

THE VALUE OF LIFE INSURANCE



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HEALTHIER, LONGER,
BETTER LIVES

This is a brief overview to help you understand the features and benefits offered by Tailored Protection (previously CommInsure Protection) as contained in the full Tailored Protection Combined Product Disclosure Statement (PDS) and Policy. Your financial adviser can guide you on an appropriate level of cover for you, as well as how specific definitions, limitations and possible exclusions may apply.

Things you should know

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Most of us think 'it won't happen to me'

And if you are very lucky, it might not. But, chances are, many of us will have our lives interrupted by an accident, illness or premature death. So if you are not one of the lucky ones, wouldn't you prefer to be one of the smart ones with a contingency plan to help you and your family with the difficult times?

Over 1,195 people died on Australian roads in 2019¹. On average in 2019, an estimated 396 new cases of cancer will be diagnosed each day in Australia. Of these an estimated 136 will die from cancer each day².

The importance of protection

Taking out a protection plan, and maintaining it, can help you and your loved ones to navigate life's challenges. The reassuring thing about having this plan in place is that if you are unable to work, have an accident or worse, it can help you or your family by removing some of the financial burden these events can cause. Protection typically offers four solutions to preserve the way of life you and your family deserve.

The types of protection available

Life Care – leave something behind.

Life Care pays a lump sum if you die or are terminally ill and likely to die from the illness within 24 months, as specified in the PDS. You can also take out Accidental Death Cover, which pays a lump sum if you die due to an accident.

TPD Cover – because sickness and accidents happen.

TPD Cover pays a lump sum if you're totally and permanently disabled, as specified in the PDS.

Trauma Cover – health is everything.

Trauma Cover pays a lump sum if you are diagnosed with any one of our defined trauma conditions such as cancer, heart attack or stroke, as specified in the PDS. For the full range of trauma conditions covered and their specific meanings please refer to the 'Medical definitions' also in the PDS.

Income Protection – works when you can't.

At its most basic, income protection pays up to 75% of your income when you're unable to perform all or part of your occupation due to sickness or injury, as specified in the PDS.

1. Australian Government, Australian Road Deaths Database as at 15 June 2020.

2. Cancer In Australia report, 2019, Institute of Health and Welfare.

Here is an overview of some of life's problems, and how a protection plan may help. Please see your Tailored Protection PDS where all the claimable conditions, including those below, are defined in full:

Problem	Example	Protection solution
Pass away too soon	Fatal car accident	Life Cover
Unable to work	Builder breaks a leg, and is unable to work for six weeks*	Income protection
Unable to work	Surgeon loses sight in a motor cycle accident and is unable to ever work again	Total and Permanent Disability (TPD) Cover
Suffer a serious illness	Hairdresser is diagnosed with cancer	Trauma Cover

* A waiting period applies to all of our income protection products and Business Overheads Cover.

Can you afford not to have a protection plan?

While we don't like to think about the 'worst case scenarios' if anything did go wrong, could you and your family afford home and car loan repayments, credit card and household bills and the cost of raising children? Additional bills for hospital stays, medication and other medical services can all add up. Not all expenses are covered by Medicare and private health funds. The more debt you have, the more reason for you to maintain adequate cover.

One in five families will be impacted by the death of a parent, a serious accident or an illness that renders a parent unable to work¹.

The cost of raising children has increased by 50 per cent from 2007, with average household incomes only growing 25 per cent in the same period².

1. Lifewise NATSEM Underinsurance Report, 2010

2. AMP.NATSEM Income and Wealth Report: Cost of Kids 2013.

Key benefits

Can provide a lump sum to pay off your debts and possibly enable your family to maintain their current lifestyle

Can provide a monthly payment if you are temporarily unable to work due to sickness or injury

Can provide a lump sum payment if you suffer a total and permanent disability and are unable to work ever again

Can provide a lump sum payment if you are diagnosed with any one of our defined trauma conditions such as cancer, heart attack or stroke

Suitable for

People with loans, such as a mortgage, and/or anyone with family

Anyone who is permanently employed or self-employed working at least 20 hours per week

Anyone who is permanently employed or self-employed working at least 20 hours per week

People who need to protect their lifestyle if they had to pay medical expenses for a defined trauma condition



But don't I already have cover?

It's true that a large number of people enjoy the benefit of insurance cover through their employer's superannuation fund and employers may offer some as part of your overall package. However, this type of insurance may not be sufficient for you and your family.

Workers compensation and private health care do provide limited compensation if you are injured at work, or in need of health care. But unfortunately they are restricted and probably won't be enough to maintain your current lifestyle:

- Workers compensation is not available to self-employed people
- It doesn't cover non work related illness or injuries
- More than 50 per cent of all serious accidents happen away from work¹
- The maximum basic rates for the Disability Support Pension per fortnight is \$860.60 for singles and \$648.70 for an individual that is part of a couple
- Private health care can help pay your medical bills not covered by Medicare, but life insurance can help with life expenses like your mortgage or rent, and household bills.

The average size of new Australian mortgages is nearly \$500,000².

While required life insurance is now about \$680,000 for a young family, typical default cover in superannuation is approximately \$200,000³.

Isn't protection expensive?

Life insurance premiums generally increase as you get older. This is because you are more likely to become sick or pass away. If you do have an accident, become seriously ill or pass away, you and your family could be under a great deal of emotional stress. Life cover can provide your family with financial comfort when they need it most.

Think of it another way...

Sometimes you may wonder if life insurance is still worth the cost. But think of it another way...

If you had a machine that provided a regular income to your family of \$5,000 a month eg. a tractor on a farm, or a machine in a factory, which was expected to last for 40 years, but had a chance of breaking down and producing no money, would you insure it?

Well, for many of us that machine is ourselves. So if we had an accident, or became very ill, or worse, life insurance provides a contingency plan during a difficult time.

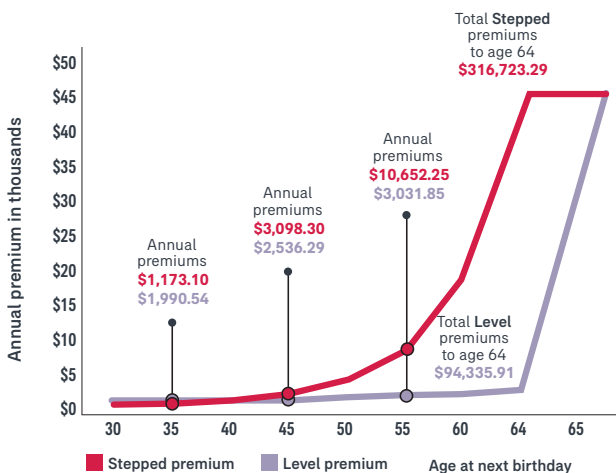


1. <https://www.servicesaustralia.gov.au/individuals/services/centrelink/disability-support-pension/how-much-you-can-get/payment-rates>, as at 25 June 2020.
2. Quoted as February 2020, propertyobserver.com.au
3. Rice Warner: Australia's persistent life insurance gap, 24 June 2015.

How can I make protection more affordable?

Your adviser will be able to help you structure your protection plan in the most cost effective way. Here are some things you might want to talk about:

- Paying your premium annually is more cost effective.
- If you can't afford to pay your premium annually, you can choose to pay more frequently. However you could pay a frequency charge.
- Opt for level premiums as opposed to stepped premiums as they are cheaper in the long run when you are most likely to claim.



Assumptions: 30 year old female non-smoker, clerical occupation, standard life, TCPS policy, 3% indexation, \$500,000 Life cover, \$500,000 any occupation TPD cover, \$250,000 flexi-linked Trauma plus cover.

- Consider whether you want CPI indexation or not (where your sum insured increases each year to keep pace with inflation).
- If you have given up smoking for at least 12 months you may be eligible for non-smoking rates which may reduce your premium amount.

For Life Care, Trauma, Total and Permanent Disability (TPD) Cover specifically:

- You can decrease your sum insured to a 'minimum must-have' cover to meet your most important financial commitments.
- If you have multiple standalone policies, you could combine them, for example: Trauma with a TPD rider is cheaper than separate TPD and Trauma policies. This is possible because rider policies have what is known as an offset, meaning that the payment of one benefit (such as TPD) will reduce the other benefit (in this case Trauma) by the amount of the claim paid.



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Can I make changes to my policy?

Yes. Life tends to involve changes, you could get married, buy a house, raise a family. So as your circumstances change your AIA Australia policy can change with you. As these changes happen they may impact the amount of cover you need, or the way you want to pay for the premiums. Your financial adviser will be able to guide you with the various alternatives you should consider. Keep in mind, reducing cover is easy, whilst reinstating or increasing benefits may require the completion of a new application form and medical underwriting.

Replacing your insurance policy

If you are considering replacing your Life Cover policy with another insurer, it's important that you are fully informed before you act. Make sure you have thoroughly read the PDS and talked to your financial adviser to ensure your protection needs are fully looked after.

Here are some things to consider when you do the policy comparison:

- Does the new policy have the same or better policy features and benefits?
- Will you have to answer health questions and undergo new medical checks
- Will you be paying new policy fees?
- Will you be paying increased premiums because you are older than when you purchased your AIA Australia policy?
- Will you be paying increased premiums because your health status may have changed?
- Will you need to meet new waiting period requirements?
- Will you have to pay extra premium for benefits that are currently included in your AIA Australia policy?
- Does the insurance company have a strong, market leading reputation?
- Does the new policy offer the same or better loyalty rewards?
- Does the insurance company have a strong record of paying claims?

Although costs are often a concern, be careful you don't make a decision solely based on costs; it's important to make sure your insurance cover meets all your needs.

After reviewing all policies and fully understanding the differences, if you still would like to cancel your AIA Australia policy, only cancel once the replacement insurance is in place. This will ensure that you don't have a period of having no cover.

Three reasons to choose AIA Australia

1. We pay claims.

We are proud to play an important role in securing the financial wellbeing of our customers. During 2020, across our Retail, Group and Direct insurance policies AIA Australia paid over \$2.2 billion in claims. On average that's over \$42 million paid each week.

2. We reward with the Loyalty Bonus Benefit.

Once you've held your Life, TPD, Trauma Care with us for five consecutive years or more, we reward your loyalty by giving you an extra five per cent of cover at no cost to you.

For example, if you had \$600,000 worth of cover, after your fifth policy anniversary we'd increase this to \$630,000 at claim time with no increase in your premium or health evidence needed.

3. We reward your loyalty with the Reward Cover Benefit.

Once you've held income protection cover, including Business Overheads Cover, with us for three consecutive years, we reward your loyalty by adding a Reward Cover Benefit at no cost to you and without having to provide any health evidence. The policy then provides an extra \$50,000 in Accidental Death Cover, which we'll pay if you die in an accident.

This amount will increase by \$10,000 each year for the next five years, so you'll eventually have \$100,000 of free Accidental Death Cover, for the duration of your policy.

If you also have a Total Care Plan policy, we'll double the Reward Cover Benefit to \$100,000, increasing by \$20,000 each year, to \$200,000 after five years.

We'll pay this Reward Cover Benefit for Accidental Death if you die within 90 days of the accident and before your cover ends.

We're still here to help

While all products under Tailored Protection closed to new customers from 1 April 2020, we want to reassure you that as an existing customer you continue to hold your cover and can manage it to suit your changing insurance needs. All of your existing product benefits, features and options remain the same, as does our commitment to paying claims.

If you want to apply for or amend a policy, your adviser will be able to help you.

Alternatively you can contact us on **13 1056** 8am – 6pm (AEST/AEDT) Monday to Friday, or visit us online at aia.com.au/tailored-protection