

TARGET MARKET DETERMINATION

For Business Expenses under Priority Protection and Priority Protection for Platform Investors insurance products and Professional Insurance Portfolio issued by AIA Australia Limited (ABN 79 004 837 861, AFSL 230043)

September 2023



1. About this document

When to use this target market determination

This target market determination (TMD) provides customers, distributors, and staff an understanding of the class of customers this product has been designed for, having regard to the likely objectives, financial situation and needs of the target market. Further, it sets out how the product is distributed, review periods and triggers relating to the TMD, and reporting and monitoring of the TMD.

This document is not a summary of the product's terms and conditions and is not intended to provide financial advice. Persons interested in acquiring this product should carefully read the Product Disclosure Statement (PDS) and any applicable Supplementary Product Disclosure Statement(s) which outline the relevant terms and conditions before making a decision whether to buy this product.

PDS to which this target market determination applies

This TMD applies specifically to business expenses insurance cover referred to in the following PDS:

- [AIA Priority Protection and Priority Protection for Platform Investors PDS](#)
- [Professional Insurance Portfolio \(PIP\) PDS](#)

Effective date

8 September 2023

2. Class of customers that fall within this target market

The information below summarises the class of customers that fall within the target market for this insurance cover, and the likely objectives, financial situations and needs that this insurance cover has been designed to meet.

Class of customers

A customer who is self-employed, a partner of a business or employed as a working director in a full-time employment capacity who has (or envisages that in future they will or may have) outstanding fixed business expenses that will not be satisfied should they become totally or partially disabled and incapable of performing one or more essential duties of their occupation as a result of either an injury or sickness.

Alternatively, a customer who is seeking to reinstate this cover, exercise an option or make an administrative change (under this product or a different product for which AIA Australia is the issuer) that results in a policy being issued ("Existing Customer").

Excluded class of customers

The insurance covers have not been designed for individuals who:

- are not residing in Australia at the time of application;
- are not Australian citizens or permanent residents;
- require a monthly benefit greater than the maximum sum insured ratios allowable (including insurance of a similar type held with any other insurers) (not applicable to Existing Customers);
- is an employee rather than a self-employed business owner;
- want premiums that can never be amended by an insurer in the future; and/or
- do not meet the eligibility or underwriting requirements (Some underwriting and eligibility requirements may not be applicable to Existing Customers).

Likely needs and objectives

The insurance cover has been designed for individuals who:

Business Expenses	Likely needs and objectives
Business Expenses	<p>In the event of a total or partial disablement from sickness or injury which impacts their capacity to pay their fixed business expenses for an extended period of time:</p> <ul style="list-style-type: none"> • want to ensure that fixed operating expenses of their business will be met if the insured cannot work due to an injury or sickness; • envisage the need to protect against the risk of closure of the business and subsequently ensure the insured individual's resumption of gainful self-employment following recovery; and/or • want the business to remain operational.

Financial situation

The insurance cover has been designed for self-employed business owner customers who are earning an income, have savings or otherwise have financial capacity (e.g. family or other relationships) to pay premiums (which may vary from time to time) in accordance with the chosen premium structure to retain the product for the period of time it is intended to be held.

3. Product design descriptions

The insurance cover has been designed for individuals who want to receive a monthly benefit to cover their fixed business expenses in the event they are unable to work as a result of an injury or a sickness, in accordance with the terms and conditions outlined in the PDS.

Product Type

Business Expenses cover helps protect the fixed business expenses of the customer's business in the event of total or partial disablement as a result of sickness or injury.

Monthly benefits are calculated based on the customer's fixed business expenses incurred during the period of disablement, up to the insured monthly benefit amount. However, monthly benefits will be reduced by amounts reimbursed from elsewhere.

Product Eligibility

There are some eligibility limitations, such as:

- Business Expenses is not available to occupation categories E and Home Duties
- The 14-day waiting period is not available for occupation category D
- Your occupation needs to be as a self-employed person working alone, in partnership with others, or as a working director in a full-time employment capacity.

Product Structure

Business Expenses is structured as a stand-alone cover and monthly benefit payments don't reduce the sum insured of any other cover.

There are options of 14 days or 30 days waiting period and the benefit period is 12 months.

Key Attributes

Eligibility

The entry age range depends on the premium structure selected. Please refer to the PDS for the eligible entry age range available.

Premiums

Payment of premiums – if premiums are not paid when due, the policy may lapse in which case the policy owner would no longer be covered and cannot make a claim.

Premium structure – Premiums may vary from time to time and are dependent on age, sex, medical history, pastimes, occupation, employment situation, smoking status, whether benefit indexation has been chosen, level of insurance cover chosen, and premium option chosen or available under the insurance cover. Premiums can alter based on the chosen premium structure and can change over time.

The main premium structures are:

Premium type	Summary
Stepped premiums	Stepped premiums increase each year as you get older because your chances of death, illness and injury increase with age. Stepped premiums increase over time. They are generally cheaper in the earlier years, compared to other premium structures like 'level premiums'.
Level premiums	<p>Level premiums don't increase because of age. Level premiums start higher than stepped premiums but don't go up because of your age. Level premiums are designed to be held over a long period of time. However, the amount of level premiums you pay over the life of your policy can sometimes be more than what you'd pay for stepped premiums.</p> <p>The key difference between level and stepped premiums is that level premiums start higher than stepped premiums, however, while level premiums can increase each year for a number of reasons, they don't increase each year due to your age. Please see below other reasons why premiums can change.</p>
Optimum premiums	Optimum premiums are an option which combines stepped premiums (which start low and increase each year because of your age), with level premiums (which can increase each year for a number of reasons but don't increase due to your age). If you select Optimum premiums, this means your premiums are stepped type premiums when your cover starts. The premium type typically changes from stepped type to level type at the policy anniversary when stepped premiums become greater than level premiums. Your Optimum premiums start higher than a stepped premium type.

More information

For more information go to [Life Insurance \(aia.com.au\)](https://www.aia.com.au) and read the premium information under 'Understanding premiums and cover'.

Other reasons why premiums can change - Regardless of which premium structure you choose, premiums can change for the following reasons:

1. if you choose benefit indexation, which increases your cover amount to help keep pace with inflation;
2. if we change our premium rates for a group of policies due to, amongst other reasons, unanticipated claims increases, or if the economic conditions change;
3. changes in stamp duty rates or any other legislative/regulatory requirement;
4. due to discounts that end or are reduced; and/or
5. if you make a change to your policy (e.g. a change in the sum insured).

Detailed information on the premium structures available for each insurance cover are set out in the relevant sections of the PDS.

Initial Selection Discount

Claims experience highlights that individuals are less likely to claim in the initial years after underwriting. If the policy is on Stepped premiums and you select the Initial Selection Discount, we pass on the benefit of this improved claims experience to you in the form of a discount. The Initial Selection Discount provides a discount of 10% in the first year, 5% in the second year of the policy and 0% for the remaining years.

AIA Vitality Discount

The initial AIA Vitality Discount is designed to encourage you to participate in the AIA Vitality health and wellbeing program. If you've purchased the AIA Vitality Membership with an eligible discount, each year you can maintain and improve your discount up to the discount cap by actively engaging in the program. However, if you have low or no engagement in the program, your AIA Vitality discount will reduce over time. For more information go to aiavitality.com.au

Exclusions

A Business Expenses monthly benefit will not payable which is caused by:

- disablement due to intentional and self-inflicted injuries
- disablement due to participation in criminal activity or resulting from incarceration
- any period incarcerated arising from participation in criminal activity
- disablement due to engaging in or taking part in service in the armed forces of any country, or
- normal pregnancy, uncomplicated childbirth or miscarriage.

Product terms and conditions that may impact your ability to claim or affect the benefit received

The following policy terms and conditions may impact your ability to claim:

- if you cease to be disabled under the terms of the Policy
- you exceed the total business expenses maximum sum insured (including insurance of a similar type held with any other insurers)
- the Business Expenses monthly benefit payments will be reduced by the customer's portion of net income the business derived from trading, and any amount received from any other insurance policy for reimbursement of business expenses that was not disclosed to us when the level of cover was applied for
- you have permanently retired from the workforce except as a direct result of disablement
- the end of the benefit period or cover expiry date, which is the policy anniversary prior to the expiry age as disclosed in the PDS

Please refer to the PDS for the products terms and conditions.

Appropriateness explanation

Broadly, the target market comprises those who are self-employed individuals that have or expect to have outstanding fixed business expenses of their business that will not be satisfied in the event of the individual becoming totally or partially disabled and who have a capacity to pay potentially variable premiums on an ongoing basis. As the product pays regular monthly benefits on total disablement or partial disablement it is therefore likely to meet the needs, or go towards meeting the needs, of those in the target market.

4. How this product is to be distributed

Distribution channels

The insurance cover must only be distributed through the following means:

- **Distribution under a personal advice model** – Australian Financial Services Licence (AFSL) holders authorised by AIA Australia to distribute the product will provide customers with personal advice in relation to the product. Under this model, the AFSL holder can also distribute the product via a platform, where an appropriate agreement between the platform provider and AIA is in place.
- **Distribution under general advice** – AFSL holders authorised by AIA Australia to distribute the product under general advice. This includes online and telephone direct channels, including online aggregators. Under this model, the AFSL holder can also distribute the product via a platform, where an appropriate agreement between the platform provider and AIA is in place.
- **Distribution directly by AIA Australia** – AIA Australia reinstates or issues the product for Existing Customers through completion of the relevant process and form.

Distribution conditions

The insurance cover must only be distributed under the following circumstances.

Distribution under Personal Advice:

Distributors must ensure:

- the product is distributed under an appropriate AFSL and authorised by AIA to distribute the product per the terms of a Distribution Agreement
- to provide the customer personal financial advice in relation to the product
- to provide the customer a copy of the current PDS prior to making a decision to purchase the product, and
- the customer meets the product's age, residency and eligibility requirements.

Customers that obtain personal advice are more likely to be in the target market for this product because advisers have a duty to act in their best interest when providing personal advice.

Distribution under General Advice:

Distributors must ensure:

- the product is distributed under an appropriate AFSL and the distributor is authorised by AIA to distribute the product per the terms of a Distribution Agreement
- the distributor has authorised scripting, training and/or quality assurance standards
- the customer is provided with a copy of the relevant PDS prior to making a decision to purchase the product
- the customer meets application screening questions, and
- the customer meets the product's age, residency and eligibility requirements.

Customers are more likely to be in the target market if distributors distribute the product in alignment with the issuer's distribution conditions.

Distribution directly by AIA Australia

AIA Australia must ensure Existing Customers complete the relevant process and form.

Customers are more likely to be in the target market if AIA Australia utilises the relevant process whereby the Existing Customer must either consult an adviser or alternatively the Existing Customer must confirm that the product meets the Existing Customers likely needs.

5. Reviewing this target market determination

We will review this target market determination in accordance with the below:

Initial review	Within 12 months after the effective date.
Periodic reviews	At least every three years from the initial review.
Review triggers or events	<p>Review Trigger 1: The commencement of a significant change in law that materially affects the product design and/or distribution of the product or class of products that includes this product.</p> <p>Review Trigger 2: Product performance is materially inconsistent with the product issuer's expectations of the appropriateness of the product to consumers having regard to:</p> <ol style="list-style-type: none"> Product claims ratio Claim payment ratios The number of policies sold Policy lapse or cancellation rates Percentage of applications not accepted.

Review triggers or events (continued)	Review Trigger 3: The use of Product Intervention Powers in relation to the distribution or design of this product where the product issuer considers this reasonably suggests that this TMD is no longer appropriate.
	Review Trigger 4: Significant or unexpectedly high number of complaints regarding product design, product availability, claims, and distribution conditions that would reasonably suggest that the TMD is no longer appropriate
	Review Trigger 5: The product issuer determines that a significant dealing in the product outside the target market (except for an excluded dealing) has occurred.
Information needed for review triggers or events	Issuer:
	Review Trigger 1: Relevant regulation, legislation and/or ASIC instruments relating to the change in law.
	Review Trigger 2: During the review period, the expected and actual number of:
	a) Product claims ratio
	b) The number or rate of paid, denied, and withdrawn claims
	c) The number of policies sold
	d) Policy lapse or cancellation rates
	e) Percentage of applications not accepted.
	Review Trigger 3: Relevant Product Intervention order.
	Review Trigger 4: Complaint data and the nature of the complaints regarding product design, product availability, claims and distribution conditions.
	Review Trigger 5: The product governance/incident management process determines that a significant dealing has occurred.
	All Distributors:
	Review Trigger 4: Reports of complaints and the nature of the complaints regarding product design, product availability, claims, and distribution conditions.
	Review Trigger 5: Reports of significant dealings to the issue

Where a review trigger has occurred, this target market determination will be reviewed within 10 business days.

6. Reporting and monitoring

We will collect and report on the following information:

Complaints	We will receive reports from the distributors on all complaints in relation to this financial product half-yearly (within 10 business days of the end of March and September). If any such complaints have been received by distributors in the reporting period, we require the number of complaints received.
	In addition, where complaints are received during the reporting period that relate to product design, product availability, claims or distribution conditions, we require for each complaint:
	<ul style="list-style-type: none"> • the date complaint was received • a description of the complaint.
	AIA may request additional information from the distributor to further understand the underlying complaint issue.
Significant dealings	We will receive reports if our distributors become aware of a significant dealing in the product that is inconsistent with the TMD within 10 business days.