

# TARGET MARKET DETERMINATION

**For Income Protection under Priority Protection and Priority Protection for Platform Investors Insurance products issued by AIA Australia Limited (ABN 79 004 837 861, AFSL 230043)**



April 2025

## 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.

### Product disclosure statement to which this target market determination applies

This TMD applies specifically to income protection insurance cover referred to in the following PDS:

- AIA Priority Protection and Priority Protection for Platform Investors PDS

### Effective date

12 April 2025

### Version

4.0

## 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 employed and has (or envisages that in future they will or may have) a need to replace their income in the event that they are unable to earn their income (or are only able to earn a lower income) due to an event which causes them to be unable to earn their pre-disability income, whether due to 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 customers who:

- are not an Australian Resident<sup>1</sup> or Visa<sup>2</sup> holder residing in Australia at the time of application or,
- are an Australian citizen currently residing overseas for work at the time of application:
  - without an Australian residential address, and
  - without an intention to return to Australia within an agreed time frame accepted by AIA Australia.
- require a monthly benefit greater than pre-disablement levels of income and the maximum sum insured ratios allowable (including insurance of a similar type held with any other insurers) (not applicable to Existing Customers),
- are seeking protection against unemployment or redundancy,
- want premiums that can never be amended by an insurer in the future, and/or
- do not meet the eligibility, distribution or underwriting requirements (Some underwriting and eligibility requirements may not be applicable to Existing Customers).

## Product value, likely needs and objectives

This insurance cover has been designed to provide value to customers who have the following likely needs and objectives:

Income Protection	Likely needs and objectives
Income Protection CORE	<p>In the event of a total or partial disablement from Injury or Sickness which impacts their capacity to undertake gainful employment:</p> <ul style="list-style-type: none"> <li>• want to reduce the burden of living expenses and financial commitments through the receipt of monthly benefit amounts,</li> <li>• want to access rehabilitation and other return to work support services and benefits,</li> <li>• envisage the need to protect their assets, maintain superannuation contribution arrangements and limit exposure of liabilities, and/or</li> <li>• want to support ongoing business management and retention strategies.</li> </ul>

## Financial situation

The insurance cover has been designed for customers who are employed, 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

This insurance product is likely to be consistent with the likely objectives, financial situation and needs for individuals who want to receive a monthly benefit up to a maximum of 70% of their pre-disability monthly income, and if desired, prescribed superannuation contributions, in the event they totally or partially disabled as a result of an injury or sickness, in accordance with the terms and conditions outlined in the PDS.

### Product type

The only income protection offered is Income Protection CORE (Indemnity) which is an indemnity-based income protection policy where your monthly benefits are calculated based on your pre-disability income from personal exertion over a specific period prior to your disablement.

1. Australian Resident means:

- a person who is either an Australian citizen or a holder of an Australian Permanent Resident visa; or
- a person who is a New Zealand citizen and is the holder of a Special Category Visa<sup>3</sup> while residing in Australia indefinitely.

2. Visa means a current and valid visa issued in accordance with the Migration Act 1958 (Cth) or any amending or replacing Act which enables a person to work in Australia.

3. Special Category Visa (SCV) means:

As per the guidelines provided under the Department of Immigration and Border Protection, a Special Category visa (subclass 444) is a temporary visa that allows a person to stay and work in Australia as long as that person remains a New Zealand citizen.

For avoidance of doubt, a New Zealand citizen who holds a SCV while residing in Australia and departs temporarily overseas will be treated the same as an Australian Resident. They will be entitled to the same provisions, cover terms and conditions as an Australian Resident under this policy..

## Product eligibility

There are some eligibility limitations for certain Benefit Periods, such as:

- The five year benefit period is not available to occupation category E
- The benefit period, to the policy anniversary prior to Age 65, is not available for occupation categories D and E.

## Product structure

Income Protection CORE cover is structured as a stand-alone income protection policy. Monthly benefit payments don't reduce the sum insured of any other AIA Priority Protection or Priority Protection for Platform Investors cover.

Benefits will be reduced by any ongoing income and payments you receive such as sick leave, Centrelink payments or workers compensation caused by the sickness or injury.

There are several benefit periods and waiting periods are available to choose from.

Also, customers can purchase additional rider options such as Claims Escalation which increases payments each year in line with Consumer Price Index (CPI) whilst on claim and Retirement Protector which pays monthly benefits to your nominated super fund.

## Key attributes

### Eligibility

Customer must be an Australian Resident<sup>1</sup> or Visa<sup>2</sup> holder and not an excluded class of customer as defined above at the time of application. 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 remain unpaid when due, the policy will lapse in which case the customer 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, smoking status, whether benefit indexation applies, level of insurance cover, and chosen premium option 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	Suitability
<b>Variable age-stepped premiums</b>	Variable age-stepped premiums increase each year as you get older because your chances of death, illness and injury increase with age. Variable age-stepped premiums increase over time. Variable age-stepped premiums are generally cheaper in the earlier years, compared to other premium structures like 'Variable premiums'.	There is a preference for a lower initial cost or there is uncertainty as to how long cover will be held. In addition, you have capacity to meet increasing premiums over time due to your age increasing.
<b>Variable premiums</b>	Variable premiums don't increase because of age. Variable premiums start higher than Variable age-stepped premiums but don't go up because of your age. Variable premiums are designed to be held over a long period of time. However, the amount of Variable premiums you pay over the life of your policy can sometimes be more than what you'd pay for Variable age-stepped premiums.  The key difference between Variable and Variable age-stepped premiums is that Variable premiums start higher than Variable age-stepped premiums, however, while Variable 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'.	There is a preference for cover to be held for a long period of time. You should be comfortable with the higher initial cost, particularly in the event you cancel your policy prior to the expiry date.

<b>Optimum premiums</b>	Optimum premiums are an option which combines Variable age-stepped premiums (which start low and increase each year because of your age), with Variable 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 Variable age-stepped type premiums when your cover starts. The premium type typically changes from Variable age-stepped type to Variable type at the policy anniversary when Variable age-stepped premiums become greater than Variable premiums. Your Optimum premiums start higher than a Variable age-stepped premium type.	There is a preference for a lower initial cost, compared to Variable premiums, or there is uncertainty how long cover will be held but you would like the option to hold your cover for a long period of time. In addition, you have capacity to meet increasing premiums during the initial years due to your age increasing where premiums are Variable age-stepped, until premiums change to Variable premiums.
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### Learn more

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

### Other reasons why premiums can change

Regardless of which premium structure is chosen, 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.

### Premium discounts

We offer a range of premium discounts which may be available to customers depending on their circumstances. These include:

- AIA Vitality Discount
- Initial Selection Discount
- Bundled Discount
- Lump Sum Bundled Discount
- Healthier Life Reward
- Large Sum Insured Discount
- Health and Life Discount, and
- other discounts.

Some of these discounts may increase, decrease or cease over time as a result of changes in the customers policy structure (such as adding or removing benefits), AIA Vitality participation and membership status. Below you can find additional information about why AIA Vitality Discount and Initial Selection Discount changes over time. For full details of all the discounts available, qualifying criteria and terms and conditions, please refer to the PDS.

#### *AIA Vitality Discount*

The AIA Vitality Discount is offered as part of AIA Vitality, our science-backed health and wellbeing program. As an AIA Vitality member engages in the program, they can build their status and maintain or access a higher discount on their premiums up to the discount maximum. However, if there is low or no engagement in the program, the AIA Vitality Discount will reduce over time until no discount applies. Learn more at [aiavitality.com.au](https://aiavitality.com.au)

#### *Initial Selection Discount*

Claims experience highlights that individuals are less likely to claim in the initial years after underwriting. If the policy is on Variable age-stepped premiums and you select the Initial Selection Discount, we will pass on the benefit of this improved claims experience to you in the form of a discount. The Initial Selection Discount provides a discount for the first two years of the Policy. The discount will halve on the first policy anniversary and will decrease to zero from the second policy anniversary. For more information go to [aia.com.au/life](https://aia.com.au/life)

## Exclusions

An income protection monthly benefit will not be payable for Total or Partial Disablement in relation to any disablement which is caused by:

- intentional self-inflicted injury or any such attempt by you
- your participation in criminal activity or resulting from incarceration
- for any period you are incarcerated arising from your participation in criminal activity
- your engagement in active military service in the armed forces of any country after cover commencement
- 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
- if you purchase your policy within superannuation, you'll also need to meet the relevant superannuation law conditions of release before the trustee of the superannuation fund can make a payment of claim proceeds to you
- you do not attend a Medical Practitioner or undergo all reasonable and usual treatment, including (where appropriate) rehabilitation for the injury or sickness, as recommended by a Medical Practitioner
- if you've been on claim for more than 24 months of the benefit period and you don't meet the Suited Occupation definition of disability, you'll no longer be eligible for benefits
- if you're no longer receiving any income for more than 24 months, you'll no longer be eligible for benefits
- your monthly benefit reduces if you've been on claim for more than 24 months of the benefit period
- if you are partially disabled, your benefits will cease when you start to earn income which is 80% or more of your pre-disablement income
- after two years, if you are capable of working more than the lesser of 40 hours or 80% of your pre-disablement hours your benefits will cease
- if your income has reduced since you took out the cover, you may receive less than the sum insured as your maximum monthly benefit payments will be the lesser of your actual average monthly pre-disablement income prior to claim and your sum insured amount
- if you receive any other ongoing income and payments such as sick leave, Centrelink payments or workers compensation caused by the sickness or injury, your benefits will be reduced by the amount of the other income received. This could result in no monthly benefit being payable
- you have permanently retired from the workforce except as a direct result of disablement
- you reach the end of your selected benefit period. For age related benefit periods, this will be the policy anniversary prior to the selected age.
- the 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.

## Other information

Insurance cover can be obtained either inside or outside of the superannuation environment. An additional personally owned insurance policy which provides access to benefits only available outside of Super, is issued in addition to your main Income Protection CORE policy. Taxation laws apply to the insurance policy and/or premiums. Superannuation-owned policies can be funded from superannuation monies, which may create taxation and cash flow efficiencies, however superannuation law prescribes what benefits are available and the conditions in which claim proceeds can be received. For further information refer to the PDS.

## Appropriateness explanation

Broadly, the target market comprises those who have or expect to have outstanding financial commitments that will not be satisfied in the event of the their own or another person's (i.e. the life insured's) total or partial disablement 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

In order to ensure the customer is likely to be in the target market, the insurance cover must only be distributed in 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.
- the customer is provided with information on the products requested, by way of:
  - the PDS, and
  - a premium estimate

that is likely to prompt the customer to either proceed or not proceed with their purchase based on the product meeting their likely needs and objectives as well as financial capacity to pay ongoing insurance premiums.

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:

<b>Initial review</b>	Within 12 months after the effective date.
<b>Periodic reviews</b>	At least every three years from the initial review or in the event of a review trigger, 12 months after the TMD is updated due to the review trigger.
<b>Review triggers or events</b>	<p><b>Review Trigger 1:</b> 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><b>Review Trigger 2:</b> Product performance is materially inconsistent with the product issuer's expectations of the appropriateness of the product to consumers having regard to:</p> <ul style="list-style-type: none"> <li>f) Product claims ratio</li> <li>g) Claim payment ratios</li> <li>h) The number of policies sold</li> <li>i) Policy lapse or cancellation rates</li> <li>j) Percentage of applications not accepted.</li> </ul> <p><b>Review Trigger 3:</b> 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.</p> <p><b>Review Trigger 4:</b> 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</p> <p><b>Review Trigger 5:</b> The product issuer determines that a significant dealing in the product outside the target market (except for an excluded dealing) has occurred.</p>
<b>Information needed for review triggers or events</b>	<p><b>Issuer:</b></p> <p><b>Review Trigger 1:</b> Relevant regulation, legislation and/or ASIC instruments relating to the change in law.</p> <p><b>Review Trigger 2:</b> During the review period, the expected and actual number of:</p> <ul style="list-style-type: none"> <li>a) Product claims ratio</li> <li>b) The number or rate of paid, denied, and withdrawn claims</li> <li>c) The number of policies sold</li> <li>d) Policy lapse or cancellation rates</li> <li>e) Percentage of applications not accepted.</li> </ul>
<b>Information needed for review triggers or events (continued)</b>	<p><b>Review Trigger 3:</b> Relevant Product Intervention order.</p> <p><b>Review Trigger 4:</b> Complaint data and the nature of the complaints regarding product design, product availability, claims and distribution conditions.</p> <p><b>Review Trigger 5:</b> The product governance/incident management process determines that a significant dealing has occurred.</p> <p><b>All Distributors:</b></p> <p><b>Review Trigger 4:</b> Reports of complaints and the nature of the complaints regarding product design, product availability, claims, and distribution conditions.</p> <p><b>Review Trigger 5:</b> Reports of significant dealings to the issue</p>

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:

<b>Complaints</b>	<p>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.</p> <p>In addition, where such complaints relate to product design, product availability, claims or distribution conditions, we require for each complaint:</p> <ul style="list-style-type: none"><li>• the date complaint was received</li><li>• a description of the complaint.</li></ul> <p>AIA may request additional information from the distributor to further understand the underlying complaint issue.</p>
<b>Significant dealings</b>	<p>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.</p>