or tablet to track their daily steps. Members who elect to participate automatically receive a 5% premium discount in the first year, which continues in subsequent years if they meet an annual step target.

MLC RETAIL INSURANCE IN SUPER PRODUCTS

2020 Annual Outcomes Assessment

Members who make an insurance claim are allocated a dedicated claims assessor to help them through the claims process. There is also a dedicated team of rehabilitation consultants that work with the member and their doctor to assist members on their path to recovery and help them to get safely back to work.

MLC Limited's claims services are complemented by additional health focussed services for members and their immediate family including:

- *Best Doctor Service* which provides access to more than 50,000 leading medical specialists from Australia and around the world, for a second medical opinion at no additional cost
- *Mental Health Navigator* which provides a review and second opinion on diagnosis and a treatment plan for mental health conditions

Members are also provided with online education support regarding insurance in super.

Where possible MLC Limited offers the same options, benefits and facilities to new and current members across all MLC Insurance products. The exceptions are that 'MLC ON Track' and an online view of a member's insurance arrangements are not available for members in LCS and PFS due to the age of these products. However, the options, benefits and facilities offered for these products are considered adequate given their nature and design.

Overall, we consider that the options, benefits and facilities offered to members in MLC Insurance products are reasonable and adequate for members holding the products. This is on the basis that:

- Options, benefits and facilities are comparable to those offered by peer insurers in the Australian life insurance market with respect to on-sale Risk-Only products
- Members are provided with options for tailoring of insurance benefits, accessing information and communicating with the Insurer regarding their insurance product
- Members are offered complementary services to encourage them to look after their health and can access supporting medical expertise if they acquire a medical condition

Overall, the options, benefits and facilities offered to members in each of the MLC Insurance products has been assessed as being appropriate.

Investment Strategy

This assessment factor is not applicable to the MLC Insurance products. As they provide insurance only, there are no investment options available to members.

Insurance Strategy

To evaluate the appropriateness of the insurance strategy for the MLC Insurance products, we assessed the design of the insurance arrangements available to members.

This assessment relied on analysis provided by Heron who completed a review of MLC Limited's analysis of the product terms, conditions and features. The MLC Limited analysis was based on product and feature comparisons and ratings using the IRESS Risk Researcher. In summary, while there is a wide range of potential benefits and options offered in the personal insurance market, MLC's insurance offers for both standard terms and conditions and cover options are broadly consistent with the market. The MLCIS on-sale retail insurance product has terms, conditions and pricing that are in line with the current retail market.

The terms and conditions of all three products are subject to periodic reviews and upgrades to ensure they remain aligned with industry standards. Recent examples include:

- Improvements to the MLCIS insurance terms
- Alignment of some of the premium rates and terms & conditions of LCS and PFS with MLCIS

In addition, proposed changes will continue to improve competitiveness of these products:

- Further premium rate changes currently under development by MLC Limited, to reduce the premium rate differences between the different cohorts of members across the products
- Development of a new personal IP product to meet new APRA requirements, currently expected to be made available later in 2021. Existing members will not be impacted by this change

Taking all this into consideration, we concluded that overall, the insurance strategy associated with each of the MLC Insurance products is appropriate.

Insurance fees

We examined the competitiveness and affordability of insurance premiums.

MLC Limited compared MLCIS premium rates for new members to premium rates for competitor products, based on data at November 2020. This analysis found that:

- Premium rates for almost 75% of members, were equal to or cheaper than median
- Premium rates were above the median for males aged less than 35 with Death and TPD cover and males aged less than 50, and females aged less than 35, with Death cover only

MLC RETAIL INSURANCE IN SUPER PRODUCTS

2020 Annual Outcomes Assessment

The MLCIS premium rates are reviewed regularly. The next review is scheduled for late calendar 2021.

Premium rates are reviewed regularly for LCS and PFS, however, the off sale nature of these products makes peer comparison difficult. A third party consultant assists the Trustee to consider the competitiveness of the premiums, and they continue to conclude that the rates are reasonable given the favourable terms and conditions offered.

The assessment concluded that, on balance, the insurance fees being charged to members are appropriate.

Scale

Scale is important because operating a large business supports the long-term sustainability of our products and our ability to deliver member outcomes.

For the purposes of this part of the assessment, 'scale' was considered at two levels – the scale of NULIS' business operations as the Trustee and the scale of MLCL as the Insurer.

NULIS operates four superannuation funds including one of the largest in Australia, which includes the MLC Insurance products. Our total funds under management was \$96 billion as of 30 June 2020 (#5 in the market), and we had 1.2 million members (#5).

We concluded that NULIS' large scale permits us to effectively oversee the management of insurance in super products.

MLC Limited, the insurance provider of the MLC Insurance products, is one of the five largest insurers in the Australian market by in-force premium income. As one of the largest life insurers in the market, MLC Limited has extensive expertise and enjoys the scale benefits derived from providing insurance to a very large number of customers. In addition, MLC Limited has adequate capital in order to meet the underlying insurance risks according to Australian regulatory requirements, as attested annually by MLC Limited's Appointed Actuary.

We consider that MLC Limited's scale is supporting the financial interests of members on the basis that:

- MLC Limited is one of the largest life insurers in Australia
- MLC Limited has capital reserves adequate to meet prudential regulatory requirements
- Assessment of premiums, fees and costs payable by members indicates that costs charged to members are appropriate

With all these factors in mind, we have concluded that the scale of both NULIS' and MLC Limited's business is appropriate.

Operating costs

'Operating costs' in this context means the costs to operate the business. It does not refer to the cost paid by members for the insurance itself, which is covered in the prior section 'Insurance Fees'.

The operating costs incurred in relation to the MLC Insurance products are primarily borne by MLC Limited. The parent company of MLC Limited is Nippon Life Insurance Group, a mutual life insurance company. As MLC Limited is a separate entity (not related to NULIS) and given the commercially sensitive nature of this information, it was not appropriate for MLC Limited's operating cost information to be incorporated into the assessment.

However, we can infer operating cost from an 'outside in' perspective based on premiums charged to members. Market comparisons of premiums charged by MLC Limited (considered in the Insurance Fees section) indicate they are competitive and therefore there is no evidence that MLC Limited's operating costs are disadvantaging or inappropriately affecting members.

As a result, we have concluded that the operating cost of MLC Limited's business is appropriate.

Basis of setting fees

This assessment factor is not applicable to the MLC Insurance products. As they provide insurance only, the only costs for members are the insurance premiums, which are covered earlier in this document under Insurance fees.

The basis of our conclusion

The following factors were found to be supporting NULIS' objective of promoting the financial interests of members:

- *Options, Benefits & Facilities:* The Insurance products provide a range of insurance options with different features and benefits for members. MLCIS has competitive cover options, product features and medical definitions. LCS and PFS are consistent with equivalent off sale products offered by peers and the basic product features were equivalent to on sale products. Members can also access additional services to help maintain their health and wellbeing and to provide support when they need medical care
- *Insurance Strategy:* A product comparison, completed by third party consulting firm The Heron Partnership, concluded that overall, MLC's insurance offers for both standard terms and conditions and cover options are broadly consistent with the market
- *Insurance Fees:* On balance, the cost of insurance is appropriate



- *Scale:* The scale of NULIS' operations is substantial, which permits us to effectively oversee the management of these super products. In addition, MLC Limited is one of the five largest insurers in the Australian market by in-force premium income and has achieved the benefits of scale. MLC Limited has adequate capital to meet the underlying insurance risks according to Australian regulatory requirements
- *Operating Costs:* Since MLC Limited is a separate legal entity to NULIS, operating cost information is not available to NULIS. However, given the market competitiveness of the insurance premiums it charges, it was concluded that their operating costs are not having a negative impact upon members

In the case of off-sale products, NULIS' conclusion has taken into consideration the nature of these products and the fact that peer comparison is therefore challenging.

Having regard to all the factors we assessed in performing the Annual Outcomes Assessment for the 2020 calendar year, we concluded that overall, **the MLC Insurance products are promoting the financial interests of members.**

Important information

NULIS Nominees (Australia) Limited (ABN 80 008 515 633 AFSL 236465) (NULIS) is the Trustee of MLC Super Fund (ABN 70 732 426 024) (Fund). You should consider the Product Disclosure Statement (PDS) before making an investment decision in relation to this product. A copy of the PDS is available at mlc.com.au or by calling 132 652. MLC Wealth Limited has conducted the Outcomes Assessment on behalf of NULIS. If you are a current member holding any 'off-sale' products, you should consider the disclosure material you received on joining, together with any significant event notices and regular reporting from us, for information about your interest in the product and to help inform any decisions. The Outcomes Assessment is based upon data collected in the 2020 calendar year. The relevant data and assessments reflected in the Outcomes Assessment may change from year to year. This document has been prepared for reporting purposes only and should not be used for the purpose of informing investment decisions. This information is of a general nature only and does not take your specific needs or circumstances into consideration. You should consider the appropriateness of the information having regard to your personal situation before making any financial decisions. Past performance is not a reliable indicator of future performance. The value of an investment may rise or fall with the changes in the market. Returns are not guaranteed and actual returns may vary from any target returns described in this communication. The final authority on any issue relating to members' interests in the Fund is the Fund's Trust Deed, and any relevant insurance policy, that govern members' rights and obligations.