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Danielle Visser
risk strategy specialist
Zurich Life and Investments

How do you solve a problem like TPD?

Zurich introduces new assessment criteria as part of an innovative rethink of misunderstood cover.

An insurance purchase generally entails an expectation that when the 'wheels fall off,' financial loss is compensated by an equivalent claim payment.

Historically some total and permanent disability (TPD) contracts, have fallen short of this expectation as claimants are required to be injured to the extent they're deemed unlikely to ever work again. This severity benchmark and occupation claim hurdle have contributed to recent media coverage around TPD claim denial rates and the frequently held misconception that you virtually have to be permanently hospitalised to claim against TPD. With such disconnect between financial loss and claim outcome, it is easy to see why some observers have questioned the value of TPD.

Contrary to the idea TPD claims are 'pigs might fly' type events, or life insurers might force a librarian to work as a truck driver, Australian life insurers pay hundreds of millions of dollars in TPD claims each year. In reality, we know TPD can be a vitally important part of the protection strategy and the financial assistance it provides changes lives, but with that said, it's important to acknowledge that not all TPD contracts are created equal.

As part of its recent risk product overhaul Zurich has re-engineered its TPD offering by adding a number of additional – non occupation based – assessment criteria to their flagship Wealth Protection product.

Zurich's medically based claims alternative that alleviates reliance on a client's future ability to work is known as extended activities of daily living (Extended ADLs). To further improve the confidence around the TPD conversation and better align claim outcomes with client expectations, a partial and progressive payment system is also available through Zurich's Platinum TPD feature.

Extended ADLs – moving beyond the self-care definition

It's critical to acknowledge that whilst most traditional TPD products include a form of ADL cover, Zurich's approach is distinctly different.

The Extended ADL framework captures a much broader range of assessment criteria's and the qualifying benchmarks at claim time are considerably more lenient. For example, whilst traditional ADLs centre around the claimants ability to self care, Zurich's approach expands the qualifying criteria to include an individual's functional status across the following six categories:

1. self-care
2. communication
3. physical activity
4. sensory function
5. hand functions
6. advanced functions.

So let's look at the practical application and the benefit the Extended ADL framework can deliver clients. **FS**

The quote

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One of the most-talked about M&A activity of 2016 in the insurance sector was Zurich's acquisition of the Macquarie Life risk business last October. The question among the advisers who previously offered Macquarie Life products was how the move will benefit their clients.

The answer came this month when Zurich said it will be offering reduced rates for term, and total and permanent disablement (TPD) products, make bundling discounts applicable for qualifying clients and enhance its flagship Wealth Protection Suite.

The group said that the raft of changes were the culmination of many months of working with advisers, who are asking for more affordability and value for money across the group's suite of insurance products.

In this edition, we ask Zurich to provide our readers with a case study on one particular aspect of insurance cover: TPD. We invite you to read this article to find out more.

Michelle Baltazar

Michelle Baltazar
Director of Media & Publishing

Case Study

Darren, 45 year-old male with Life, TPD (own occupation), Trauma and Income protection, who runs his own financial planning business.

Darren is a motorcycle enthusiast who had an accident and suffered nerve damage to his left hand, which was his dominant hand. As he runs his own business, Darren returned to work quickly and although he had severe and permanent nerve damage in his left hand, he was able to perform the primary functions of his business.

He had minimal function for writing and using the keyboard and also had minimal dexterity for basic hand functions, such as grasping and pinching with his left hand.

Darren had what would be considered a comprehensive insurance plan; however, he was not eligible to claim under any of the traditional benefits. He did not meet his income protection waiting period, as he was keen to return to his business to ensure it continued to run smoothly. A nerve injury of this type is not covered under a traditional Trauma policy and he was not totally and permanently disabled.

- Under the traditional TPD definition, his claim was declined because he was back in his business and working
- Under extended ADLs, he is unable to perform two of the extended ADL categories and would have qualified for a 40% payment if he held Platinum TPD, which includes the Partial impairment benefit.

(The tasks he was unable to perform are writing, keyboard use, grasping and pinching, covered under the communication and hand function criteria). See the full list at Zurich.com.au/matchfit

The case study highlights measuring disablement through a capacity to work framework won't consistently reflect a client's disability, or the financial loss they incur. If insurance is about certainty, and meeting the financial loss caused by illness, the question is, can TPD contracts that rely solely on measuring a client against an occupation definition be a PerfectFit for your clients?

If you want to know more about how Zurich's purpose built solutions can help you build PerfectFit protection strategies for your clients, please contact your Zurich BDM on 1800 252 650.

Watch the video on www.fsitv.com