

# CRISIS EXTENSION

## ADVISER FAQs

October 2020



**Crisis Extension is new cover that complements your clients' Crisis Recovery cover. Through Crisis Extension, your clients will now have the choice of flexible sums insured that offer them a lot more cover, for a lot less, and for longer.**

### What is the new Crisis Extension benefit?

Crisis Extension works in conjunction with Crisis Recovery, but covers the most advanced health events; those that have a significant and long-term impact on the insured's health.

Crisis Extension is available as an optional rider to Crisis Recovery, boosting the Crisis Recovery benefit with the additional Crisis Extension payment when the insured needs it most.

### What's covered under Crisis Extension vs. Crisis Recovery?

Crisis Extension covers most of the same events as Crisis Recovery, but with additional severity criteria for some events. For example, Crisis Recovery pays for most cancers, and Crisis Extension pays if the cancer is advanced or invasive (stages 3 and 4).

All Crisis Recovery and Crisis Extension events are medically defined in the Product Disclosure Statement (PDS) and Policy Document.

This table compares Crisis Recovery and Crisis Extension events:

	Crisis Recovery	Crisis Extension
<b>Cancer Events</b>	All cancers, partials for early stage prostate, skin and carcinoma in situ.	Advanced/Invasive cancers, i.e. stage 3 or greater
<b>Coronary Events (including stroke)</b>	<ol style="list-style-type: none"><li>Heart attack</li><li>Stroke</li><li>Coronary Artery By-pass Surgery</li><li>Heart valve surgery</li><li>Surgery to the Aorta</li><li>Pulmonary Arterial Hypertension</li><li>Cardiomyopathy</li><li>Out of hospital cardiac arrest</li><li>Coronary artery angioplasty</li><li>Other serious coronary artery disease</li></ol>	<ol style="list-style-type: none"><li>Heart attack with impaired cardiac function (LVEF&lt;30% or NYA Class IV)</li><li>Stroke with impairment (2 ADLs or 25% WPI)</li><li>Coronary Artery By-pass Surgery (open heart)</li><li>Heart valve surgery (open heart)</li><li>Surgery to the Aorta (open heart or open abdominal)</li><li>Pulmonary Arterial Hypertension - with NYA Class IV impairment</li><li>Cardiomyopathy – with NYA Class IV impairment</li><li>Same definition (no additional criteria)</li><li>Not covered</li><li>Not covered</li></ol>

	Crisis Recovery	Crisis Extension
Other Serious Events	32 Crisis Events	<p>21 – same definition (no additional criteria)</p> <ul style="list-style-type: none"> <li>Alzheimer's Disease</li> <li>Blindness</li> <li>Chronic Lung Disease</li> <li>Dementia</li> <li>Loss of Independence</li> <li>Loss of hearing</li> <li>Major Burns</li> <li>Motor Neurone Disease</li> <li>Pneumectomy</li> <li>Aplastic Anaemia</li> <li>Chronic Liver Disease</li> <li>Coma</li> <li>Kidney Failure</li> <li>Loss of Use of Limbs/Sight</li> <li>Loss of Speech</li> <li>Major Organ Transplant</li> <li>Plegia's (Di-, Hemi-, Para-, Quad-)</li> <li>Terminal Illness (Stand Alone)</li> </ul> <p>8 – additional criteria (functional impairment – 2 ADLs or 25% WPI)</p> <ul style="list-style-type: none"> <li>Bacterial Meningitis</li> <li>Benign Brain Tumour</li> <li>Major Head Trauma</li> <li>Viral Encephalitis</li> <li>Multiple Sclerosis</li> <li>Muscular Dystrophy</li> <li>Parkinson's Disease</li> <li>Severe Rheumatoid Arthritis</li> </ul> <p>3 – not covered (Accidental HIV Infection, Intensive Care , Occupationally Acquired Hepatitis B or Hepatitis C Infection))</p>

### What's the additional payment amount for Crisis Extension benefit?

Crisis Extension has a separate Sum Insured, which you determine.

### What if the client meets the definition under both Crisis Recovery and Crisis Extension?

In the case of the definition being met under both a Crisis Event (under Crisis Recovery) and a Crisis Extension Event, both benefits are payable.

### What if my client meets the definition under Crisis Recovery, receives a claim and then subsequently is re-diagnosed with a progressed or deteriorated form of the condition?

Should the condition progress or deteriorate after the client has claimed under Crisis Recovery, they may then later meet the definition of the Crisis Extension Event, receiving an additional payout. If your client meets the definition of a Crisis Event (under Crisis Recovery) and then makes a full recovery, they retain their Crisis Extension benefit for any future illnesses.

### Why can't you take Crisis Extension it on its own?

We believe that Crisis Recovery plays an important role in covering the insured for the risk of health events that can cause an immediate disruption in the insured's life and a financial burden in the short term.

Crisis Extension provides the flexibility to lower the sum insured on Crisis Recovery and keep higher levels of cover for those events that will have the greater and longer-term impact on the insured's health and financial situation.

The combination of Crisis Recovery with Crisis Reinstatement and Crisis Extension offer the customer the cover they need to minimise the financial risk of multiple health events of varying impacts.

### Why do you need Crisis Reinstatement?

Crisis Reinstatement allows for multiple claims on Crisis Recovery. We believe it is important for the insured to retain Crisis Recovery for any future unrelated health events.

### How does Crisis Extension help with the affordability of Crisis Recovery?

Crisis Extension premiums are lower than Crisis Recovery premiums. Using Crisis Extension as part of the insurance strategy allow you to **optimise your cover** and achieve lower total premiums.

For example, allocating 50% of the sum insured to Crisis Extension and 50% to Crisis Recovery (e.g. for a 40+ year old) results in an **average 23% savings** on the combined premium compared to allocating 100% of the sum insured to Crisis Recovery.

### If Crisis Extension pays claims based on severity of condition how is it more optimal cover for a client?

Medical and technological advances mean that some illnesses covered are no longer life threatening or require as much financial input as they did some 30 years ago.

However, Crisis Recovery pays the same amount for these illnesses as for more significant illnesses that continue to be life threatening and pose significant long-term health and financial risks.

As Crisis Recovery premiums are increasing, the insured may be better serviced by cover that can be tailored by the impact of the illness/injury and not pay for cover beyond the financial loss.

Also, some clients that get their full benefit as a once-off when the illness didn't result in a financial loss, and use the funds for other purposes, may be left exposed and vulnerable to future risks of not being well enough insured for more severe health events.

### How does Crisis extension solve the problem of leaving your client exposed to future conditions after a successful claim?

Crisis Extension will pay a lump sum if your client is diagnosed with a condition which meets the definition of one of the Crisis Extension Events listed below. Crisis Extension Events are medical conditions that have progressed or deteriorated from the initial diagnosis or are more serious conditions. Some Crisis Extension Events are Crisis Events (under Crisis Recovery) with additional criteria within each definition that reflect this.

### Is there a minimum amount that needs to be placed into Crisis Recovery or Crisis Extension?

No, the two sums insured are treated independently of each other offering a lot more flexibility for you to determine to appropriate levels for an individual's needs now and into the future.



### Can I add the new benefit to an existing AIAA Crisis Recovery policy?

Where the Crisis Extension benefit suits an existing client, you can utilise the benefit. As Crisis Extension is only available on policies issued on the PDS dated 10 October 2020 onwards. A customer with a policy issued on a PDS prior to this will be required to cancel their existing Crisis Recovery policy and apply for a new policy in order to access Crisis Extension.

Advisers will be required to do this via a **Cancel & Replace Form** as long as the following criteria is met:

#### Existing customer already has Crisis Reinstatement

**Total sum insured remains the same or lower:** the combined sum insured Crisis Recovery and Crisis Extension on the new policy are not greater than the Crisis Recovery sum insured on the replaced policy.

**No claims have been paid:** the insured has not been paid a Crisis Recovery claim.

#### Existing customer does not have Crisis Reinstatement

**Total sum insured remains the same or lower:** the combined sum insured Crisis Recovery and Crisis Extension on the new policy are not greater than the Crisis Recovery sum insured on the replaced policy.

**No claims have been paid:** the insured has not been paid a Crisis Recovery claim.

**At least 20% of sum insured is moved to Crisis Extension:** the Crisis Extension sum insured on the new policy must be at least 20% of the Crisis Recovery sum insured on the replaced policy.

**Loadings/exclusions limit:** the insured has a maximum of + 50% underwriting loading on Crisis Recovery, and the overall loading/exclusions are within the limits of acceptance for Crisis Reinstatement and Crisis Extension.

### Do I have to set up a new policy for both the Crisis Recovery and Crisis Extension?

Yes, as Crisis Extension is only available on policies issued on the PDS dated 10 October 2020 onwards and has to be on the same policy as Crisis Recovery.

### Do I have to apply for the Crisis Recovery reinstatement?

When adding Crisis Extension, Crisis Reinstatement is automatically applied to the policy ensuring that Crisis Recovery can be reinstated possibly twice through our modulated Crisis Recovery for:

- Cancer Events
- Coronary Events
- Other Serious Crisis Events

### What are the benefits of splitting my clients cover between Crisis Recovery and Crisis Extension?

Premiums are lower, more cover for less, for longer.

#### Example 1##:

Female, 54NB, Operations Manager, NSW, Non- smoker, No loading, AIA Vitality member or not an AIA Vitality member, Income \$134,000.

Life Cover	Crisis Recovery	Crisis Extension	AIA Vitality Y or N	Premium	
\$567,000	\$300,000	-	Y	\$3,809.55	
\$567,000	\$150,000	\$150,000	Y	\$3,184.74	REDUCES PREMIUM \$624.81
\$567,000	\$100,000	\$200,000	Y	\$2976.47	REDUCES PREMIUM \$833.08
\$567,000	\$300,000	-	N	\$4,432.20	
\$567,000	\$150,000	\$150,000	N	\$3,674.85	REDUCES PREMIUM \$757.35
\$567,000	\$100,000	\$200,000	N	\$3422.40	REDUCES PREMIUM \$1009.80

### REDUCES PREMIUM up to \$833.08 in year one,

as an AIA Vitality member when splitting Crisis cover between Crisis Recovery and Crisis Extension.

### REDUCES PREMIUM up to \$1009.80 in year one,

when a customer is not an AIA Vitality member and splits Crisis cover between Crisis Recovery and Crisis Extension. Note: the premium cost (\$) is higher than if they were an AIA Vitality member.

## Examples include Crisis Buyback and Reinstatement, policy fee and AIA Vitality contribution fee. Examples are produced from quoting software for illustrative purposes only.

### Why has AIAA developed Crisis Extension?

Through in-depth consultation with both advisers and clients, the Crisis Extension was designed so that financial windfalls are reduced, and financial losses are protected; while balancing your 'best interest duty' obligations as an adviser.

See our Technical and Positioning document for more details and case studies.

## Which of the FASEA standards does Crisis Extension support?

### Standard 2

**You must act with integrity and in the best interests of each of your clients.**

As documented in the FPA's 'HELPING YOU UNDERSTAND THE **FASEA CODE OF ETHICS**', April 2019 | Version 1

Appropriate to meet the client's objectives, financial situation and needs, taking into account the client's broader, long-term interests and likely future circumstances. The test is, in short: will your advice and recommendations improve the client's financial well-being?

Reasonable investigation of potential financial products; and bases his or her judgements on the client's relevant circumstances.

- Encourage your client to think of potential longer-term aspects that will impact their financial well-being, rather than relying on the information your client provides you
- Ask your client, and ensure your client thinks about the potential future needs of their family members, such as their aged care or debt assistance needs. (Appendix 3 – Trigger Events may be helpful for this purpose.)

### Standard 5

**All advice and financial product recommendations that you give to a client must be in the best interests of the client and appropriate to the client's individual circumstances. You must be satisfied that the client understands your advice, and the benefits, costs and risks of the financial products that you recommend, and you must have reasonable Grounds to be satisfied.**

### Standard 6

**You must take into account the broad effects arising from the client acting on your advice and actively consider the client's broader, long-term interests and likely circumstances.**

As documented in the FPA's 'HELPING YOU UNDERSTAND THE **FASEA CODE OF ETHICS**', April 2019 | Version 1

This standard expressly requires you to take into account the broader, long-term interests and likely circumstances of your client, (reflecting section 961B of the Act).

Will it impact on the financial arrangements for other trigger events that are likely to arise for your client or your client's family members? Have alternative funding options been put in place for such future needs?

This Standard expressly requires you to take into account the broader, long-term interests and likely circumstances of your client.

### Standard 10

**You must develop, maintain and apply a high level of relevant knowledge and skills.**

As documented in the FPA's 'HELPING YOU UNDERSTAND THE **FASEA CODE OF ETHICS**', April 2019 | Version 1

It is important to consider any emerging or worsening health issues (of your client or their family members) and:

- how your client would manage an adverse health event that leads to a temporary or permanent incapacity to generate income from their current employment, and
- the impact of increasing health expenditure on other financial needs.

**I'm not sure what considerations to make when considering Crisis Extension for my client?**

- 1 Addressing affordability concerns
- 2 Get what you need, when you need it
- 3 Recovery of illness
- 4 Cost of illness
- 5 Duration with out-of-pocket expenses
- 6 Life changes, insurance should too
- 7 Retention
- 8 Rate rise mitigation

Refer to the Crisis Extension Technical document for more details regarding considerations.

**Where can I access more materials to support my recommendation?**

Adviser site has several resources;

- >> Technical and Positioning document - supports you in understanding and recommending Crisis Extension.
- >> Crisis Extension customer flyer
- >> Crisis Extension video

**For more information contact your AIAA Client Development Manager or Client Development Support on 1800 033 490.**