

# UNDERSTANDING OPTIMUM PREMIUMS

March 2023



HEALTHIER, LONGER,  
BETTER LIVES

## Important notes

This information is for Priority Protection customers.

The information contained in this document is a summary only and does not replace your policy terms.

To understand more about Optimum premiums, please refer to your PDS, Policy Schedule and any Significant Event Notices or contact your financial adviser.

## What are Optimum premiums?

Optimum premiums are an option which combines stepped premiums (which start low and increase each year because of your age), with level premiums (which can increase each year for a number of reasons but don't increase each year due to your age).

When premiums convert to level, your level type premiums continue until the policy anniversary before you turn 65 or the expiry date of the benefit, whichever is earlier. After that, stepped premiums are payable until your cover ends.

Stepped premiums increase each year as you get older in line with your increasing risk of illness, injury, or death as you age.

\*Unlike stepped premiums, level type premiums don't increase each year because you are getting older. There are many reasons why your premiums may increase and the main reasons are explained further in this flyer.

## Important note

Premiums may change due to other factors as described in this flyer, including a review of our premium rates\*.

\* A premium rate is a factor that is multiplied by the sum insured or monthly benefit to determine the premium amount.

Optimum premiums are only available for Priority Protection policies.

If you select Optimum premiums, this means your premiums are stepped type premiums when your cover starts. Premiums then automatically convert to level type premiums\*. The level type premiums will be based on your age when cover started. Your premium includes a loading which is an additional amount above the standard stepped and level premium rates respectively.

The premium type changes from stepped type to level type at the policy anniversary when stepped premiums become greater than level premiums. If you would like to know what age your cover will convert from stepped to level, please contact us.



## Total premiums over different periods (Illustrative examples only)

The following charts illustrate the difference in annual premiums when comparing the three premium options:

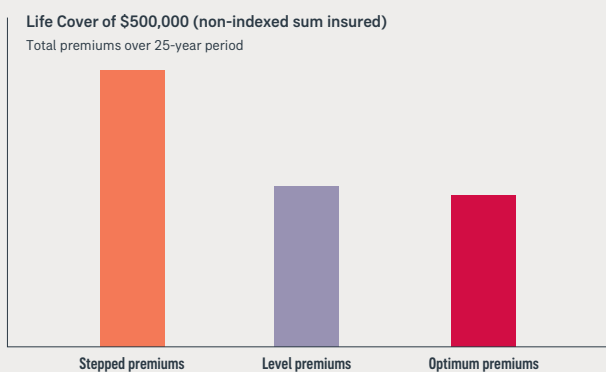
- [Stepped](#)
- [Level](#)
- Optimum.

It's important to note that the charts are examples provided for illustrative purposes only. This may not be the same for your policy as premiums are not guaranteed and we regularly review our premium rates.

### Illustrative example (total premiums over 25-year period)

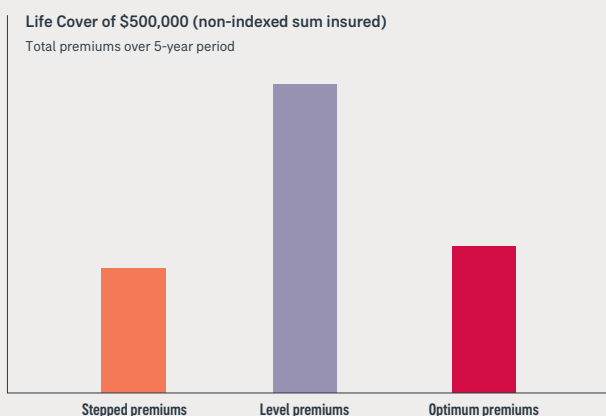
Based on a 39-year-old male.

Please ensure you refer to the notes below these two tables.



### Illustrative example (total premiums over 5-year period)

Based on a 39-year-old male.



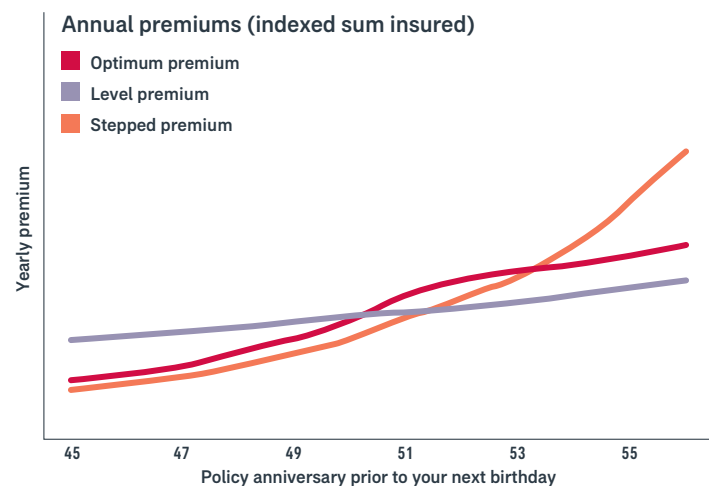
#### Notes

1. These charts show premiums on a Life Cover policy which commences at age 40 next birthday for a male.
2. Stamp duty (if any) is not included in the premium projection which is provided for illustrative purposes.
3. These charts do not depict or include any increases that may result from a review of our premium rates. An increase to premium rates would result in additional premiums being payable.
4. We may apply premium rate increases differently across these premium types.

## Optimum premiums over the long term

The graph below shows that Optimum premiums start out higher than [Stepped premiums](#) and lower than [Level premiums](#). When Optimum premiums convert to level type premiums, the premiums will be higher than a policy with level premiums. At that point, the difference between stepped and optimum premiums increases over time.

The graph does not reflect any other reasons which cause premiums to change, including a review of our premium rates. It is for illustration purposes only and is not a guarantee or forecast. Its intent is to show you what could happen with the premiums.



#### Notes

1. This graph shows yearly premiums for a policyholder aged 40 years old at next birthday when they took out the policy.
2. This graph is provided for illustrative purposes only and the premium comparison may not be the same for your policy.
3. Any indexation increase is applied at the policy anniversary. Indexation automatically increases your cover each year to help it keep pace with inflation.
4. The graph does not reflect any other reasons which cause premiums to change, including a review of our premium rates.

## It's important to understand that your optimum premiums can change over time

Optimum premiums convert to level at a certain point to help you keep your cover longer when you need it most. There are several other reasons for premiums to change, with the main reasons being:

1. if you chose indexation, which increases your cover amount to help keep up with inflation
2. if we change our premium rates for a group of our optimum premium policies due to, amongst other reasons, unanticipated claims increases, or if the economic conditions change
3. due to changes in stamp duty rates
4. due to discounts that end or are reduced, or
5. if you make a change to your policy.

We cover each of these in further detail below.

## 1. Increases to your premium due to indexation of your cover amount

With indexation, we increase your cover amount (sum insured) each year on your policy anniversary to help your cover keep up with inflation. As your cover amount rises, your premium will also increase.

The following table shows how the amount of cover could grow as a result of indexation, if we applied an indexation rate of five per cent each year (indexed sum insured). The premium is then calculated on the increased cover amount.

Year	Life cover amount	Year	Life cover amount
1	\$500,000	6	\$638,141
2	\$525,000	7	\$670,048
3	\$551,250	8	\$703,550
4	\$578,813	9	\$738,728
5	\$607,753	10	\$775,664

Note: This graph is provided for illustrative purposes only and may not be the same for your policy.

### You can choose to opt out of indexation increases

You can choose to opt out of an indexation increase to your cover. You can phone or write to us within a month of your policy anniversary date and tell us you don't want the indexation increase.

If you opt out one year, we will still offer you the automatic increase the following year. If you wish to stop all increases occurring in the future, you will need to advise us in writing.

For more information about how to opt out of indexation increases, please refer to your PDS.

## 2. Increases to your premiums due to a review of our premium rates

We regularly review our premium rates for all policies and make changes to them if we need to. For instance, we might need to increase our premiums if the costs of us providing the cover increases beyond our expectations, including if we are paying more claims than we expected to pay, or if the economic conditions change.

We will only increase premium rates for all policies in a group. We won't alter premium rates individually and your policy won't be singled out for an increase.

If we increase your premium rates, we will give you at least 30 days' notice before any increase occurs.

## 3. Changes to your premiums due to changes in stamp duty rates

State and territory governments charge stamp duty on insurance policies based on where the life insured lives, and these stamp duty rates can change from time to time. We include any stamp duty we are charged for your policy in your premium, according to stamp duty laws. Any changes in stamp duty rates may result in changes to your premium.

## 4. Changes to your premium discounts

You may have a discount on your premium that ends or reduces with time. If your discount ends or is reduced, then your premium might increase.

If you're an AIA Vitality member, the AIA Vitality discount will reduce or end if certain conditions are not met such as when you haven't maintained your Vitality status. This means that your premiums will increase. Alternatively, the AIA Vitality discount could increase (which will reduce premiums) based on your AIA Vitality status. For more information go to [www.aiavitality.com.au](http://www.aiavitality.com.au)

## 5. Changes you request on your policy

You can request changes to your policy to suit your changing needs. A change may impact your premium. For example, you can apply for an increase to your sum insured, you can decrease your sum insured, you can add or remove optional benefits or you can request a review of your loadings. In some situations, your policy may change automatically in line with policy terms and conditions.

Changes that alter the level of risk we are insuring you for may require additional medical/financial information and need to be approved and in line with the policy terms and conditions.



## We're always here to help

For more information, please refer to the PDS that your financial adviser has provided you.

Each year it's important to review your changing needs with your financial adviser. Increases in the premium you need to pay to stay protected could impact your cash flow or if your policy is held in super, could adversely affect the amount of funds available at retirement.

If you have any further questions about your cover or how your premiums can change over time, you can speak to your financial adviser or contact us on 1800 333 613, between 8am-6pm (AEST/AEDT), Monday to Friday, excluding public holidays, or visit [aia.com.au/life](https://aia.com.au/life)



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