

# Zurich implementation of LIF remuneration rules from 1 January 2018

## Summary of changes

### Are you LIF MatchFIT?

Zurich has a range of tools and resources designed to help you adapt to the LIF reforms. Ask your Zurich risk specialist BDM for details on 1800 252 650.

CATEGORY	RULES												
Commission rates	Maximum upfront	from 1/1/18	88% (inc. GST)										
		from 1/1/19	77% (inc. GST)										
		from 1/1/20	66% (inc. GST)										
	Trail Level	all years	22% (inc. GST)										
Trail Level		27.5% (inc. GST)											
Commission paid on	Total annual premium less management fee (and stamp duty where it is explicitly shown as a cost).												
Clawback rules	<p><b>Clawbacks apply to CURRENT licensee (not original)</b></p> <p>Calculations are from <b>Risk Commencement Date</b> of original policy and any added benefits on which commissions are paid.</p> <p>Note: any premium holiday extends the effective dates for clawback purposes.</p> <p><b>Last in first out</b> rule applies to benefit and premium reductions. (ie in the event of any benefit reduction, the first amount to be reduced will be the last amount added, and clawback dates will be calculated accordingly).</p> <p><b>Upfront commission clawbacks</b></p> <table border="1"> <tr> <td>Within months 0 – 12:</td> <td>100%</td> </tr> <tr> <td>Within months 13 – 24:</td> <td>60%</td> </tr> <tr> <td>no pro rata applies</td> <td></td> </tr> </table> <p><b>Level commission clawbacks</b></p> <table border="1"> <tr> <td>Within months 0 – 12:</td> <td>sliding scale, based on time in force</td> </tr> <tr> <td>Months 13 onwards:</td> <td>no clawback applies</td> </tr> </table> <p>Examples of events in which clawback rules do not apply:</p> <ul style="list-style-type: none"> <li>• A claim being paid.</li> <li>• The life insured reaches the benefit expiry age.</li> <li>• A discount ends or a new premium discount is applied.</li> <li>• There is a change in premium due to a reduction in risk (e.g. customers gives up smoking).</li> </ul>			Within months 0 – 12:	100%	Within months 13 – 24:	60%	no pro rata applies		Within months 0 – 12:	sliding scale, based on time in force	Months 13 onwards:	no clawback applies
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Grandfathering	<p>Applies to policies in force prior to 1 January 2018, and to those where application is/was received prior to 1 January 2018 and policy goes in force by 31 March 2018.</p> <p>Customers can increase cover or add a new benefit type where <u>this option was available under the original policy terms.</u></p> <p>Grandfathered policies will have pre 1 January 2018 commission and clawback rules applied.</p>												
Mandatory Lapse reporting	<p>Life insurers are obliged to report – on a half yearly basis – any individual advisers where their portfolio lapse rate exceeds 20%:</p> <ul style="list-style-type: none"> <li>• Applies where adviser's portfolio with that insurer is at least \$200k annual premium</li> <li>• 20% is based on premium value (not policy count).</li> </ul>												