

DID YOU KNOW?

Understanding Premium Freeze

May 2026 | For Advisers



Premium Freeze is an optional feature within AIA Priority Protection that allows eligible clients to keep their premium at the same level as the previous policy year, rather than increasing in line with age-stepped pricing. In exchange, the client's Sum Insured is reduced.

When elected at a policy anniversary, the premium remains unchanged for the following year while the level of cover is adjusted to align with that premium. These changes take effect from the next policy year, creating a clear trade-off between affordability and the level of protection held over time.

Eligibility is limited to clients aged 35 and over who hold their cover on variable (age-stepped) premiums. The feature must also be actively elected each year. Clients need to notify AIA in writing at least 30 days prior to their policy anniversary; otherwise, premiums will revert to standard age-based increases.

If Premium Freeze is applied year after year, premiums remain stable and predictable, but the Sum Insured reduces progressively. Advisers should also be aware that once selected, benefit indexation ceases and clients cannot exercise Guaranteed Future Insurability options or increase their cover while Premium Freeze is in place.

It's also important to note that Premium Freeze does not apply to Term Cover, Forward Underwriting, Business Safeguard Forward Underwriting, or policies where premiums are not due to increase in the following year.

Advice considerations

Premium Freeze can be a valuable strategy for clients experiencing affordability pressure, particularly those with reduced financial obligations, fewer dependants, or those approaching retirement and managing a fixed income. It can help maintain cover and avoid policy lapse at a time when premiums are rising.

However, it may be less suitable for clients who need their cover to keep pace with inflation, expect to increase their cover in the future, or are in earlier life stages with growing financial commitments.

The key message for clients is simple:

Premium Freeze maintains the premium, not the level of cover. Advisers should ensure clients clearly understand the long-term impact of reducing their Sum Insured and document these discussions appropriately.





Case study: Managing affordability in practice

Trish held a Protection Plans policy with Life, TPD and Trauma cover, with an annual premium of approximately \$2,225. Due to short-term financial pressure, she wanted to manage her premiums without cancelling her cover.

After discussing her options with her adviser, Trish elected to apply Premium Freeze at her policy anniversary. This allowed her to retain her existing premium for the following year, with a proportional reduction in her sums insured.



As a result, her premium remained unchanged at around \$2,225*. Her Life cover reduced from approximately \$1.25 million to \$1.0 million, while her TPD and Trauma cover each reduced from around \$750,000 to \$600,000.

By using Premium Freeze, Trish was able to maintain meaningful protection during a financially challenging period, rather than exiting the policy altogether. However, this choice leads to a reduction in her sum insured. When her financial situation improves, her adviser can revisit her cover strategy and adjust accordingly. If she wants extra cover in the future, she'll need to go through a new underwriting process to obtain additional cover.

(*Figures are indicative only)

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