

# UNDERSTANDING POLICY STRUCTURE

December 2022



HEALTHIER, LONGER,  
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## Important notes

This information is for Priority Protection customers, Tailored Protection customers and for policyholders whose life insurance policies were issued by Colonial Mutual Limited Assurance Society (CMLA).

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

To understand how your policy is structured and how your chosen policy structure will impact the policy benefits you can claim, please refer to your PDS, Policy Schedule, and any Significant Event Notices we've sent you. We also recommend that you regularly discuss your needs with your financial adviser as your circumstances change over time.

## What policy structures are available to me?

**There are different ways you can structure your insurance cover.**

Depending on what suits your needs, budget, and personal circumstances, you can structure your insurance as:

- stand alone cover, rider cover, or linked, and
- held inside or outside super, or a combination of both.



## What do the different policy structures mean?

Policy structure	Definition
<b>Stand Alone cover</b>	<p>Stand Alone cover can be taken as either a single policy or across two or more policies. While you have the option to purchase additional cover with us, the additional cover will not be linked. As each Stand Alone cover is held separately, claiming on one will not impact or reduce the cover amount on any other cover.</p> <p>Each Stand Alone cover is held separately, so a benefit paid on one will not impact or reduce any other cover you hold with us. Equally, your Stand Alone cover is not affected or reduced by a benefit paid under the other cover.</p>
<b>Rider cover</b>	<p>Rider cover bundles different types of cover together. Because these cover benefits are connected, the premiums are typically cheaper than if you held the same cover on a stand-alone basis.</p> <p>A benefit paid under rider cover may generally reduce your cover amount available on the connected cover.</p>
<b>Linked</b>	<p>Linked cover allows you to hold cover both inside and outside of the superannuation environment across two separate policies, giving you access to more comprehensive insurance cover and more generous definitions than if you held cover inside the superannuation environment alone. This structure also enables you to fund part of your premiums from your pre-tax income through super.</p> <p>A benefit paid under linked covers will impact the cover amount of the other linked cover.</p>

## How does the policy structure impact my insurance?

### How you structure your cover will impact the benefit you can claim.

The table below illustrates how your lump sum cover amount (such as Life, Total and Permanent Disablement (TPD), and Crisis/Trauma Cover) may be reduced by payment of a benefit under Rider Cover or Linked Benefits.

There are riders that won't reduce your other cover. If you want to know how this works for your policy, please refer to your PDS for more information or discuss with your financial adviser.

Structure	Linked or not linked?	Why you might consider this structure	Will cover be reduced after claim?	Example and outcome
<b>Stand Alone cover</b>	No, not linked to other cover.	Your cover is not impacted by benefit claim payments made under your other cover. However, this type of cover is more expensive than the same amount of cover when taken as a rider.	No, your other cover will not be reduced.	<p>Chloe has Life Cover of \$500,000 and Stand Alone Crisis/Trauma Cover of \$200,000.</p> <p>When we pay Chloe the \$200,000 Crisis/Trauma cover benefit, her \$500,000 Life Cover remains the same.</p>
<b>Rider Cover Benefits</b>	Yes, linked to other cover on the same policy or a separate policy.	Premiums are cheaper than what you'd pay if the cover was held across two policies on a Stand Alone basis.	Yes, your other cover will be reduced. <sup>1</sup>	<p>Olivia has Life Cover of \$500,000 and Rider Crisis/Trauma Cover of \$200,000.</p> <p>When we pay Olivia the full Crisis/Trauma benefit of \$200,000, her Life cover is reduced to \$300,000.</p>
<b>Linked Benefits – lump sum cover</b>	Yes, cover inside super is linked to a different cover outside super across two separate policies.	Gives you the best of both worlds - allowing access to benefits available inside and outside super for no extra cost or cheaper if equivalent cover was structured as a Stand Alone benefit held outside super.	Yes, your other cover will be reduced. <sup>1</sup>	<p>Simon has Life Cover of \$500,000 held on the policy inside super and Crisis/Trauma Cover of \$200,000 held on the policy outside super.</p> <p>When we pay Simon the \$200,000 Crisis/Trauma cover benefit under the policy held outside super, the Life Cover sum insured under his policy held inside super reduces to \$300,000.</p>

#### Note

<sup>1</sup> If you have a Priority Protection policy, there are some instances (such as when a full benefit is paid under Double TPD or Double Crisis Recovery) where a benefit payment does not reduce the other cover. Refer to the PDS for more information about Rider Cover Benefits and Double TPD and Crisis Recovery benefits.

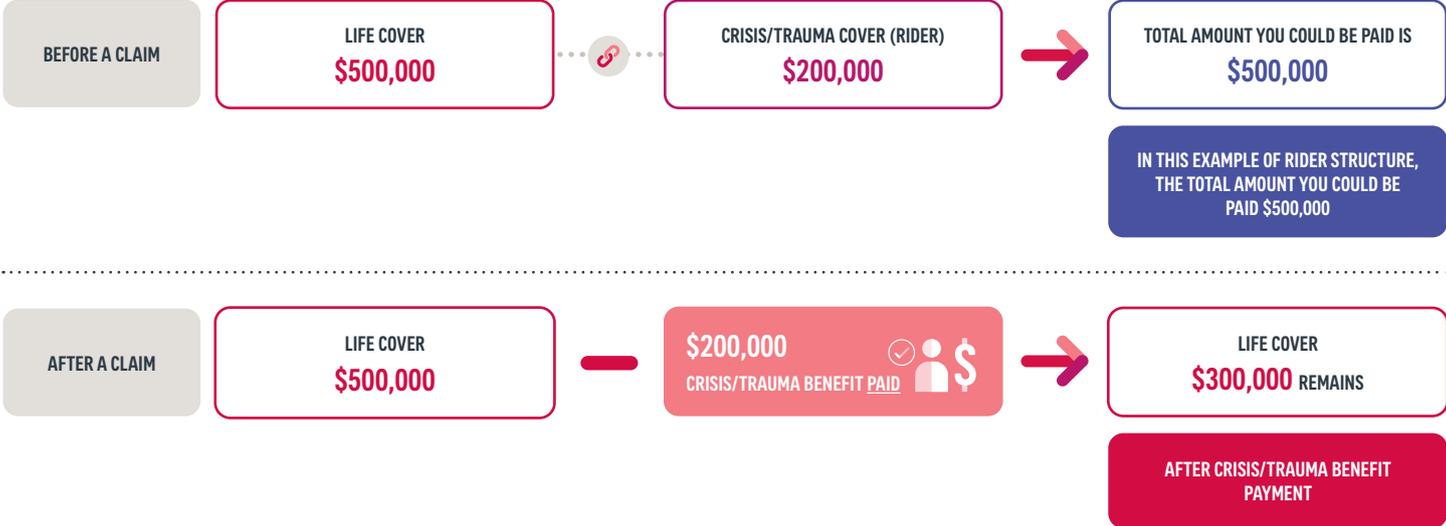
### Stand Alone Cover: payment does not reduce Life Cover

The diagram below explains the impacts of **Stand Alone cover** before and after a claim:

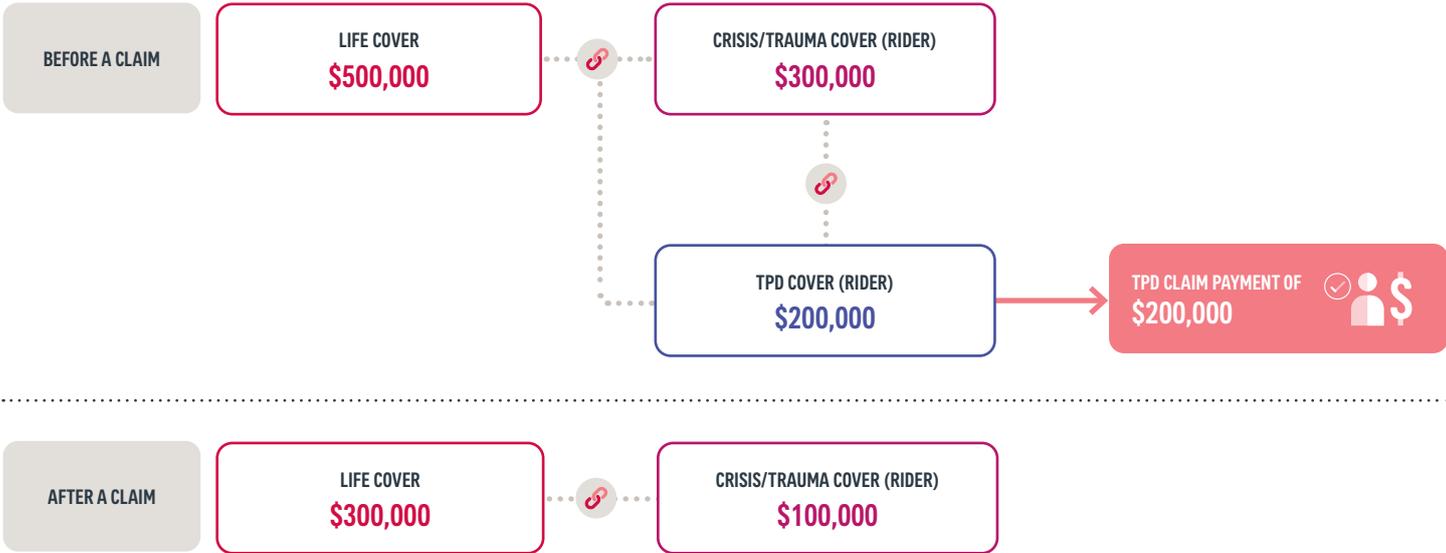


### Rider cover: payment reduces Life Cover

The diagram below explains the impacts of **Rider cover** before and after a claim:



The diagram below explains the impacts of **linked cover** before and after a claim:



**Note**  
The above examples are illustrations only and may not be the same for your policy. There are many other ways to structure your policy. To understand more please speak with your financial adviser and refer to the relevant PDS.

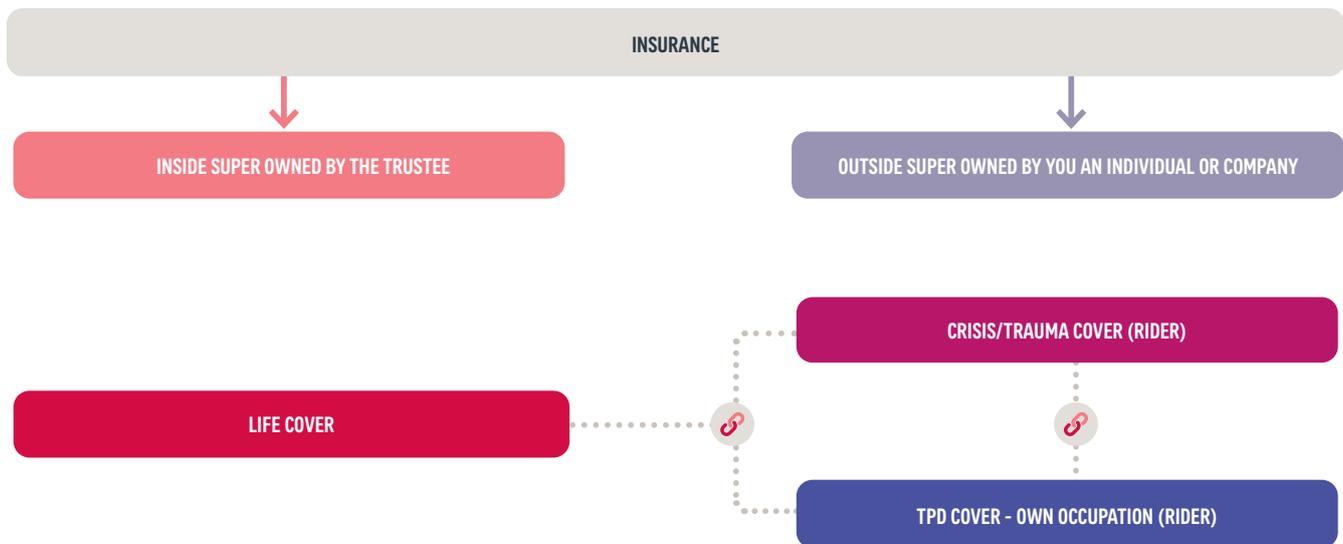


## Holding insurance inside or outside super, or a combination of both.

Depending on your own personal financial circumstances and needs, you can set up insurance in different ways. There are typically three different ways you can structure your insurance protection:

1. inside super
2. outside super, or
3. you can set up two policies, one inside super, the other outside super – and link them.

The diagram below provides an example of how you can **link your cover**:



### Why choose insurance inside super?

Holding insurance inside super can help your day-to-day cash flow. Premiums can be paid from pre-tax salary and wages, or alternatively from existing super fund balances.

### Why choose insurance outside of super?

There are benefits that are only available outside super due to superannuation law. Benefits are paid directly to you rather than to the trustee of your super fund.

Insurance in super is governed by superannuation law and the rules of the super fund. Insurance claim proceeds must be paid to the trustee of your super fund and can then only be paid to fund members if a superannuation condition of release has been satisfied<sup>1</sup>. See examples below:

### Examples of Condition of release

#### Lump sum benefits (Life and TPD Cover)

- Terminal illness
- Permanent incapacity

#### Income Protection

- Temporary incapacity<sup>2</sup>

#### Notes

- 1 Under super law, there are prescribed definitions for these conditions of release. To understand what these are, it is important that you consult with your financial adviser.
- 2 In addition to temporary incapacity, there are other requirements that must also be met for the release of income protection benefits.

## Why link a policy inside super with one outside super?

By linking covers which are held inside and outside super, you are given access to more generous definitions and a more comprehensive cover than if you held cover inside super alone.

In instances when benefits are not payable within super due to superannuation law restrictions (such as Partial and Permanent Disablement/Disability benefit, Accommodation benefit, and the Counselling benefit), the benefit may still be paid to you under the policy held outside super.

These are called Linked Benefits and can be attached to either lump sum cover (e.g., TPD or Crisis/Trauma Cover) or Income Protection.

For information about what Linked Benefits are available in Priority Protection or to find similar information for policyholders whose life insurance policies were issued by CMLA, please contact your financial adviser or refer to your PDS, Policy document, and any Significant Event Notices we've sent you.

Remember, when you set up your cover with your financial adviser, the arrangement which best suits your needs and circumstances is considered. It's always a good idea to discuss your needs with your financial adviser, especially if your circumstances change.

## What if my circumstances change?

As life happens, your insurance needs may change. Major life events like marriage, career changes, growing your family, starting a business, or retiring may require a change in the amount, type, and structure of your insurance protection. We recommend that you regularly consult with your financial adviser to help you determine which options best suit your current circumstances.

## We're always here to help.

For more information, please refer to the PDS that your financial adviser has provided you and any Significant Event Notice that we've issued.

If you have any further questions or wish to review or change your existing cover, please call your financial adviser or contact us via:

### Priority Protection

Call us on 1800 333 613 between 8am-6pm (AEST/AEDT), Monday to Friday, excluding public holidays or visit [aia.com.au/life](http://aia.com.au/life).

### Tailored Protection

Call us on 13 10 56 between 9am-5pm (AEST/AEDT), Monday to Friday, excluding public holidays or visit [aia.com.au/tailored-protection](http://aia.com.au/tailored-protection).

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The Priority Protection PDS is available from your financial adviser, by calling 1800 333 613 or from [aia.com.au/life](http://aia.com.au/life). For Tailored Protection the original PDS and Policy Document you were issued and any Significant Event Notices (SEN) you may have received communicating policy enhancements provided to you since that time, should be referred to. Alternatively, you can call us on 13 10 56 or go to [aia.com.au/tailored-protection](http://aia.com.au/tailored-protection).

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