

TARGET MARKET DETERMINATION



Tailored Protection issued by AIA Australia Limited (ABN 79 004 837 861).

June 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, with regard to the 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. When making a decision about this product, customers must refer to the Product Disclosure Statement (PDS) and any applicable Supplementary Product Disclosure Statement(s) which outline the relevant terms and conditions. For customers with SMSF Plan policies please refer to the [2019 SPDS / PDS](#) instead of the current PDS.

PDS to which this target market determination applies

This TMD applies to [Tailored Protection PDS](#).

Effective date

15 June 2023

2. Likely objectives, financial situation and needs of existing customers in the target market of Tailored Protection

This product is only available to existing customers of AIA Australia who are seeking to replace cover, exercise an option or make an administrative change (under their existing policy) that results in a Tailored Protection policy being issued ("Existing Customers").

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.

You (an Existing Customer) want to reduce your exposure where you:

Life Care and Accidental Death Cover	Total and Permanent Disability (TPD) Cover	Trauma Cover and Trauma Plus Cover	Child Cover	Income Protection and Business Overheads Cover
Have (or envisages that in future you will or may have) outstanding financial or financial-in-kind commitments (including financial commitments to dependents such as spouse or children) that will not be satisfied in the event of:			Are the natural parent or legal guardian of a child or children and have (or envisages in future you will or may have) outstanding financial or financial-in-kind commitments that will not be satisfied:	Income Protection
terminal illness* or death	becoming totally and permanently disabled	meeting a defined Trauma Cover or Trauma Plus Cover condition	<ul style="list-style-type: none"> where an insured child meets the definition of a Child Trauma Cover condition; or if the insured child dies. 	Are employed and have (or envisages that in future you will or may have) a need to receive a monthly benefit to replace your income in the event you become unable to earn your pre-disability income (or are only able to earn a lower income) due to sickness or injury.
*Life Care only.				Business Overheads Cover
These financial or financial-in-kind commitments include but are not limited to:				Are a self-employed business owner who has (or envisages that in future you will or may have) outstanding fixed business expenses that will not be satisfied if you become totally disabled due to sickness or injury.
<ul style="list-style-type: none"> mortgage and other debt servicing costs, final expenses, and income replacement; or medical costs, transportation and accommodation costs, and personal palliative care; or ensuring that their business continues with less financial disruption upon the loss of a key person, or to ensure business succession. 				

Additionally, the SMSF Plan has been designed for the trustee of a Self Managed Super Fund (SMSF) who requires life insurance that can be held inside the super environment that can be paid for by the SMSF, out of the fund's super monies. The trustee of an SMSF needs to reduce exposure for the events listed in the table above for the following types of cover:

- Life Care
- Accidental Death Cover
- TPD Cover
- Income Protection/Essential Cover.

3. Demographic and eligibility requirements for Tailored Protection

The Tailored Protection eligibility requirements for Existing Customers include:

- Entry age
- Underwriting criteria such as health and medical history, income, lifestyle, pastimes and occupation
- Residency
- Employment status
- Parental status (relevant for Child Cover).

For further information refer to the PDS. However, these eligibility requirements don't apply if there is no increase in risk when completing the replacement.

4. Product Description

Life Care and Accidental Death Cover	Total and Permanent Disability (TPD) Cover	Trauma Cover and Trauma Plus Cover	Child Cover	Income Care, Income Care Plus, Income Care Platinum, Income Protection, Essential Cover and Business Overheads Cover
<p>Life Care</p> <p>Tailored Protection Life Care pays a lump sum payment in the event of terminal illness or death in accordance with the terms and conditions outlined in the PDS.</p> <p>Accidental Death Cover</p> <p>Tailored Protection Life Care pays a lump sum payment in the event of death as a result of an accident in accordance with the terms and conditions outlined in the PDS.</p>	<p>Tailored Protection TPD Cover pays a lump sum payment in the event where total and permanent disability results in you becoming unlikely to ever return to work and/or engage in home duties in accordance with the terms and conditions outlined in the PDS.</p>	<p>Trauma Cover</p> <p>Tailored Protection Trauma Cover pays a lump sum payment if you suffer from a defined Trauma Cover condition in accordance with the terms and conditions outlined in the PDS.</p> <p>Trauma Plus Cover</p> <p>Tailored Protection Trauma Plus Cover can be added to Trauma Cover and pays a lump sum partial payment if you suffer from one of the extra defined Trauma Plus Cover conditions in accordance with the terms and conditions outlined in the PDS.</p>	<p>Tailored Protection Child Cover pays a lump sum payment if your child suffers from a defined Child Cover condition or passes away, in accordance with the terms and conditions outlined in the PDS.</p>	<p>Income Care, Income Care Plus, Income Care Platinum and Income Protection (under SMSF Plan)</p> <p>Tailored Protection income protection pays monthly benefits to replace a certain portion of your pre-disability monthly income, and if desired, prescribed superannuation contributions, in the event you become totally or partially disabled as a result of sickness or injury, in accordance with the terms and conditions outlined in the PDS.</p> <p>Essential Cover</p> <p>Tailored Protection Essential Cover pays monthly benefits to replace a certain portion of your pre-disability monthly income in the event you become totally or partially disabled as a result of an accident, in accordance with the terms and conditions outlined in the PDS.</p> <p>Business Overheads Cover</p> <p>Tailored Protection Business Overheads Cover pays monthly benefits to help cover your business' regular fixed operating expenses if you become totally disabled due to sickness or injury.</p>

The SMSF Plan provides insurance cover to an SMSF with the SMSF trustee as the policy owner. As the SMSF Plan policy provides insurance inside the super environment the cover is limited to Life Care, Accidental Death Cover, TPD Cover and Income Protection/Essential Cover as described in the table above.

5. Key Attributes

Attribute	Description						
Eligibility	If you don't meet the eligibility criteria you will be ineligible for cover. Eligibility criteria includes entry age range which depends on the cover type, premium type and whether you are increasing cover when applying for a replacement policy. Please refer to the PDS for more information.						
Expiry	If your cover has expired, you will be ineligible to claim for an event that occurred after your cover expired.						
Premiums	<p><u>Payment of premiums</u> – if premiums are not paid when due, the policy may lapse in which case coverage ends and you cannot make a claim for an event that occurred after the policy has lapsed.</p> <p><u>Premium structure</u> – Premiums may vary from time to time and are dependent on age, health, gender, occupation, smoking status, pastimes, policy options you select, whether you choose stepped or level premium, combination of cover, type and amount of cover, stamp duty and any loadings or special provisions applied. Please refer to the PDS for more information.</p> <p>The main premium structures are:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="color: #c00000;">Premium type</th> <th style="color: #c00000;">Summary</th> </tr> </thead> <tbody> <tr> <td>Stepped premiums</td> <td>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'.</td> </tr> <tr> <td>Level premiums</td> <td> <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> </td> </tr> </tbody> </table>	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>
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	<p>For more information go to Life Insurance (aia.com.au) and read the premium information under 'Understanding premiums and cover'.</p> <p>Other reasons why premiums can change - Regardless of which premium structure you choose, premiums can change for the following reasons:</p> <ol style="list-style-type: none"> 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). <p>Detailed information on the premium structures available for each insurance cover are set out in the relevant sections of the PDS.</p>						
Exclusions	<p>Below we have described some key exclusions however it is important for you to read the PDS for more information.</p> <p>Suicide, attempted suicide, and self-inflicted injury and other specific exclusions disclosed in the PDS.</p>						

6. Appropriateness explanation

Life Care and Accidental Death Cover

Generally, the target market includes those who have or expect to have outstanding financial commitments that will not be satisfied in the event of terminal illness, death or death as a result of an accident (as applicable for the cover type) and who have a financial capacity to pay premiums (which may vary from time to time) in accordance with the chosen premium structure for the period of time it is intended to be held. As the product pays a lump sum on death, death as result of an accident or terminal illness (as applicable for the cover type) it is therefore likely to meet the needs, or go towards meeting the needs, of those in the target market.

Total and Permanent Disability (TPD) Cover

Generally, the target market includes those who have or expect to have outstanding financial commitments that will not be satisfied in the event of total and permanent disability and who have a financial capacity to pay premiums (which may vary from time to time) in accordance with the chosen premium structure for the period of time it is intended to be held. As the product pays a lump sum on total and permanent disability it is therefore likely to meet the needs, or go towards meeting the needs, of those in the target market.

Trauma Cover and Trauma Plus Cover

Generally, the target market includes those who have or expect to have outstanding financial commitments that will not be satisfied in the event of you suffering a defined Trauma Cover condition, and who have a financial capacity to pay premiums (which may vary from time to time) in accordance with the chosen premium structure for the period of time it is intended to be held. As the product pays a lump sum if you suffer a defined Trauma Cover condition, it is therefore likely to meet the needs, or go towards meeting the needs, of those in the target market.

Child Cover

Generally, the target market includes those who have or expect to have outstanding financial commitments that will not be satisfied in the event of their child passing away or suffering a defined Child Cover condition, and who have a financial capacity to pay premiums (which may vary from time to time) in accordance with the chosen premium structure for the period of time it is intended to be held. As the product pays a lump sum if your child passes away or suffers a defined Child Cover condition, it is therefore likely to meet the needs, or go towards meeting the needs, of those in the target market.

Income Care, Income Care Plus, Income Care Platinum, Income Protection, Essential Cover and Business Overheads Cover

Generally, the target market includes those who have or expect to have a need to replace income (or help cover your business' regular fixed operating expenses*) should you become totally or partially disabled as a result of:

- sickness or injury as defined (excludes Essential Cover)
- or as a result of an accident as defined

and who have a financial capacity to pay premiums (which may vary from time to time) in accordance with the chosen premium structure for the period of time it is intended to be held. As the product pays monthly benefits if totally or partially disabled (as defined) it is therefore likely to meet the needs, or go towards meeting the needs, of those in the target market.

*Business Overheads Cover only.

7. 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 existing customers with personal advice in relation to the product.
- **Distribution directly by AIA Australia** – AIA Australia issues the product for Existing Customers through completion of the relevant process and form.

Distribution conditions

This product 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 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 a financial adviser or alternatively, the Existing Customer must confirm that the product meets their Existing Customers likely needs.

8. 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. <p>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.</p> <p>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.</p> <p>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.</p>
Information needed for review triggers or events	<p>Issuer:</p> <p>Review Trigger 1: Relevant regulation, legislation and/or ASIC instruments relating to the change in law.</p> <p>Review Trigger 2: During the review period, the expected and actual number of:</p> <ol style="list-style-type: none"> Product claims ratio The number or rate of paid, denied, and withdrawn claims The number of policies sold Policy lapse or cancellation rates Percentage of applications not accepted. <p>Review Trigger 3: Relevant Product Intervention order.</p> <p>Review Trigger 4: Complaint data and the nature of the complaints regarding product design, product availability, claims and distribution conditions.</p> <p>Review Trigger 5: The product governance/incident management process determines that a significant dealing has occurred.</p> <p>All Distributors:</p> <p>Review Trigger 4: Reports of complaints and the nature of the complaints regarding product design, product availability, claims, and distribution conditions.</p> <p>Review Trigger 5: Reports of significant dealings to the issuer.</p>

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

9. Reporting and monitoring this target market determination

We will collect and report on the following information:

Complaints	<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 complaints are received during the reporting period that relate to product design, product availability, claims or distribution conditions, we require for each complaint:</p> <ul style="list-style-type: none">• the date complaint was received• a description of the complaint. <p>AIA may request additional information from the distributor to further understand the underlying complaint issue.</p>
Significant dealings	<p>We will receive reports if our distributors become aware of a significant dealing in relation to this TMD that is inconsistent with the TMD within 10 business days.</p>
