

INCOME PROTECTION

For Advisers

January 2021



HEALTHIER, LONGER,
BETTER LIVES

AIA Priority Protection offers a variety of Income Protection plans

Income Protection helps to cover expenses when an injury or sickness impacts a person's ability to work.

AIA's comprehensive Priority Protection offers a range of options that can be tailored to suit different needs, including cover for singles, maturing families building their wealth or empty nesters.

Clients who are working full-time or part-time hours and are unable to get comprehensive cover due to underwriting restrictions	Clients who want Income Protection cover that is more simplistic and affordable	Clients who want to cover the basics with some options	Clients who want a little more than basic cover	Clients who want comprehensive cover
← Lowest cost		Higher cost →		
<p>Income Protection Accident Only/Super Income Protection Accident Only</p> <ul style="list-style-type: none"> Monthly benefit paid for being totally or partially disabled as a result of an Accidental Injury only Available to occupation categories (A1, A2, M, A3, A4, B, C, CT, D, E) Indemnity or Extended Indemnity 	<p>Income Protection CORE</p> <ul style="list-style-type: none"> Monthly benefit paid for being totally or partially disabled due to injury or sickness, with a Material and Substantial Duties definition Available to occupation categories A1, A2, M, A3, A4, B, C, CT, D Pays up to 70% of Pre-disablement Income (PDI) in the first 24 months of claim and then pays 60% of PDI thereafter Benefit period 5 years and To Age 65 (anniversary before) Indemnity (IP CORE) Available as an ordinary policy or through superannuation² Benefits not permitted under Superannuation legislation are provided to all clients via a separate Complimentary Income Protection CORE Extras policy 	<p>Income Protection</p> <ul style="list-style-type: none"> Monthly benefit paid for being totally or partially disabled due to injury or sickness Available to occupation categories (A1, A2, M, A3, A4, B, C, CT, D, E) Indemnity or Extended Indemnity Available as an ordinary policy or through superannuation² 	<p>Advantage Optional/Super Extras</p> <ul style="list-style-type: none"> Monthly benefit paid for being totally or partially disabled due to injury or sickness Available to occupation categories (A1, A2, M, A3, A4, B, C, CT, D) Indemnity or Extended Indemnity Based on the standard IP offering with additional: <ul style="list-style-type: none"> Multi definition for Total and Partial Disablement¹ Specified Injury benefit 	<p>PLUS Optional/Super Extras</p> <ul style="list-style-type: none"> Monthly benefit paid for being totally or partially disabled due to injury or sickness Available to occupation categories (A1, A2, M, A3, A4, B, C, CT, D) Indemnity or Extended Indemnity Most comprehensive IP offering including: <ul style="list-style-type: none"> Multi definition for Total Disablement and for Partial Disablement¹ Specified injury benefit Crisis Recovery benefit No-Claim Bonus Bed Confinement benefit Family Care benefit Accommodation benefit Home Care benefit Relocation benefit Rehabilitation Incentive benefit

1 Multi definition for Total Disablement and Partial Disablement is based on duties, time or income. The life insured will be assessed as being totally disabled if he or she is:

- Duties: unable to perform one or more of the important income producing duties in their usual occupation, or
- Time: not working more than 10 hours per week in their usual occupation, or
- Income: earning 20% or less of their pre-disablement income in their usual occupation.

Only one of the three criteria needs to be met. This is a summary only. The full Multi definition for Total Disablement and Partial Disablement is outlined in the current Priority Protection Product Disclosure Statement (PDS).

2 Premiums can be paid from superannuation by making superannuation contributions or by way of a rollover from another complying superannuation fund.

For a full list of what each cover option includes and the difference between Priority Protection Income Protection and Priority Protection Income Protection CORE refer to the current Priority Protection Product Disclosure Statement (PDS).



Case Study: Income Protection with Income Protection Lump Sum benefit

If AIA Australia pays a lump sum benefit, the income protection cover, including any optional riders, will end and no further benefit will be payable under the income protection cover.

Sarah is a 43 year old book keeper who has a Priority Protection policy including Income Protection and the Income Protection Lump Sum benefit. Her monthly benefit is \$3,000 (indemnity) payable to age 65 (anniversary before) with a 30 day Waiting Period.

Sarah was in a very serious car accident and as a result, has lost the use of her legs. She meets the Total and Permanent Disablement definition for the Income Protection Lump Sum benefit which allows her to request a lump sum benefit from AIA Australia instead of receiving the monthly benefit of \$3,000.

AIA Australia assesses Sarah's claim and confirms that she was earning \$4,000 per month just prior to her accident (her Pre-disablement Income), so her Insured Monthly Benefit is \$3,000, as per her original application. AIA Australia pays Sarah the lump sum benefit of \$468,000 which is 13 x \$36,000 (her annualised monthly benefit instead of the monthly benefit of \$3,000). Her Income Protection policy ceases. She can use the lump sum payment to help pay for future expenses in her life.



Case Study: Income Protection with Advantage Optional benefits

Fiona is 32 and has just purchased her first home. She works as a graphic designer in a large advertising agency and has been working there for 3 years. Upon taking out her mortgage Fiona decided it would be wise to take out an Income Protection policy to protect herself and her income should she fall ill and be unable to make the repayments.

Fiona purchases a Priority Protection policy including Income Protection and Advantage Optional benefits with a monthly benefit of \$2,000 (indemnity), a Waiting Period of 30 days and a Benefit Period to age 65 (anniversary before).

Fiona decides to re-paint her apartment and while finishing off the bathroom, slips and falls breaking her upper right arm. Fortunately the Advantage Optional benefit includes a built-in Specified Injury benefit which pays a 2 month benefit for a fracture of the upper arm. AIA assesses Fiona's claim and confirms that she was earning \$3,000 per month just prior to her accident (her Pre-disablement Income). Since Fiona's benefit is paid on an indemnity basis, her monthly income is the lesser of \$2,000 and 75% of \$3,000 - which is \$2,000. Therefore Fiona is able to claim a benefit of \$4,000 (2 x \$2,000) which is payable immediately.

The case studies are examples only and are assumed that no claim offset applies. Please refer to the current Priority Protection PDS for more details on claim offsets as well as the limitations and exclusions.

As Fiona has fractured her right upper arm, she will be unable to return to work for three months because her job requires her to use a computer. At the end of the payment period (two months) for the fracture of the upper arm, Fiona is still disabled due to her injury and will be unable to return to work for another month and is now entitled to a payment under the Total Disablement benefit. Fiona will receive a further payment of \$2,000 for the final month of her disablement.

Fiona's total benefit payment during the period she was unable to work was \$6,000, allowing her to recover from her injury while still being able to make her mortgage repayments and pay for her bills and food.



Case Study: Income Protection CORE complementing lump sum covers'

Sam is a 51-year-old accountant and has been working with her firm for 7 years.

While Sam has a comprehensive suite of insurance cover in place with AIA Australia, she feels nervous that should she suffer an illness or injury that leaves her unable to work she does not have any income protection. As she has \$1.2m in Life cover, \$600,000 in Crisis Recovery and \$800,000 of TPD cover in place, she is conscious of the premium costs associated with adding Income Protection. She is therefore interested in Income Protection CORE as it will deliver a more affordable Income Protection solution that can work in combination with her other covers.

As a result, through her financial adviser she takes out cover for \$5,833 per month. Her monthly benefit under Income Protection CORE benefit will cover her for 70% of her monthly income (for the first 24 months on claim), which has been consistent over 7 years.

By working in combination, Income Protection CORE supports Sam when she's diagnosed with MS and is unable to continue with work, and her pre-disablement income allows her monthly benefit payments to equal the monthly benefit coverage of \$5,833.

At the same time, Sam receives a Crisis Recovery claim payment for \$600,000. This allows her to settle debt, freeing up her income protection payment for medical and monthly payment needs.

Unfortunately, Sam's MS hasn't been stabilised and her illness continues to progress, Sam has been on claim with AIA Income Protection CORE for 24 months, and at this time her Income Protection CORE reduces to \$5,000 per month or 60% of her pre-disablement income. Remembering Sam has TPD cover, and realising she's totally and permanently disabled and unlikely to ever return to work she submitted and was paid a \$800,000 TPD claim payment.

Sam seeks advice on how to utilise this money to deliver an income stream for herself and her family, giving her greater flexibility around the payment of Income Protection CORE every month.

To find out more about AIA Australia's Income Protection options, please contact a member of our Client Development team on 1800 033 490 or email au.adviserservices@aia.com

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