

INCOME PROTECTION CORE

For Advisers

February 2022



Why consider Income Protection?

Income Protection helps to protect your client's greatest asset – their ability to earn an income. If they are unable to work due to a sickness or disability, Income Protection can provide them with a monthly benefit to help manage their ongoing financial obligations.

Income Protection CORE

How does the income replacement ratio (IRR) work?

Your client has two IRR options available for their income protection benefit.

- Option A – 70/60% IRR. They can receive up to 70% of their Pre-Disablement Income (PDI) in the first 24 months of claim and 60% after 24 months on claim.
- Option B – 70% IRR. They can receive up to 70% of their Pre-Disablement Income (PDI) for the duration of their claim period rather than the reducing IRR approach.

These two options are priced accordingly, which will be reflected at the time of quote.

What benefit periods are available?

1. 2 year benefit period – Flat 70% IRR with Own Occ for duration of claim.
2. 5 year benefit period – Flat 70% IRR with Own Occ for duration of claim.
3. To age 65 benefit period – 70/60% IRR and Own/Suited Occ transition after 24 months.
4. To age 65 benefit period – Flat 70% IRR with Own/Suited Occ transition after 24 months.

How is a claim assessed occupationally when moving from Own Occupation to Suited Occupation?

For the first 24 months – the monthly benefit paid is assessed against a Material and Substantial Duties definition of their Own occupation. After 24 months, the claim is assessed against a Suited occupation.



- Occupation categories available: A1, A2, M, A3, A4, B1, B2, C1, C2, D. Note: Occ Category E not available.
- Clients can continue to work and continue to receive an Income Protection CORE Partial Disablement Benefit subject to them not earning more than 80% of their Pre-Disablement Income.
- Premium Structures options – Stepped, Level, Optimum.
- Benefits are guaranteed renewable if the premium payments are up to date. The cover continues each year until the expiry date of the cover regardless of changes in your client's occupation or pastimes.
- Only available as an Indemnity policy.
- Available as an ordinary policy or through superannuation.
- Benefits not permitted under Superannuation legislation are provided to all clients via a separate Complimentary Income Protection CORE Extras policy.

Income Protection CORE is also designed with valuable benefits

- Benefit indexation
- Salary increase benefit
- Recurrent disablement
- Rehabilitation expenses
- Involuntary unemployment Waiver of Premium
- Complimentary Interim Accidental Income Protection Cover
- Needlestick injury (Category M only)
- Elective Surgery
- Premium and Cover Pause

Income definitions

What is taken into consideration as income at time of claim when your clients PDI is being calculated?

Employee

Included	Not included
Total pre-tax remuneration including:	• Dividends
• Salary – including bonuses, overtime and fringe benefits	• Rental income
• Voluntary superannuation contributions	• Proceeds from sale of assets
• Commissions	• Royalties

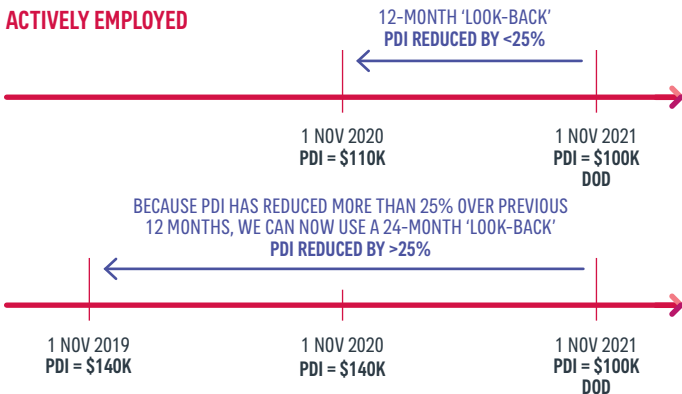
Self employed

Included	Not included
Total pre-tax remuneration including:	• Dividends
• Income generated and received from your business, less your share of expenses from the last financial year	• Rental income
• Voluntary superannuation contributions	• Proceeds from sale of assets
	• Royalties

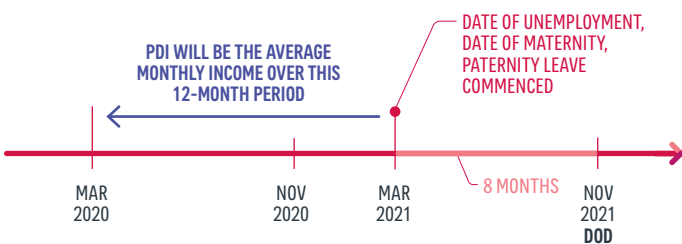
Pre-disablement Income

How do we look back and calculate PDI at the time of claim?

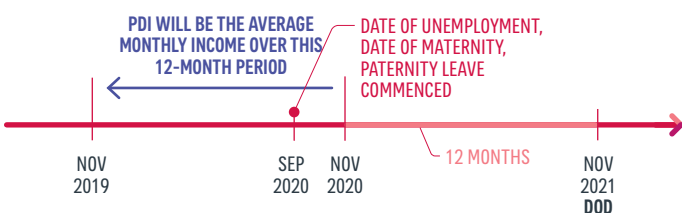
ACTIVELY EMPLOYED



UNEMPLOYED, PARENTAL LEAVE, SABBATICAL – LESS THAN 12 MONTHS



UNEMPLOYED, PARENTAL LEAVE, SABBATICAL – MORE THAN 12 MONTHS



Optional benefits

Claims Escalation

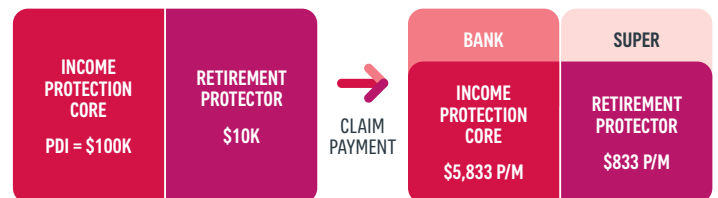
Claim Escalation allows for your client's claim payments to be increased each year in line with the Consumer Price Index Increase (CPI Increase).

Retirement Protector

Your client can help to replace or complement any previous retirement planning arrangement which has ceased or has been compromised by your client's disability.

They can insure up to the current rate of the Employer Statutory Contribution rate (10% as of 1 July 2021) of their average monthly Income. When we pay a Total Disablement or Partial Disablement benefit under Income Protection CORE, we will also pay a Retirement Protector benefit into a nominated superannuation account.

Example: A client's PDI is \$100,000, when a claim is paid they receive a monthly payment of \$5833 per month (70% of \$100,000) into their bank account and \$833 per month into their superannuation account.



To find out more about AIA Income Protection CORE options, please contact a member of our Client Development team on **1800 033 490** or email au.adviserservices@aia.com