



# AIA Vitality

## Premium Adjustment Rules

Effective from 28 July 2018

Where the life insured under an eligible Priority Protection or Priority Protection for Platform Investors insurance policy (**policy**) is a member of AIA Vitality at the time that a **premium** becomes payable in relation to that **policy**, AIA Australia Limited (AIA Australia or we) will adjust the premium (excluding any amount payable for GST, policy fees, AIA Vitality Contribution fee and government stamp duty) (**premium**) in accordance with the rules set out in this document (**rules**). The **premium** adjustments are not guaranteed. We may vary or withdraw these **rules** at any time.

In this document any reference to you means the policy owner.

In this document a **Lump Sum Benefit** means a benefit under your **policy** (or under an insurance policy that was cancelled and replaced by the **policy**, where the terms of the benefit and sum insured have not changed following the cancel-and-replace process) that provides for one lump sum benefit payment.

In this document **Income Stream Benefit** means a benefit under your **policy** (or under a policy that was cancelled and replaced by the **policy**, where the terms of the benefit and sum insured have not changed following the cancel-and-replace process) that provides for periodic income stream benefit payments (including the 'Income Protection Lump Sum benefit'). **Income Stream Benefits** include income protection, business expenses or incorporated business expenses benefits. For the avoidance of doubt, **Income Stream Benefits** are not **Lump Sum Benefits** and may be subject to different rules.

## Initial discount

- 1 The Premiums that you would otherwise be required to pay from your first Premium due date (if your Policy is a new Policy and the life insured has become a member of AIA Vitality at the time the Policy is issued) or from your next Premium due date after the life insured under your Policy becomes a member of AIA Vitality (if you have an existing Policy at the time you become an AIA Vitality member) will be discounted by an amount of **Initial Discount** if the life insured under your Policy remains a member of AIA Vitality throughout the year, until:
  - a) In the case of Premiums that are paid monthly, half-yearly or annually, the next Policy anniversary after the Initial Discount is first applied (provided, in the case of Premiums that are paid monthly, that the Initial Discount has at the date of that Policy Anniversary applied for more than 90 days); or
  - b) In the case of Premiums that are paid monthly, and in circumstances where the Initial Discount was applied for 90 or fewer days prior to a Policy Anniversary, the second Policy anniversary after the Initial Discount is applied.
- 2 If, within 21 days of the AIA Vitality application, the life insured does not meet the eligibility and registration requirements (including if we do not receive a valid unique email address and/or if we do not receive payment details and the first payment for AIA Vitality and/or any other information required to administer the AIA Vitality membership) the AIA Vitality membership will not be activated and the **Initial Discount** will not be applied. You will be required to pay us the amount of any **Initial Discount** applied to your **policy**.
- 3 The **Initial Discount** in respect of a **policy** is an amount equal to the **Lump Sum Initial Discount (12.5% of premium in respect of Lump Sum Benefits)** or **Income Stream Initial Discount (7.5% of premium in relation to Income Stream Benefits)**.
- 4 Unless otherwise specifically indicated in these **rules**:
  - a) If a **policy** lapses or is cancelled prior to a policy anniversary and is reinstated or a new **policy** is issued prior to that policy anniversary with AIA Vitality, these **rules** apply as if the **policy** did not lapse or was not cancelled. In particular, the discount that applied on the day prior to lapse or cancellation will apply until that policy anniversary; or
  - b) If an AIA Vitality membership is terminated prior to a policy anniversary and the life insured becomes a member of AIA Vitality again prior to that policy anniversary, these **rules** apply as if the AIA Vitality membership was not terminated. In particular, the discount that applied on the day prior to termination will apply until that policy anniversary.
- 5 In the following circumstances, we may, at our discretion, adjust the amount of the **Initial Discount** up or down to the level of any **Premium Flex Discounts** (if any) that we previously applied in respect of any other insurance policy:
  - a) Where an earlier **policy** lapses or is cancelled prior to a policy anniversary and is reinstated or a new **policy** is issued after that policy anniversary;
  - b) Where an earlier **policy** lapses or is cancelled prior to a policy anniversary and is reinstated or a new **policy** is issued prior to that policy anniversary but the life insured does not become a member of AIA Vitality again until after that policy anniversary;
  - c) Where an AIA Vitality membership is terminated prior to a policy anniversary and the life insured becomes a member of AIA Vitality again after that policy anniversary; or
  - d) Where the **policy** replaces an earlier insurance policy as part of a cancel-and-replace process.
- 6 For the avoidance of doubt, only one **Initial Discount** will apply in respect of a **policy** under these **rules**.

## Premium flex

- 1 The **premiums** that you would otherwise be required to pay from the time that the **Initial Discount** stops being applied (either your first or a subsequent policy anniversary, depending on when the Initial Discount was first applied) will be discounted until the following Policy Anniversary by an amount of **Premium Flex Discount** if the **policy** is in-force, and unless otherwise specifically indicated in these **rules**, the life insured under your **policy** was an AIA Vitality member at the most recent policy anniversary before Premium Flex was applied (except in relation to the first policy anniversary on which the Premium Flex is being applied) and remains an AIA Vitality member on the policy anniversary when the Premium Flex is applied.
- 2 The amount of **Premium Flex Discount** in respect of a **premium** is equal to the amount of the **Lump Sum Premium Flex Discount** and the amount of the **Income Stream Premium Flex Discount** for that **premium**.

- 3 The amount of the **Lump Sum Premium Flex Discount** for a premium is equal to the amount of that premium referable to all **Lump Sum Benefits** payable annually as at that policy anniversary multiplied by the relevant **Applicable Percentage**.

- a) The **Applicable Percentage** referable to the first premium on which the **Lump Sum Premium Flex Discount** is applied is the **Lump Sum Initial Discount**.
- b) For the purposes of calculating a **Lump Sum Premium Flex Discount** for a premium, the **Applicable Percentage** is equal to the **Applicable Percentage** that applied on the previous policy anniversary increased by the absolute **Percentage Change** (if the **Percentage Change** is positive) or decreased by the absolute **Percentage Change** (if the **Percentage Change** is negative) in accordance with the following table based on the life insured's AIA Vitality status on that policy anniversary.

AIA Vitality Status	Percentage Change	Maximum Discount
Bronze	-2.50%	20%
Silver	-1.25%	
Gold	-0.00%	
Platinum	+1.00%	

- 4 For the avoidance of doubt, a negative **Percentage Change** means that the **Applicable Percentage** is decreased by the **Percentage Change** relative to the **Applicable Percentage** that applied on the previous policy anniversary and a positive **Percentage Change** means that the **Applicable Percentage** is increased by the **Percentage Change** relative to the **Applicable Percentage** that applied on the previous policy anniversary.

*For example, if the **Applicable Percentage** was 12.5% on the last Policy anniversary and, a year later, the life insured's AIA Vitality status is Platinum, the **Applicable Percentage** will be increased to 13.5%.*

- 5 The amount of the **Income Stream Premium Flex Discount** for a premium is equal to the amount of that premium referable to all **Income Stream Benefits** payable annually as at that policy anniversary multiplied by the relevant **Applicable Percentage**.

- a) The **Applicable Percentage** referable to the first premium on which the **Income Stream Premium Flex Discount** is applied is the **Income Stream Initial Discount**.

- b) For the purposes of calculating an **Income Stream Premium Flex Discount** for a premium, the **Applicable Percentage** is equal to the **Applicable Percentage** that applied on the previous policy anniversary increased by the absolute **Percentage Change** (if the **Percentage Change** is positive) or decreased by the absolute **Percentage Change** (if the **Percentage Change** is negative) in accordance with the following table based on the life insured's AIA Vitality status on that policy anniversary.

AIA Vitality Status	Percentage Change	Maximum Discount
Bronze	-2.50%	20%
Silver	-1.25%	
Gold	-0.00%	
Platinum	+1.00%	

- 6 For the avoidance of doubt, a negative **Percentage Change** means that the **Applicable Percentage** is decreased by the **Percentage Change** relative to the **Applicable Percentage** that applied on the previous policy anniversary and a positive **Percentage Change** means that the **Applicable Percentage** is increased by the **Percentage Change** relative to the **Applicable Percentage** that applied on the previous policy anniversary.

*For example, if the **Applicable Percentage** was 7.5% on the last Policy anniversary and, a year later, the life insured's AIA Vitality status is Platinum, the **Applicable Percentage** will be increased to 8.5%.*

- 7 The premiums relating to **Lump Sum Benefits** or **Income Stream Benefits** cannot be discounted by more than the applicable **Maximum Discount**, as set out in the tables above.

- 8 Where:

- a) you paid us a premium in respect of a period; and
- b) subsequently, there is a change in circumstances (e.g. there is a change in the life insured's AIA Vitality status or we determine that a discount should have been applied to that premium in accordance with these rules) that would result in the premium in respect of that period being reduced further,

we may choose to carry the discount forward and reduce your next premium by the difference between the premium in (a) above and the lower premium in (b) above.



9 Unless otherwise specifically indicated in these **rules**:

- a) If a **policy** lapses or is cancelled prior to a policy anniversary and is reinstated or a new **policy** is issued prior to that policy anniversary with AIA Vitality, these **rules** apply as if the **policy** did not lapse or was not cancelled. In particular, the **Premium Flex Discount** that applied on the day prior to lapse or cancellation will apply until that policy anniversary; or
- b) If an AIA Vitality membership is terminated prior to a policy anniversary and the life insured becomes a member of AIA Vitality again prior to that policy anniversary, these **rules** apply as if the AIA Vitality membership was not terminated. In particular, the **Premium Flex Discount** that applied on the day prior to termination will apply until that policy anniversary.

## Premium discounts generally

If you change the frequency of your **premium** payments in relation to your **policy** with us, the **premium** discounts you are entitled to may change. We will determine any **premium** discount changes reasonably in accordance with internal business rules.

If your **policy** replaced one or more eligible insurance policies under a cancel-and-replace process as agreed by us, the **premium** discounts you are entitled to may change. We will determine any **premium** discount changes reasonably in accordance with internal business rules.

Any **premium** changes will remain at our sole discretion.

## Examples

### Scenario 1: AIA Vitality is associated with an eligible insurance policy from policy inception (after 28 July 2018)

On 25 August 2018, John purchases an eligible insurance policy with a yearly premium frequency, insuring himself for a life cover benefit (\$600 level Premium) and an income protection benefit (\$1,200 level Premium). John would ordinarily need to pay \$1,800 to keep his **policy** going.

John decides to join AIA Vitality at the same time that he applies for his **policy**. John's initial AIA Vitality status is Bronze.

### At policy inception:

John will receive a **Lump Sum Initial Discount** equal to 12.5% on his life cover **premiums** and an **Income Stream Initial Discount** equal to 7.5% on his income protection **premiums** for the first year. His total initial yearly **premium** will therefore be:

$$\begin{aligned} & \$600 \times (100\% - 12.5\%) + \$1,200 \times (100\% - 7.5\%) = \\ & \$525 + \$1,110 = \$1,635 \end{aligned}$$

John progresses to Silver AIA Vitality status by the first policy anniversary.

### On the first policy anniversary

John will receive a **Lump Sum Premium Flex Discount** of 11.25% (12.5% – 1.25%) on his life cover **premium** and an **Income Stream Premium Flex Discount** of 6.25% (7.5% – 1.25%) on his income protection **premium**. The **premium** due on the first policy anniversary will therefore be:

$$\begin{aligned} & \$600 \times (100\% - 11.25\%) + \$1,200 \times (100\% - 6.25\%) = \\ & \$532.50 + \$1,125.00 = \$1,657.50 \end{aligned}$$

John progresses to Gold AIA Vitality status by the second Policy anniversary.

### On the second policy anniversary

John will receive a **Lump Sum Premium Flex Discount** of 11.25% (11.25% + 0%) on his life cover **premium** and an **Income Stream Premium Flex Discount** of 6.25% (6.25% + 0%) on his income protection **premium**. The **premium** due on the second policy anniversary will therefore be:

$$\begin{aligned} & \$600 \times (100\% - 11.25\%) + \$1,200 \times (100\% - 6.25\%) = \\ & \$532.50 + \$1,125.00 = \$1,657.50 \end{aligned}$$

John progresses to Platinum AIA Vitality status by the third policy anniversary and remains at Platinum status for the next three years.

### On the third policy anniversary

John will receive a **Lump Sum Premium Flex Discount** of 12.25% (11.25% + 1%) on his life cover **premium** and an **Income Stream Premium Flex Discount** of 7.25% (6.25% + 1%) on his income protection **premium**. The **premium** due on the third policy anniversary will therefore be:

$$\begin{aligned} & \$600 \times (100\% - 12.25\%) + \$1,200 \times (100\% - 7.25\%) = \\ & \$526.50 + \$1,113.00 = \$1,639.50 \end{aligned}$$

### On the fourth policy anniversary

John will receive a **Lump Sum Premium Flex Discount** of 13.25% (12.25% + 1%) on his life cover **premium** and an **Income Stream Premium Flex Discount** of 8.25% (7.25% + 1%) on his income protection **premium**. The **premium** due on the fourth policy anniversary will therefore be:

$$\begin{aligned} & \$600 \times (100\% - 13.25\%) + \$1,200 \times (100\% - 8.25\%) = \\ & \$520.50 + \$1,101.00 = \$1,621.50 \end{aligned}$$

### On the fifth policy anniversary

John will receive a **Lump Sum Premium Flex Discount** of 14.25% (13.25% + 1%) on his life cover **premium** and an **Income Stream Premium Flex Discount** of 9.25% (8.25% + 1%) on his income protection **premium**. The **premium** due on the fifth policy anniversary will therefore be:

$$\begin{aligned} & \$600 \times (100\% - 14.25\%) + \$1,200 \times (100\% - 9.25\%) = \\ & \$514.50 + \$1,089.00 = \$1,603.50 \end{aligned}$$

This example assumes that premiums would otherwise remain level under John's **policy** (and that benefit indexation does not apply) and that John otherwise remains eligible to receive the discounts discussed in this example.

### Scenario 2: AIA Vitality is associated with an eligible insurance policy after policy inception (after 28 July 2018)

Jane insures herself under three different eligible insurance policies with AIA Australia including a life cover policy (**Lump Sum Benefit**), an income protection policy (**Income Stream Benefit**) and a crisis policy (**Lump Sum Benefit**). Jane took out each of the policies at different times (but each was taken out after 28 July 2018) and pays her premiums at different frequencies.

The policy details are as follows:

- Life cover policy – anniversary date of 1 August and Jane pays the premiums monthly
- Income protection policy – anniversary date of 1 October and Jane pays the premiums monthly
- Crisis policy – anniversary date of 1 October and Jane pays the premiums annually

Jane decides to join AIA Vitality and her AIA Vitality membership commences on 2 June 2019. Jane's initial AIA Vitality status is Bronze.

### Initial discount

Jane is entitled to a **Lump Sum Initial Discount** equal to 12.5% on her life cover policy and her crisis policy as these are both **Lump Sum Benefits**. Jane is also entitled to an **Income Stream Initial Discount** equal to 7.5% on her income protection policy as it is an **Income Stream Benefit**.

Jane's **Lump Sum Initial Discount** will take effect from her next **premium** due date on each of her life cover policy and her crisis policy (being her next monthly **premium** on her life cover policy and her next annual **premium** on her crisis policy).

Jane's **Income Stream Initial Discount** will take effect from her next **premium** due date of her income protection policy (being her next monthly **premium**).

### Premium flex

On 1 August 2019, Jane's life cover policy goes through policy anniversary. As Jane would have been entitled to an **Initial Discount** for this policy for less than 90 days (from the next **premium** due date to policy anniversary), Jane will continue to get the **Initial Discount** for another **policy** year. On 1 August 2020, Jane will be entitled to a **Premium Flex Discount** on her life cover policy.

On 1 October 2019, Jane's income protection policy goes through policy anniversary. Jane will be entitled to a **Premium Flex Discount** on her income protection policy as she has been an AIA Vitality member for longer than 90 days.

Jane's crisis policy also goes through policy anniversary on 1 October 2019. As Jane pays her crisis policy annually, she will be entitled to an **Initial Discount** of 12.5% on her next **premium** due date and will enjoy that discount until her next policy anniversary (being 1 October 2020) when she will be entitled to a **Premium Flex Discount**.

This example assumes that Jane remains eligible to receive the discounts discussed in this example.