

# UNDERSTANDING LEVEL PREMIUMS

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HEALTHIER, LONGER,  
BETTER LIVES

## It's important to understand that your level premiums can change over time

Level premiums don't increase each year as you get older. They cost more in the earlier years than other premium structures like 'stepped' but they offer greater certainty over the long term. While level premiums are more expensive in the beginning, they tend to be cheaper in later years.

Level premiums continue until the policy anniversary before your 65th birthday. After this date stepped premiums will automatically apply. Stepped premiums increase each year as you get older because your chances of death, illness and injury increase with age.

Your level premiums will not go up because of your age until the policy anniversary date before you turn 65. We explain how that works below.

While your level premiums don't increase because of your age, your premiums may still change because of the following reasons:

- 1 if you chose indexation, which increases your cover amount at a fixed percentage or to help keep up with inflation
- 2 if we change our premium rates for a group of our level premium policies
- 3 due to changes in stamp duty rates or
- 4 due to discounts that end or are reduced.

We cover each of these in further detail below.

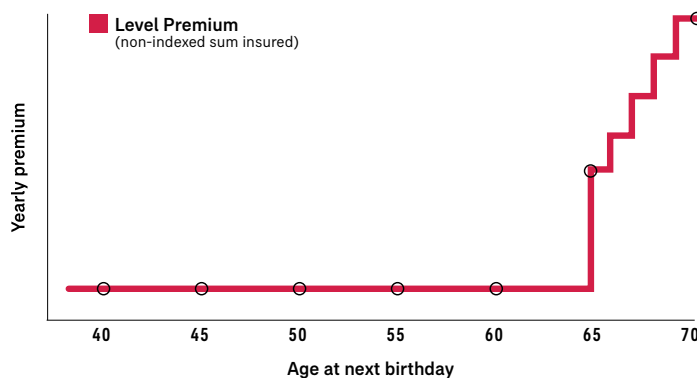
## Level premiums don't increase because of age

Level premiums don't go up because of your age. We calculated your level premiums according to your age on the date your cover started. You trade-off a higher price in the early years of the policy, for savings when you hold the insurance cover over a longer period of time. This trade off could result in level premiums being cheaper over the long term.

Your level premiums end on the policy anniversary date before you turn 65. Your premiums then change to stepped premiums, which means that your premiums go up every year as you get older. The stepped premiums increase each year because of the higher likelihood of death, illness or disability as you get older.

The following graph shows how Life Cover level premiums don't change as the person who is covered gets older – they remain the same up until the policy anniversary before the person who is covered turns 65, and then they increase with age each year after that.

In this graph, the premium amount is not affected by any increase of the cover amount (non-indexed sum insured), nor by any of the other factors that we discuss in the rest of this brochure.



### Notes

1. This graph shows yearly premiums on a Life Cover policy, with a cover amount of \$500,000, for a non-smoking male, aged 40 years old at next birthday when they took out the policy.
2. This graph is provided for illustrative purposes only, and may not be the same for your policy.
3. For premiums paid yearly, any indexation increase is applied at the policy anniversary. "Age at next birthday" refers to the next birthday the insured person will have following the policy anniversary.

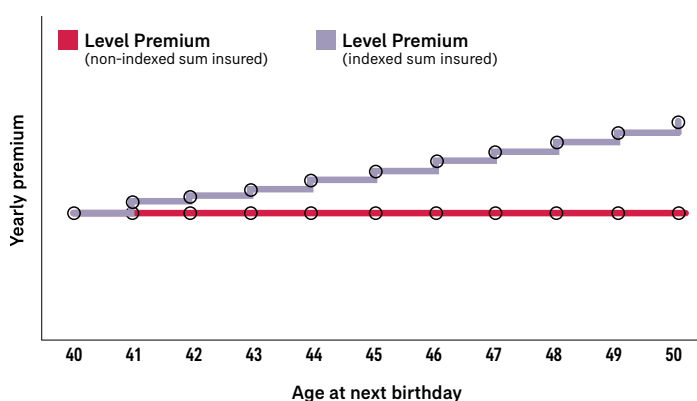
## 1. Increases to your premium due to indexation of your cover amount

With indexation, we increase your cover amount (sum insured) each year on your policy anniversary to help your cover keep up with inflation. As your cover amount rises, your premium will also increase.

The following table shows how the amount of cover could grow as a result of indexation, if we applied an indexation rate of five per cent each year (indexed sum insured). The premium is then calculated on the increased cover amount.

Year	Life Cover amount
1	\$500,000
2	\$525,000
3	\$551,250
4	\$578,813
5	\$607,753
6	\$638,141
7	\$670,048
8	\$703,550
9	\$738,728
10	\$775,664

The increased yearly premium that results from the increased cover amount is illustrated by the purple line in the graph below. This shows how the premium increases every year as the cover amount grows (indexed sum insured). The red line shows the premium if the cover amount stayed the same (non-indexed sum insured).



Notes

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2. This graph is provided for illustrative purposes only, and may not be the same for your policy.
3. For premiums paid yearly, any indexation increase is applied at the policy anniversary. "Age at next birthday" refers to the next birthday the insured person will have following the policy anniversary.

You can choose not to accept indexation increases to your cover. You can phone or write to us within a month of your policy anniversary date and tell us you don't want the indexation increase.

## 2. Increases to your premiums due to a review of our premium rates

We regularly review our premium rates for all policies and make changes to them if we need to. For instance, we might need to increase our premiums if we are paying more claims than we expected to pay, or if the economic conditions change.

We will only increase premium rates for all policies in a group. We won't alter premium rates individually and your policy won't be singled out for an increase.

If we increase your premium rates, we will give you at least 30 days' notice before any increase occurs.

## 3. Changes to your premiums due to changes in stamp duty rates

State and territory governments charge stamp duty on insurance policies and these stamp duty rates can change from time to time. We include any stamp duty we are charged for your policy in your premium, according to stamp duty laws. Any changes in stamp duty rates may result in changes to your premium.

## 4. Changes to your premium discounts

You may have a discount on your premium that ends or reduces with time. If your discount ends or is reduced, then your premium might increase.

If you're an AIA Vitality member, the AIA Vitality discount will reduce or end if certain conditions are not met such as when you haven't maintained your Vitality status. Alternatively, the AIA Vitality discount could increase (which will reduce premiums) based on your AIA Vitality status. For more information go to [www.aiavitality.com.au](http://www.aiavitality.com.au)

## We're here to help

Please refer to the PDS that your financial adviser provided you. If you have any questions about your cover, you can contact your financial adviser or you can also contact us or go online:

**Priority Protection:** call us on 1800 333 613, Monday to Friday (excluding public holidays), 8am to 6pm (AEST/AEDT) or visit us online at: [aia.com.au/life](http://aia.com.au/life)

**Tailored Protection:** call us on 13 10 56, Monday to Friday 9am to 5pm (AEST/AEDT) or visit us online at: [aia.com.au/tailored-protection](http://aia.com.au/tailored-protection)

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The Priority Protection PDS is available from your financial adviser, by calling 1800 333 613 or from [aia.com.au/life](http://aia.com.au/life). For Tailored Protection the original PDS and Policy Document you were issued and any Significant Event Notices (SEN) you may have received communicating policy enhancements provided to you since that time, should be referred to. Alternatively, you can call us on 13 10 56 or go to [aia.com.au/tailored-protection](http://aia.com.au/tailored-protection). AIA Australia has prepared a Target Market Determination which describes the class of consumers that comprise the target market for this product. The Target Market Determination can be sourced at [aia.com.au/tmds](http://aia.com.au/tmds).