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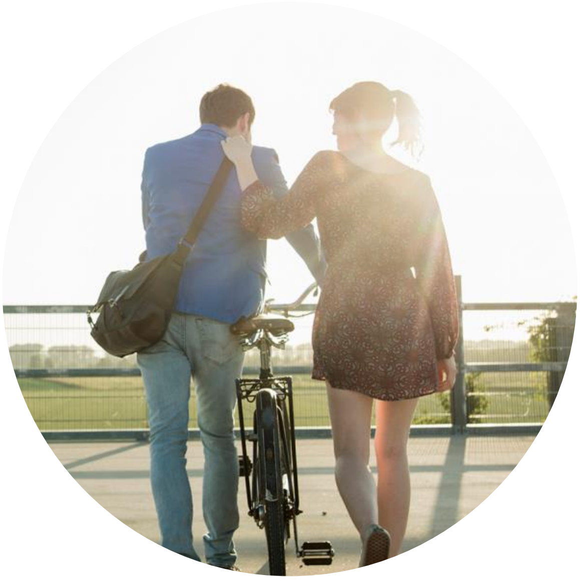
GROUP RISK BUSINESS & COVID-19 IMPLICATIONS



OnePath Group Insurance Response to the impacts of COVID-19

Overriding principles – Corporate Group Insurance Policies:

- We will administer our corporate group life and group salary continuance policies and claims to minimise the impact from changed work practices being caused by COVID-19.
- We will treat customers fairly based on their individual employment situation and respect any choices made by their employer or trustee policy holder.
- We will proactively provide dispensations to restrict the short-term impacts of COVID-19 from creating a long-term disadvantage for insured employees.
- We will calculate benefits using salary and working hours of an insured employee based on their pre-11 March 2020 circumstances where a policy owner continues to pay premiums on the pre-11 March 2020 basis.
- Alternatively, we can provide cover based on post-11 March 2020 circumstances where a policy owner requests us to do so or where they pay premiums based on post-11 March 2020 basis.
- We commit to review our position quarterly and will offer appropriate dispensations based on our assessment of the prevailing circumstances at the time.

Summary table – OnePath treatment of COVID-19 related employer actions*

Application period 11 Match 2020 to 1 January 2021. The dispensations set out herein only apply to claims lodged on or before 31 March 2021.

Employer-implemented COVID-19 initiative or issue	Treatment by OnePath
Reduction in salary or wages	Pre-11 March 2020 salary will be used to calculate benefits/premiums
Reduction in hours	Pre-11 March 2020 hours will be used to calculate TPD benefits and determine relevant TPD assessment criteria
Forced leave	Pre-11 March 2020 hours and salary will be used to calculate TPD benefits and determine relevant assessment criteria
JobKeeper payment	JobKeeper payment will reduce any Monthly Benefit payment for GSC and will also be counted as income in the month for partial calculations so that insured employees are neither advantaged or disadvantaged at claim time
Permanent redundancies	Cover will cease, subject to any extended cover period, as the redundant person is no longer employed and unable to remain insured under the employer's policy
Stood-down/Furloughed employees	Pre-11 March 2020 hours and salary will be used to calculate benefits and determine relevant TPD assessment criteria
Mid-term annual reviews	OnePath will not prepare mid-term reviews where a reduction in salaries has occurred or where salaries are again increased to their previous levels
Frequency loading waivers	OnePath does not charge a frequency loading where a discount for annual in advance payments applies. Please refer to the Policy Schedule for more information.
Premium holidays	OnePath will not provide premium holidays. Corporate clients in financial difficulty should contact OnePath directly
Rate guarantee extensions	OnePath will not extend rate guarantee periods expiring in 2020
Rate guarantee periods	**Until further notice OnePath will only offer 12 month or 24 month rate guarantee terms. Assessment will be made by the pricing team on a case by case basis. The impacts of COVID-19 will be taken into account in all quotations and re-rates issued**
Continuation options	No extensions will be granted to the period allowed in which to exercise a continuation option
FSC Transfer terms	OnePath will regard a stood-down employee or transferring employee on reduced hours or salary as meeting the 'At Work' definition contained in the FSC Guidance note
Pandemic exclusions	OnePath's corporate policies contain no built-in pandemic exclusions
Reduction in salary or wages	Pre-11 March 2020 salary will be used to calculate benefits/premiums

*Full and complete details of OnePath's position on key issues is set out under the heading "How OnePath will deal with common fact situations" along with any pre-conditions for these interim terms.

OnePath Life Limited Position Statement

Overview

As a result of the Coronavirus ("COVID-19") crisis, many Australian businesses are temporarily placing their staff on reduced hours, reduced salaries, unpaid leave, and in some cases stand down (or furlough). In many instances, redundancies have also occurred. Many are under severe economic pressure.

This document communicates OnePath's position to support business through these challenging times. It also sets out how we will deal with employer-initiated COVID-19 related responses from a corporate group insurance perspective.

How do COVID-19 employer actions impact insurances held by policy holders?

The scale and uniqueness of the COVID-19 event means we are all dealing with circumstances that have not been anticipated by group life and group salary continuance policies, or by the trust deed governing a superannuation fund that holds group policies.

In most scenarios, employer responses will be temporary and expected to be wound-back as the COVID-19 restrictions are lifted. However, many of these responses have resulted in insured employees either:

- no longer physically working; or
- working for reduced salaries or no salary at all.

We recognise that a strict application of the policy terms may result in insured employees being disadvantaged due to circumstances beyond their control and we want to ensure that OnePath's coverage responds to the majority of changes brought about by an employer's COVID-19 responses.

<u>Situational Examples</u>

Unintended outcomes could arise from a strict interpretation of group life and salary continuance contract terms due to the novelty of COVID-19 and the Commonwealth Government's JobKeeper Payment scheme:

- A 'stood down' or 'furloughed' employee who has not been working for some time may not be entitled to a GSC benefit because they are not actually working any hours per week. Or, their Monthly Benefit may be calculated using a period when the insured employee received reduced income or no income at all.
- For TPD cover, a non-work based TPD definition such as an Activities of Daily Living test may apply because an insured employee does not meet a minimum hours' requirement.
- An insured employee receiving a Monthly Benefit as well as benefiting from JobKeeper payments may receive more than they earned while working, incentivising them to not return to available work.

The goal of our COVID-19 response is to ensure that no insured person is either advantaged or disadvantaged from how they would have been treated prior to the COVID-19 pandemic.

The following statements apply to OnePath's 'Brindabella Series' corporate group life and group salary continuance insurance contracts. OnePath will provide specific guidance to Industry Fund and Master Trust policy holders with tailored insurance contracts on an individual basis and will seek to apply the core principles set out in this document.

Special Cases - This positions statement is designed to inform our partners of OnePath's general approach to COVID-19 related issues. It will be applied without the need for a formal response. In a very small number of cases, OnePath can review client-specific requests based on an individual circumstances.

What if a policy holder does not want this position to apply?

OnePath will apply this approach <u>unless we are requested not to do so</u> by a policy holder (or their authorised intermediary).

Period of application - Important Note

As COVID-19 is a rapidly changing situation, these concessions are being made on a temporary basis only. At this stage, we will provide them in respect of any employer-instituted COVID-19-related employment changes implemented between between **11 March 2020 and 1 January 2021**. The dispensations set out herein will only apply to claims lodged up to and including 31 March 2021 and 1 January 2021.

OnePath is closely monitoring the development of the pandemic and will review its position based on available facts and data as they emerge and may change its approach at any time without giving you prior notice.

The concessions in this document will apply in respect of each insured employee from the date on which the employer implemented any COVID-19 changes to their work practices until the earlier of midnight on 1 January 2021 or any prior cessation of the employer's COVID-19- variations to the employee's employment basis (unless we agree in writing to extend the period of concession).

Policy owner choices

A policy owner can either:

1. Confirm in writing to OnePath that it agrees to entitlements arising between 11 March 2020 and 1 January 2021 being modified using the approach outlined in this document, including that OnePath offsets JobKeeper payments (as explained below) against benefits otherwise payable for an insured person;

2. Advise OnePath that it would prefer entitlements arising between 11 March 2020 and 1 January 2021 to be calculated strictly according to the policy terms. In those cases, OnePath fully reserves its rights to recover any overpaid amounts at any time, including by offsetting them against any payment due in respect of that or any other insured person; Or

3. Do nothing and receive each part of any entitlement arising between 11 March 2020 and 1 January 2021 that exceeds their entitlement calculated under the strict terms of the policy, on the understanding that the policy owner is not entitled to retain that amount.

   Do we have to advise in writing that this extension to OnePath's dispensations is accepted?
   If you accepted Option 3 above, no. If you wish to elect option 1 or 2 above, or to vary how you would like your insurances treated, you should confirm to OnePath in writing.

   Under option 3, OnePath will not claim such repayments from policy owners who do not object to entitlements arising between 11 March 2020 and 1 January 2021 being modified using the approach outlined in this document, including where OnePath offsets JobKeeper payments (as explained below) against benefits otherwise payable for an insured person.

A policy owner can also request us to:

- enable a premium saving and only provide ongoing benefits on the basis of a reduced salary or benefit level or other post-11 March 2020 employer response to COVID-19: or
- modify terms of coverage to clarify that JobKeeper payments reduce the Monthly Benefit.

In all cases, OnePath will only pay a benefit for an eligible claimant using the insured amount for which a premium has been paid.

No Endorsement required

You do not need to do anything under Option 3 to receive OnePath's concessions in this document other than continue to pay premiums on the pre 11 March 2020 basis - Option 3 will apply without the need for a policy endorsement.

How OnePath will deal with common fact situations

Below we have provided full details of the situations summarised in the 'Summary table – OnePath treatment of COVID-19 related employer actions'.

Temporary pay reduction, temporary reduction in hours, temporary unpaid Leave or reductions in salary due to Coronavirus

Death, Terminal Illness, TPD and GSC benefits of affected insured employees will be calculated on pre-11 March 2020 details for the period from 11 March 2020 up to and including 1 January 2021 where:

- premium continues to be paid based on the pre-11 March 2020 details; and
- the insured employee is temporarily affected by a pay reduction, hours reduction or unpaid leave that applies to all employees or a group of employees or business principals on the same basis.

This means we will determine the sum insured or the Monthly Benefit using the pre-11 March 2020 salary and hours usually received/performed by the insured employee on the day prior to 11 March 2020.

A temporary pay reduction (including reductions related to forced leave), will be treated as 'leave' for the purposes of the policy, with cover continuing on the basis of the salary/benefit/hours worked prior to the commencement date of the leave.

Where a policy holder elects to base benefits and premiums on reduced levels

Policy holders may instead elect to base benefit calculations on an employee's reduced salary or wages. A proportional premium will apply based on actual salary to be paid. For example, an enforced 6-week period of unpaid leave is the equivalent of a 11.5% reduction in annual salary, so benefits and premiums would use an insured salary level based on 88.5% of pre-11 March 2020 annual salary.

When salaries are restored because COVID-19 induced changes in remuneration or leave practices are no longer necessary, OnePath will not require members to be underwritten to restore benefits to their pre-11 March 2020 salary level if the change:

- applies to all employees or a group of employees on the same basis (for example where a plan has two categories, Partners and Staff, changes must be applied in respect of the entire category of insured persons – i.e. in this example for all Partners, all Staff, or all Staff and Partners)
- is not in respect of individual insured employees only – for example where one employee suffers an illness or injury entitling them to claim.

Policyowners must notify OnePath where they wish their policy to operate in this manner, as calculations will continue to be calculated on the salary and benefit level last advised (note any claim arising before then will continue to be determined based on the full salary/sum insured last advised to us and for which a premium has been paid).

JobKeeper Payment offset

JobKeeper payments are received by employees as salary and wages, and typically other payments made in replacement of income should reduce the amount of the Monthly Benefit payable under most GSC policies. They will also count as income paid during the month in respect of the Partial Disability benefit.

OnePath's intention is that JobKeeper payments be offset as by only indemnifying the insured employee for the balance of their loss up to the Monthly Benefit amount, they are not advantaged as a result of the COVID-19 crisis or disincentived from returning to available work.

The position for the Specific Injury Benefit, Early Cash Benefit and Trauma Recovery Benefit (if these options apply) is somewhat complex and we will consider ancillary benefits on a case by case basis.

Under a number of OnePath GSC policies, JobKeeper amounts can be considered an “other payment’ under the offset provision, thus allowing for a reduction of the amount payable such that the insured employee would not receive more than 75% (or other replacement ratio set out in the policy contract) of their pre-disability salary. Under others, a reduction of the benefit may not be permitted as the payment must be made in respect of the employee’s injury or illness and JobKeeper payments would not meet that criteria.

Irrespective of whether OnePath’s ability to offset JobKeeper is supported employer payments to a person who is Totally Disabled due to an illness or injury is not readily apparent under individual policies, OnePath nonetheless considers it appropriate to offset the JobKeeper payment - to not do so not would result in such a person being placed in a windfall position from receiving a combined Monthly Benefit and JobKeeper payment that exceeds the amount earned while working or the amount that they would receive under the GSC policy under normal circumstances (i.e. the relevant replacement ratio for their policy based on their pre-disability earnings).

Any outcome that could incentivise a claimant to not return to available work would be inconsistent with the role of insurance, which is to indemnify loss. The dispensations outlined in this document will result in OnePath paying benefits that are not required by the strict wording of its policy contracts. OnePath believes its corporate policy owners would appreciate OnePath’s expectation that they would reciprocate with a similar level of flexibility in relation to OnePath offsetting JobKeeper supported employer payments from Monthly Benefits in cases where there may be uncertainty about whether that is strictly permitted by the terms of the policy contract.

Some policy owners may prefer to receive a strict application of their policy’s provisions, and OnePath fully respects that preference. Those policyholders should note however that they are not entitled to receive or retain any amount above their entitlement calculated under the strict terms of the policy. In those cases, OnePath fully reserves its rights to recover those overpaid amounts at any time, including by offsetting them against any payment due in respect of any other insured employee. However, OnePath will not claim such repayments from policy owners who do not object to entitlements arising between 11 March 2020 and 1 January 2021 being modified using the approach outlined in this document, including where OnePath offsets JobKeeper payments against benefits otherwise payable for an insured person.

Permanent Redundancies and terminations of employment

Retrenched and terminated employees are no longer employees of the employer and are therefore not eligible for cover to continue. In cases where an employer has had to make permanent redundancies due to COVID-19, the extended cover provisions of the policy apply, but this period will not be extended. It is also important to note that significant changes in the insured membership may trigger an early rate review where permitted by the policy terms and conditions.

TPD Assessments and Minimum Average Hour Requirements

Will the minimum hour/gainfully working requirements apply where an employee has been stood down and is not actively performing their usual or other duties but remains employed?

Where an employee has been stood down, OnePath will allow cover to continue on the basis of the usual work hours of the insured employee immediately prior to 11 March 2020 - provided they remain an insured employee and covered by the policy.

This means that where an employee would otherwise not meet any minimum average hour or gainfully working requirement for the unlikely ever/unable ever/incapable of ever limb (as the actual policy requires) of the definition of

TPD to apply, we will regard their hours as the hours performed immediately prior to 11 March 2020.

In most cases, this will mean that assessment against the more stringent Activities of Daily Living or other non-working limbs of the TPD definition will not apply to that claimant.

This concession will apply only to claims with an event date during the period that the arrangements in this document apply (currently 11 March 2020 to 1 January 2021 the proposed date on which the FSC's TPD Claims initiative is also scheduled to conclude).

Where an employee has been terminated or retrenched and does not meet the minimum average hour requirements, or where they did not meet any minimum hour requirement prior to 11 March 2020, then the claim will be assessed based on the terms of the policy where cover remains on-foot noting cover is generally contingent on remaining an employee of the employer policy owner.

Where an employer has a wage-roll reduction, can a mid-period annual review be completed to realise the premium return?

No, OnePath will not perform a mid-term review. Similarly, where wages again increase on the other side of the pandemic, we will not perform a mid-year review at that stage either as we only complete Annual Reviews as part of our standard administration process so as to keep administration costs low.

Frequency Loadings - Can we change annual premium frequency to monthly with no loading?

Clients are able to switch between monthly, quarterly, and annual premium payment frequency at any time. OnePath does not charge a frequency loading where a discount for annual in advance payments applies. Please refer to the Policy Schedule for more information.

The usual rule is that where a frequency other than annually in advance is chosen, the annually in advance payment discount will no longer apply. In the current environment, we will nonetheless consider payment frequency flexibility for policy owners who need to discuss their individual circumstances.

Will OnePath offer a premium holiday, waive premiums, or extend credit terms?

No, OnePath is not able to offer blanket premium holidays or waivers of premium on group policies. The one exception is that waivers will continue for individual claimants who qualify for a premium waiver under our GSC contract terms.

Similarly, we are also unable to extend credit terms.

It is important that premiums continue to be paid on time to ensure continuity of the valuable cover and timely claim payments. Just as clients would expect claim payments to be made in a timely manner, so too does OnePath expect premiums to continue to be paid in a timely manner.

Employer policy holders in significant financial difficulty should contact OnePath directly to discuss their circumstances and options. For superannuation fund policy holders, financial difficulties should not arise as premiums for the majority of members are paid from member accounts with accumulation balances.

Where a rate guarantee expiry occurs this year, can the current rates be extended by 12 months?

No, unfortunately we cannot offer to extend rate guarantee periods that have expired or will be expiring at some stage in 2020.

Rate Guarantee Periods

Because the ultimate impacts of COVID-19 cannot be accurately quantified, for plans with rate guarantee expiry dates in 2020 **OnePath will only offer 12 month or 24 month rate guarantee terms. Assessment will be made by the pricing team on a case by case basis. The impacts of COVID-19 will be taken into account in all quotations and re-rates issued.** OnePath's pricing for new quotations and re-rates will take into account the expected impacts of COVID-19.

Continuation Options - can we extend the continuation option period or the Extended cover period?

Unfortunately not – all continuations options must be exercised on the terms of the policy and the relevant time limits, which we believe to be reasonable.

The option will lapse where a person who was previously insured under a GSC policy is not able to find alternate employment or meet the stipulated requirements in order to exercise it.

FSC Transfer Terms

OnePath will treat a transferring member temporarily stood down (and still remaining employed and/or a member of the fund) on the Transfer Date as meeting the 'At Work' definition in FSC Guidance Note 11 as a transferring member who is temporarily stood down remains employed. Their absence from the workplace (or their reduced hours resulting from a COVID-19 response) will not characterise them as being 'not at work' where they are capable of working and not absent as a result of illness or injury.

We will also not treat an employee's receipt of payments from an employer representing JobKeeper support, as an 'income support benefit from any source' under the FSC Guidance Note i.e. receipt of the JobKeeper payment will not prevent transfer of cover because a strict interpretation of FSC Transfer Terms may infer that receipt of the JobKeeper payment would mean that the member would be classified as 'Not At Work' under FSC Transfer Terms. Upon transfer of cover under the FSC Guidance Note, we will not regard receipt of the JobKeeper payment as an 'income support payment' for the purposes of FSC Transfer Terms and so members will transfer with full cover (provided they are capable of working and are not absent due to illness or injury).

OnePath will apply this interpretation as both an incoming or outgoing insurer for transfers occurring during the period that this dispensation is effective.

No Pandemic Exclusions

Lastly OnePath Group Life & Group Salary Continuance policies have no pandemic exclusions as standard exclusions. As such, the pandemic classification of the COVID-19 virus does not impact the normal cover of Group Life & GSC policies. Provided a claimant meets the policy terms and conditions to be a valid claim, contraction of COVID-19 will not be relevant.

OnePath does however reserve the right to impose restrictions on any voluntary increase applications assessed by our underwriters in accordance with our normal underwriting practices.

Can we opt out of the Dispensations in this Document?

Yes, to opt out is option 2 set out on page 4 above. Please advise us in writing if you wish to do this as soon as possible to ensure benefit entitlements are calculated in line with your preferences.

Consider Your need for Advice

Policy owners should be aware that OnePath's COVID-19 approach set out in this document could result in insured employees not being placed in a windfall position from receiving a combined Monthly Benefit and JobKeeper payment that exceeds the amount earned while working or the amount that would otherwise be payable had the employer's COVID-19 changes not occurred. Not offsetting the JobKeeper payment could incentivise them to not return to available work.

Policy owners should also be aware that where they choose not to adopt OnePath's COVID-19 approach (set out in this document), that this could result in insured employees:

- potentially receiving a GSC benefit for their entire benefit period (in some cases, 'to age 65' where this is the benefit period under their policy) based on an amount less than what the insured employee's pre-11 March

2020 salary actually was in the event that they suffer an injury or illness whilst subjected to a forced and potentially short term reduction in salary; or

- having a more stringent non-working TPD definition applied to their TPD cover.

Under OnePath's COVID-19 approach, these situations are only likely to arise where the policy owner chooses to have benefits calculated on post 11 March 2020 income or hours in order to achieve premium savings.

Policy owners should seek advice from their intermediary where they require additional information.

Paul Trigg
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