AIA Vitality

Premium Adjustment Rules

Effective from 17 December 2016

Where the life insured under an eligible Priority Protection or Priority Protection for Platform Investors insurance policy (**policy**) is a member of AIA Vitality at the time that a **premium** becomes payable in relation to that **policy**, AIA Australia Limited (AIA Australia or we) will adjust the premium (excluding any amount payable for GST, policy fees and government stamp duty) (**premium**) in accordance with the rules set out in this document (**rules**). The **premium** adjustments are not guaranteed. We may vary or withdraw these **rules** at any time.

In this document any reference to you means the policy owner.

In this document a **Lump Sum Benefit** means a benefit under your **policy** (or under an insurance policy that was cancelled and replaced by the **policy**, where the terms of the benefit and sum insured have not changed following the cancel-and-replace process) that provides for one lump sum benefit payment.

In this document **Income Stream Benefit** means a benefit under your **policy** (or under a policy that was cancelled and replaced by the **policy**, where the terms of the benefit and sum insured have not changed following the cancel-and-replace process) that provides for periodic income stream benefit payments. **Income Stream Benefits** include income protection, business expenses or incorporated business expenses benefits. For the avoidance of doubt, **Income Stream Benefits** are not **Lump Sum Benefits** and may be subject to different rules.

Initial discount

1 a) For new policies: The **premiums** that you would otherwise be required to pay from your first **premium** due date will be discounted by an amount of **Initial Discount**.

b) For existing policies: If the life insured under your **policy** was an AIA Vitality member on 17 December 2016 (**Effective Date**) and remains an AIA Vitality member on the next premium due date or policy anniversary (whichever occurs first) after the **Effective Date**, the **premiums** that you would otherwise be required to pay in respect of any **Income Stream Benefits** will be discounted by the **Income Stream Initial Discount** (after all other relevant discounts are applied to those **premiums**) so long as your **policy** was in-force and unless otherwise specifically indicated in these **rules**. Further details can be found below under *'Income Stream Initial Discount passback'*.

2 As long as the life insured under your **policy** remains a member of AIA Vitality throughout the year the **Initial Discount** will apply until the next policy anniversary (unless premiums are paid monthly and the **Initial Discount** has only been applied to the **policy** for less than 90 days, in which case, the **Initial Discount** will continue until the following policy anniversary).

3 If, within 21 days of the AIA Vitality application, the life insured does not meet the eligibility and registration requirements (including if we do not receive a valid unique email address and/or if we do not receive payment details and the first payment for AIA Vitality and/or any other information required to administer the AIA Vitality membership) the AIA Vitality membership will not be activated and the **Initial Discount** will not apply. You will be required to pay us the amount of any **Initial Discount** applied to your **policy**.

4 The **Initial Discount** in respect of a **policy** is an amount equal to the **Lump Sum Initial Discount (12.5%)** or **Income Stream Initial Discount (7.5%)**.

5 Unless otherwise specifically indicated in these **rules**:

a) If a **policy** lapses or is cancelled prior to a policy anniversary and is reinstated or a new **policy** is issued prior to that policy anniversary with AIA Vitality, these **rules** apply as if the **policy** did not lapse or was not cancelled. In particular, the discount that applied on the day prior to lapse or cancellation will apply until that policy anniversary; or

b) If an AIA Vitality membership is terminated prior to a policy anniversary and the life insured becomes a member of AIA Vitality again prior to that policy anniversary, these **rules** apply as if the AIA Vitality membership was not terminated. In particular, the discount that applied on the day prior to termination will apply until that policy anniversary.

6 In the following circumstances, we may, at our discretion, adjust the amount of the **Initial Discount** up or down to the level of any **Premium Flex Discounts** (if any) that we previously applied in respect of any other insurance policy:

a) Where an earlier **policy** lapses or is cancelled prior to a policy anniversary and is reinstated or a new **policy** is issued after that policy anniversary;

b) Where an earlier **policy** lapses or is cancelled prior to a policy anniversary and is reinstated or a new **policy** is issued prior to that policy anniversary but the life insured does not become a member of AIA Vitality again until after that policy anniversary;

c) Where an AIA Vitality membership is terminated prior to a policy anniversary and the life insured becomes a member of AIA Vitality again after that policy anniversary; or

d) Where the **policy** replaces an earlier insurance policy as part of a cancel-and-replace process.

7 For the avoidance of doubt, only one **Initial Discount** will apply in respect of a **policy** under these **rules**.

Premium flex

1 The **premiums** that you would otherwise be required to pay from the time that the **Initial Discount** stops being applied will be discounted by an amount of **Premium Flex Discount** if the **policy** is in-force and unless otherwise specifically indicated in these **rules**, the life insured under your **policy** was an AIA Vitality member at the most recent policy anniversary before Premium Flex was first applied (except in relation to the first policy anniversary on which the Premium Flex is being applied) and remains an AIA Vitality member on the policy anniversary when the Premium Flex is first applied.

2 The amount of **Premium Flex Discount** in respect of a **premium** is equal to the amount of the **Lump Sum Premium Flex Discount** and the amount of the **Income Stream Premium Flex Discount** for that **premium**.

3 The amount of the **Lump Sum Premium Flex Discount** for a **premium** is equal to the proportion of that **premium** referable to all **Lump Sum Benefits** payable on that policy anniversary multiplied by the relevant **Applicable Percentage**.

a) The **Applicable Percentage** referable to the first **premium** on which the **Lump Sum Premium Flex Discount** is applied is the **Lump Sum Initial Discount**.

b) For the purposes of calculating a **Lump Sum Premium Flex Discount** for a **premium**, the **Applicable Percentage** is equal to the **Applicable Percentage** that applied on the previous policy anniversary increased by the absolute **Percentage Change** (if the **Percentage Change** is positive) or decreased by the absolute **Percentage Change** (if the **Percentage Change** is negative) in accordance with the following table based on the life insured's AIA Vitality Status on that policy anniversary.

AIA Vitality Status	Percentage Change	Maximum Discount
Bronze	– 2.50%	20%
Silver	– 1.25%	
Gold	– 0.00%	
Platinum	+ 1.00%	

4 For the avoidance of doubt, a negative **Percentage Change** means that the **Applicable Percentage** is decreased by the **Percentage Change** relative to the **Applicable Percentage** that applied on the previous policy anniversary and a positive **Percentage Change** means that the **Applicable Percentage** is increased by the **Percentage Change** relative to the **Applicable Percentage** that applied on the previous policy anniversary.

*For example, if the **Applicable Percentage** was 12.5% on the last Policy anniversary and, a year later, the life insured's AIA Vitality status is Platinum, the **Applicable Percentage** will be increased to 13.5%.*

5 The amount of the **Income Stream Premium Flex Discount** for a **premium** is equal to the proportion of that **premium** referable to all **Income Stream Benefits** payable on that policy anniversary multiplied by the relevant **Applicable Percentage**.

a) The **Applicable Percentage** referable to the first **premium** on which the **Income Stream Premium Flex Discount** is applied is the **Income Stream Initial Discount**.

b) For the purposes of calculating the **Income Stream Premium Flex Discount** for a **premium**, the **Applicable Percentage** is equal to the **Applicable Percentage** that applied on the previous policy anniversary increased by the absolute **Percentage Change** in accordance with the following table based on the life insured's AIA Vitality Status on that policy anniversary.

AIA Vitality Status	Percentage Change	Maximum Discount
Bronze	0.00%	20%
Silver	+ 0.50%	
Gold	+ 1.00%	
Platinum	+ 2.00%	

6 For the avoidance of doubt, a positive **Percentage Change** means that the **Applicable Percentage** is increased by the **Percentage Change** relative to the **Applicable Percentage** that applied on the previous policy anniversary.

*For example, if the **Applicable Percentage** was 7.5% on the last Policy anniversary and, a year later, the life insured's AIA Vitality status is Platinum, the **Applicable Percentage** will be increased to 9.5%.*

7 The **premiums** relating to **Lump Sum Benefits** or **Income Stream Benefits** cannot be discounted by more than the applicable **Maximum Discount**, as set out in the tables above.

8 Where:

a) you paid us a **premium** in respect of a period; and

b) subsequently, there is a change in circumstances (e.g. there is a change in the life insured's AIA Vitality Status or we determine that a discount should have been applied to that **premium** in accordance with these **rules**) that would result in the **premium** in respect of that period being reduced further,

we may choose to carry the discount forward and reduce your next **premium** by the difference between the **premium** in (a) above and the lower **premium** in (b) above.

9 Unless otherwise specifically indicated in these **rules**:

a) If a **policy** lapses or is cancelled prior to a policy anniversary and is reinstated or a new **policy** is issued prior to that policy anniversary with AIA Vitality, these **rules** apply as if the **policy** did not lapse or was not cancelled. In particular, the **Premium Flex Discount** that applied on the day prior to lapse or cancellation will apply until that policy anniversary; or

b) If an AIA Vitality membership is terminated prior to a policy anniversary and the life insured becomes a member of AIA Vitality again prior to that policy anniversary, these **rules** apply as if the AIA Vitality membership was not terminated. In particular, the **Premium Flex Discount** that applied on the day prior to termination will apply until that policy anniversary.

Income stream premium flex discount changes effective 20 January 2018

Effective 20 January 2018, the Income Stream Premium Flex Discounts will be changing. These changes will apply at the next premium due date or policy anniversary (whichever occurs first) on and from 20 January 2018. Rules 5 and 6 above under the section titled 'Premium Flex' will be replaced with the following:

5 The amount of the **Income Stream Premium Flex Discount** for a premium is equal to the proportion of that **premium** referable to all **Income Stream Benefits** payable on that policy anniversary multiplied by the relevant **Applicable Percentage**.

a) The **Applicable Percentage** referable to the first **premium** on which the **Income Stream Premium Flex Discount** is applied is the **Income Stream Initial Discount**.

b) For the purposes of calculating an **Income Stream Premium Flex Discount** for a **premium**, the **Applicable Percentage** is equal to the **Applicable Percentage** that applied on the previous policy anniversary increased by the absolute **Percentage Change** (if the **Percentage Change** is positive) or decreased by the absolute **Percentage Change** (if the **Percentage Change** is negative) in accordance with the following table based on the life insured's AIA Vitality Status on that policy anniversary.

AIA Vitality Status	Percentage Change	Maximum Discount
Bronze	– 2.50%	20%
Silver	– 1.25%	
Gold	– 0.00%	
Platinum	+ 1.00%	

6 For the avoidance of doubt, a negative **Percentage Change** means that the **Applicable Percentage** is decreased by the **Percentage Change** relative to the **Applicable Percentage** that applied on the previous policy anniversary and a positive **Percentage Change** means that the **Applicable Percentage** is increased by the **Percentage Change** relative to the **Applicable Percentage** that applied on the previous policy anniversary.

*For example, if the **Applicable Percentage** was 7.5% on the last Policy anniversary and, a year later, the life insured's AIA Vitality status is Platinum, the **Applicable Percentage** will be increased to 8.5%.*

Premium discounts generally

If you change the frequency of your **premium** payments in relation to your **policy** with us, the **premium** discounts you are entitled to may change. We will determine any **premium** discount changes reasonably in accordance with internal business rules.

If your **policy** replaced one or more eligible insurance policies under a cancel-and-replace process as agreed by us, the **premium** discounts you are entitled to may change. We will determine any **premium** discount changes reasonably in accordance with internal business rules.

Any **premium** changes will remain at our sole discretion.

Income stream initial discount passback

The following applies to all in-force policies with AIA Vitality membership as at 17 December 2016.

1 If the life insured under your **policy** was an AIA Vitality member on 17 December 2016 (**Effective Date**) and remains an AIA Vitality member at the next **premium** due date or policy anniversary (whichever occurs first) after the **Effective Date**, the **premiums** that you would otherwise be required to pay in respect of any **Income Stream Benefits** will be discounted by the **Income Stream Initial Discount** (after all other relevant discounts are applied to those **premiums**) so long as your **policy** was in-force and unless otherwise specifically indicated in these **rules**.

2 Where you hold more than one **Income Stream Benefit**, the **Income Stream Initial Discount** will be applied to the **premiums** for each of the **Income Stream Benefits** where the life insured is an AIA Vitality member.

3 Unless otherwise specifically indicated in these **rules**:

a) If an AIA Vitality membership is terminated prior to the policy anniversary after the **Effective Date** and the life insured becomes a member of AIA Vitality again prior to the policy anniversary after the **Effective Date**, these **rules** apply as if the AIA Vitality membership was not terminated. In particular, the **Income Stream Initial Discount** that you would otherwise have been entitled to from your next **premium** due date or policy anniversary (whichever occurs first) after the **Effective Date** will still be applied effective from that date;

b) If a **policy** lapses or is cancelled prior to the policy anniversary after the **Effective Date** and is reinstated or a new **policy** is issued prior to that policy anniversary with AIA Vitality, these **rules** apply as if the **policy** did not lapse or was not cancelled, subject to this clause. In particular, the **Income Stream Initial Discount** that you would otherwise have been entitled to from your next **premium** due date or policy anniversary (whichever occurs first) after the **Effective Date** will still be applied, however this discount will take effect from the date of reinstatement or the date on which the new **policy** is issued (as relevant);

c) If a **policy** is altered, including without limitation, through an increase, addition or endorsement (**Alteration**) prior to the next **premium** due date or policy anniversary after the **Effective Date**, the **Income Stream Initial Discount** that you would otherwise have been entitled to from your next **premium** due date or policy anniversary (whichever occurs first) after the **Effective Date** will still be applied, however this discount will take effect from the date of the **Alteration**.

4 For the avoidance of doubt, only one **Income Stream Initial Discount** will apply in respect of a **policy** under these **rules**.

Examples

Scenario 1: AIA Vitality is associated with an eligible insurance policy from policy inception (after 17 December 2016)

On 25 January 2017, John purchases an eligible insurance policy with a yearly premium frequency, insuring himself for a life cover benefit ($600 level Premium) and an income protection benefit ($1,200 level Premium). John would ordinarily need to pay $1,800 to keep his **policy** going.

John decides to join AIA Vitality at the same time that he applies for his **policy**. John's initial AIA Vitality status is Bronze.

At policy inception:

John will receive a **Lump Sum Initial Discount** equal to 12.5% on his life cover **premiums** and an **Income Stream Initial Discount** equal to 7.5% on his income protection **premiums** for the first year. His total initial yearly **premium** will therefore be:

$600 x (100% – 12.5%) + $1,200 x (100% – 7.5%) =
$525 + $1,110 = $1,635

John progresses to Silver AIA Vitality status by the first policy anniversary.

On the first policy anniversary

John will receive a **Lump Sum Premium Flex Discount** of 11.25% (12.5% – 1.25%) on his life cover **premium** and an **Income Stream Premium Flex Discount** of 6.25% (7.5% – 1.25%) on his income protection **premium**. The **premium** due on the first policy anniversary will therefore be:

$600 x (100% – 11.25%) + $1,200 x (100% – 6.25%) =
$532.50 + $1,125.00 = $1,657.50

John progresses to Gold AIA Vitality status by the second Policy anniversary.

On the second policy anniversary

John will receive a **Lump Sum Premium Flex Discount** of 11.25% (11.25% + 0%) on his life cover **premium** and an **Income Stream Premium Flex Discount** of 6.25% (6.25% + 0%) on his income protection **premium**. The **premium** due on the second policy anniversary will therefore be:

$600 x (100% – 11.25%) + $1,200 x (100% – 6.25%) =
$532.50 + $1,125.00 = $1,657.50

John progresses to Platinum AIA Vitality status by the third policy anniversary and remains at Platinum status for the next three years.

On the third policy anniversary

John will receive a **Lump Sum Premium Flex Discount** of 12.25% (11.25% + 1%) on his life cover **premium** and an **Income Stream Premium Flex Discount** of 7.25% (6.25% + 1%) on his income protection **premium**. The **premium** due on the third policy anniversary will therefore be:

$600 x (100% – 12.25%) + $1,200 x (100% – 7.25%) = $526.50 + $1,113.00 = $1,639.50

On the fourth policy anniversary

John will receive a **Lump Sum Premium Flex Discount** of 13.25% (12.25% + 1%) on his life cover **premium** and an **Income Stream Premium Flex Discount** of 8.25% (7.25% + 1%) on his income protection **premium**. The **premium** due on the fourth policy anniversary will therefore be:

$600 x (100% – 13.25%) + $1,200 x (100% – 8.25%) = $520.50 + $1,101.00 = $1,621.50

On the fifth policy anniversary

John will receive a **Lump Sum Premium Flex Discount** of 14.25% (13.25% + 1%) on his life cover **premium** and an **Income Stream Premium Flex Discount** of 9.25% (8.25% + 1%) on his income protection **premium**. The **premium** due on the fifth policy anniversary will therefore be:

$600 x (100% – 14.25%) + $1,200 x (100% – 9.25%) = $514.50 + $1,089.00 = $1,603.50

This example assumes that premiums would otherwise remain level under John's **policy** (and that benefit indexation does not apply) and that John otherwise remains eligible to receive the discounts discussed in this example.

Scenario 2: AIA Vitality is associated with an eligible insurance policy after policy inception (after 17 December 2016)

Jane insures herself under three different eligible insurance policies with AIA Australia including a life cover policy (**Lump Sum Benefit**), an income protection policy (**Income Stream Benefit**) and a crisis policy (**Lump Sum Benefit**). Jane took out each of the policies at different times (but each was taken out after 17 December 2016) and pays her premiums at different frequencies.

The policy details are as follows:

- Life cover policy – anniversary date of 1 July and Jane pays the premiums monthly
- Income protection policy – anniversary date of 1 September and Jane pays the premiums monthly
- Crisis policy – anniversary date of 1 September and Jane pays the premiums annually

Jane decides to join AIA Vitality and her AIA Vitality membership commences on 2 May 2018. Jane's initial AIA Vitality status is Bronze.

Initial discount

Jane is entitled to a **Lump Sum Initial Discount** equal to 12.5% on her life cover policy and her crisis policy as these are both **Lump Sum Benefits**. Jane is also entitled to an **Income Stream Initial Discount** equal to 7.5% on her income protection policy as it is an **Income Stream Benefit**.

Jane's **Lump Sum Initial Discount** will take effect from her next **premium** due date on each of her life cover policy and her crisis policy (being her next monthly **premium** on her life cover policy and her next annual **premium** on her crisis policy).

Jane's **Income Stream Initial Discount** will take effect from her next **premium** due date of her income protection policy (being her next monthly **premium**).

Premium flex

On 1 July 2018, Jane's life cover policy goes through policy anniversary. As Jane would have been entitled to an **Initial Discount** for this policy for less than 90 days (from the next **premium** due date to policy anniversary), Jane will continue to get the **Initial Discount** for another **policy** year. On 1 July 2019, Jane will be entitled to a **Premium Flex Discount** on her life cover policy.

On 1 September 2018, Jane's income protection policy goes through policy anniversary. Jane will be entitled to a **Premium Flex Discount** on her income protection policy as she has been an AIA Vitality member for longer than 90 days.

Jane's crisis policy also goes through policy anniversary on 1 September 2018. As Jane pays her crisis policy annually, she will be entitled to an **Initial Discount** of 12.5% on her next **premium** due date and will enjoy that discount until her next policy anniversary (being 1 September 2019) when she will be entitled to a **Premium Flex Discount**.

This example assumes that **premiums** would otherwise remain level under Jane's policies (and that benefit indexation does not apply) and that Jane otherwise remains eligible to receive the discounts discussed in this example.

Scenario 3: AIA Vitality is associated with an eligible insurance policy from policy inception (prior to 17 December 2016)

On 1 November 2016, George purchases an eligible insurance policy with a yearly premium frequency, insuring himself for a life cover benefit ($600 level **premium**) and an income protection benefit ($1,200 level **premium**). George would ordinarily need to pay $1,800 to keep his **policy** going.

George decides to join AIA Vitality at the same time that he applies for his **policy**. George's initial AIA Vitality status is Bronze.

At policy inception:

George will receive a **Lump Sum Initial Discount** equal to 12.5% on his life cover **premium** and an **Income Stream Initial Discount** equal to 0% on his income protection **premium** for the first year. His total initial yearly **premium** will therefore be:

$600 x (100% – 12.5%) + $1,200 = $525 + $1,200 = $1,725.

George progresses to Silver AIA Vitality status by the first policy anniversary.

On the first policy anniversary

George will receive the **Income Stream Initial Discount** passback equal to 7.5% on his income protection **premium** as George's first policy anniversary is on or after 17 December 2016. George would also receive a **Lump Sum Premium Flex Discount** of 11.25% (12.5% – 1.25%) on his life cover **premium** and an **Income Stream Premium Flex Discount** of 8.0% (7.5% + 0.5%) on his income protection **premium**. The **premium** due on the first policy anniversary will therefore be:

$600 x (100% – 11.25%) + $1,200 x (100% – 8.0%) =
$532.50 + $1,104.00 = $1,636.50

George progresses to Gold AIA Vitality status by the second policy anniversary.

On the second policy anniversary

George will receive a **Lump Sum Premium Flex Discount** of 11.25% (11.25% + 0%) on his life cover **premium** and an **Income Stream Premium Flex Discount** of 8.0% (8.0% + 0%) on his income protection **premium**. The **premium** due on the second policy anniversary will therefore be:

$600 x (100% – 11.25%) + $1,200 x (100% – 8.0%) =
$532.50 + $1,106.00 = $1,636.50

George progresses to Platinum AIA Vitality status by the third policy anniversary and remains at Platinum status for the next three years.

On the third policy anniversary

George will receive a **Lump Sum Premium Flex Discount** of 12.25% (11.25% + 1%) on his life cover **premium** and an **Income Stream Premium Flex Discount** of 9.0% (8.0% + 1%) on his income protection **premium**. The **premium** due on the third policy anniversary will therefore be:

$600 x (100% – 12.25%) + $1,200 x (100% – 9.0%) =
$526.50 + $1,092.00 = $1,618.50

On the fourth policy anniversary

George will receive a **Lump Sum Premium Flex Discount** of 13.25% (12.25% + 1%) on his life cover **premium** and an **Income Stream Premium Flex Discount** of 10.0% (9.0% + 1%) on his income protection **premium**. The **premium** due on the fourth policy anniversary will therefore be:

$600 x (100% – 13.25%) + $1,200 x (100% – 10.0%) =
$520.50 + $1,080.00 = $1,600.50

On the fifth policy anniversary

George will receive a **Lump Sum Premium Flex Discount** of 14.25% (13.25% + 1%) on his life cover **premium** and an **Income Stream Premium Flex Discount** of 11.0% (10.0% + 1%) on his income protection **premium**. The **premium** due on the fifth policy anniversary will therefore be:

$600 x (100% – 14.25%) + $1,200 x (100% – 11.0%) =
$514.50 + $1,068.00 = $1,582.50

This example assumes that **premiums** would otherwise remain level under George's **policy** (and that benefit indexation does not apply) and that George otherwise remains eligible to receive the discounts discussed in this example.