1. APL'S, LICENSEE EDUCATION SUPPORT AND CONFERENCES

In response to the broad range of questions on these topics, we would like to provide the following clarification.

i. APL positions

Gaining a position on an Approved Product List (APL) and the payment of sponsorships are two independent concepts.

Zurich is proud to be represented on a broad range APLs across the market. This is particularly important given we (along with AIA and Asteron) are one of only three life insurers currently operating in the retail life insurance market that do not own distribution channels.

Whilst the specific process varies between licensees, the general path to securing an APL position is based on a thorough assessment of the insurer, its proposition, service record and the company's commitment to the market and its customers over the long term - in accordance with the long term promise of life insurance. Areas typically assessed include:

- Brand and reputation
- Financial strength
- Longevity of operation
- Claims philosophy and track record
- Underwriting philosophy and limits
- Service proposition
- Product ratings
- Pricing history and outlook
- Personnel and experience
- Commitment to industry
- Educational resources.

Licensees generally commence this selection and due diligence process through a Tender or Request for Proposal (RFP) process. This process typically involves 2 stages; an invitation to submit an RFP document, followed by a face to face presentation.

Phase 1 - RFP

The invitation to submit an RFP will generally include a list of specific questions the licensees seek answers to. The required thoroughness of an RFP response document means this is quite a resource intensive process.

The licensee may be looking to add one or more insurers. In some cases they are only looking to add a specific product category (e.g. trauma or income protection) from an insurer.

Phase 2 - Presentation

Phase Two generally involves a number of insurers shortlisted to make a face-to-face presentation to the APL selection committee, which would generally include researchers, adviser representatives and other senior management from that licensee.

Process objectives and outcomes can vary

The outcome of participation in such a process ultimately rests on how well an insurer satisfies the key selection criteria being applied by that licensee. The criteria vary, and are usually driven by strategic considerations specific to that licensee.

Some licensees for example are seeking to add one or more insurers to complement those already on their APL. This may be based on the features and benefits of an insurance proposition, tailored for specific target markets (e.g. occupations or age groups). As an example, Zurich is currently the only insurer to offer a severity based trauma product, and this unique position has underpinned our inclusion on several APLs.

There are no guarantees associated with APL positions.

An APL position in itself does not guarantee sales support from that licensee. Any support is based on merit, meaning an insurer must continue to ensure their overall offering remains compelling.

Similarly, almost all APLs have robust 'Off-APL' processes in place, allowing their advisers to place business with others insurers where it is deemed to be in the best interests of their clients.

APL positions are regularly reviewed by licensees. The period between reviews can range from 12 months to 3 years.

Insurers also assess APLs, to determine whether the level of resource invested in that partnership has met relevant objectives.

Since the concept of the APL was first introduced to the market in the 1990s, Zurich has experienced both successes and failures in gaining, and keeping, APL places.

Regardless, we understand and fully respect the rigour that goes into their selection, and believe this rigour plays an important role in driving ongoing improvements in product design, pricing, and service quality, for the benefit of all consumers.

ii. APL size

Zurich strongly supports choice amongst consumers and advisers.

On the topic of APL size, we therefore believe APLs should contain sufficient breadth of insurer and product to allow advisers to genuinely act in the best interests of their clients by tailoring cover to their unique needs.

We believe achieving this sufficiency of choice would require an APL to include at least three insurers.

Another enabler of the best interest duty is that advisers have a thorough, detailed knowledge of the products on their APL. Given the general complexity of retail life insurance products and the wide variation in product features across the market, we appreciate it is not practical for advisers to achieve an in-depth understanding of every single product in the market.

There are thus efficiencies gained by limiting the size of APLs, which benefit consumers.

As noted in section 'A' above, most licensees also include robust 'Off APL' processes to further underpin the ability of its advisers to act in the best interests of clients.

iii. Educational support payments

In conjunction with a focused APL, another enabler of detailed product knowledge among advisers is comprehensive education around those products.

The provision of such education on an ongoing basis to advisers, especially across a national panel, can be a resource intensive exercise, and to this end some (not all) licensees invite insurers to make a financial contribution to education and training programs.

The financial support for such education and training programs is generally described as a 'sponsorship payment'. These are always flat fee arrangements.

Elements of the programs supported by such payments include face-to-face training (delivered at Conferences, and Professional Development days and workshops), printed materials, videos, online apps and webinars.

The amount of support requested varies across licensees but is generally commensurate with the number of advisers operating under that license.

On average the support requested equates to $150 to $200 per adviser per annum. This figure is consistent across includes both institutionally owned licensees as well as small to medium boutiques.

We believe this to be a modest amount given the level of work in co-ordinating and paying program costs such as venue hire, catering costs, design and printing, filming, and web hosting.

iv. Conferences

Most licensees hold conferences for their advisers. Members of Zurich's sales and technical teams occasionally are invited to attend these events

The frequency, location, agenda and attendance criteria varies widely across licensees.

As we stated to the Committee last week, Zurich does not own distribution channels and does not organise or run such conferences. As such we believe licensees themselves are best placed to provide more details about the nature of these events.

2. HEART ATTACK DEFINITION

We are aware that the definition of heart attack applied by life insurers continues to be topical.

As indicated during our appearance before the committee, Zurich was one of the first companies to adopt the 'universal heart attack' definition (without any Troponin criteria) as far back as 2012.

Consistent with our overall philosophy of regular definition improvements, we have subsequently updated this definition several times since, including as part of our most recent update in May 2017.

Full details of our heart attack definition improvements since 2011 are included in Appendix One.

Regular definition improvements

For more than a decade, Zurich has been brought to market two product updates per annum. This has allowed us to respond quickly to any changes in medical diagnostic and treatment techniques, and has resulted in frequent updates to key definitions, including those referring to cancers, stroke, nervous system and organ related conditions.

Where these improvements have not resulted in any premium rate increases, these improvements have been automatically passed back to existing customers, providing them more clarity and confidence that there cover is as up to date as possible. At the same time this supports advisers by avoiding the need for them to move customers to newer policies.

APPENDIX ONE: Zurich Heart attack definition update history

This definition has been updated on the Wealth Protection product suite several times since launch in 1998 (2002, 2005, 2009, 2012), and most recently on 15 May 2017.

Each update was for changes in diagnostic techniques. 2012 is when we adopted the universal heart attack definition, which did not reference troponin.

March 2011 to February 2012	***Heart attack*** *means the death of a portion of the heart muscle as a result of inadequate blood supply to the relevant area. The diagnosis for this will be supported by any two of the following criteria being consistent with a heart attack:* • *new confirmatory electrocardiograph (ECG) changes* • *diagnostic rise and fall (other than as a result of coronary or cardiac intervention) of cardiac enzyme CK-MB above the upper limit of normal or Troponin I in excess of 2.0ug/l or Troponin T in excess of 0.6ug/l* • *new pathological Q waves* • *satisfactory evidence that the event produced a permanent reduction in the Cardiac Ejection Fraction to 50 per cent or less as measured three months after the event.*
From March 2012 until 14 May 2017	***Heart attack*** *means the death of a portion of the heart muscle as a result of inadequate blood supply to the relevant area. The diagnosis must be supported by diagnostic rise and/or fall of cardiac biomarkers with at least one value above the 99th percentile of the upper reference limit and at least one of the following:* •*signs and symptoms of ischaemia consistent with myocardial infarction or* •*ECG changes indicative of new ischaemia (new ST-T changes or new left bundle branch block [LBBB]) or* •*development of pathological Q waves in the ECG or* •*imaging evidence of new loss of viable myocardium or new regional wall motion abnormality.* *If the above tests are inconclusive or our noted diagnostic techniques are impractical to apply or have been superseded, we will consider other appropriate and medically recognised tests.* *A rise in biological markers as a result of an elective percutaneous procedure for coronary artery disease is excluded. Also excluded are other acute coronary syndromes including but not limited to angina pectoris.*
Update as at 15 May 2017	***Heart attack*** *means the death of a portion of the heart muscle as a result of inadequate blood supply to the relevant area. The diagnosis must be supported by diagnostic rise and/or fall of cardiac biomarkers with at least one value above the 99th percentile of the upper reference limit and at least one of the following:* • *signs and symptoms of ischaemia consistent with myocardial infarction or* • *ECG changes indicative of new ischaemia (new ST-T changes or new left bundle branch block [LBBB]) or* • *development of pathological Q waves in the ECG or* • *imaging evidence of new loss of viable myocardium or new regional wall motion abnormality.* *If the above tests are inconclusive or our noted diagnostic techniques are impractical to apply or have been superseded, we will consider other appropriate and medically recognised tests.* *A rise in biological markers as a result of an elective percutaneous procedure for coronary artery disease* ***which is not performed as necessary treatment for a heart attack is excluded****. Also excluded are other acute coronary syndromes including but not limited to angina pectoris,* ***and other causes of cardiac biological marker rise including but not limited to pulmonary embolism.***