

UNDERSTANDING OPTIMUM PREMIUMS



HEALTHIER, LONGER, BETTER LIVES

July 2022

What are Optimum premiums?

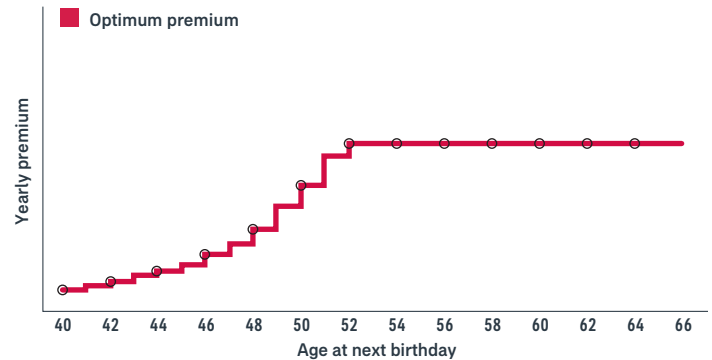
Optimum premiums are an option which combines the upfront cost effectiveness of stepped premiums which start low and increase each year because of your age with the consistency and longer-term savings of level premiums which don't increase because of your age. Note that level premiums may change due to other factors. Optimum premiums are only available for Priority Protection policies.

If you select Optimum premiums, this means your premiums are [stepped](#) when your cover starts. Your premium includes a loading which is an additional amount above the standard premium rate. Premiums then automatically convert to [level premiums](#)*. The level premiums will be based on your age when cover started with a premium loading. The premium type changes from stepped to level at the policy anniversary when stepped premiums would have become greater than level premiums. If you would like to know what age your cover will convert from stepped to level, please contact us on 1800 333 613 between 8am–6pm (AEST/AEDT), Monday to Friday (excluding public holidays).

When the premiums convert to level, the level premiums continue until the earlier of the policy anniversary before you turn 65 or the expiry date. After that, stepped premiums are payable until cover ends. [Stepped premiums](#) increase each year as you get older reflecting that your chances of death, illness and injury increase with age.

*Level premiums don't increase each year due to getting older. The premium will continue to be calculated based on your age at the time cover began.

This graph illustrates how Optimum premiums can change over time. This example is for illustrative purposes only and so it doesn't include indexation. Indexation automatically increases your cover amount each year to help it keep pace with inflation.



Notes

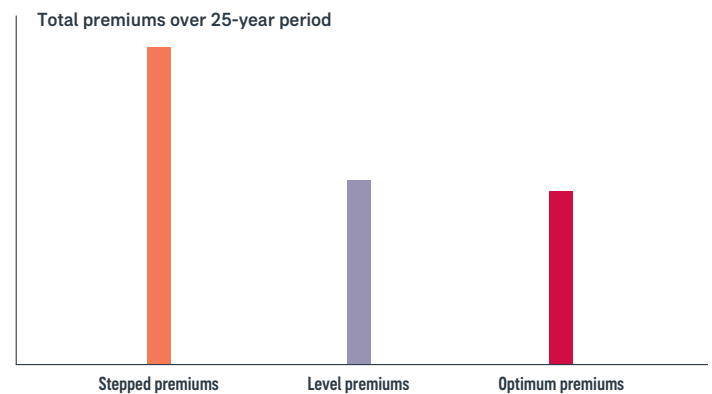
1. This graph shows yearly premiums on a Life Cover policy which commences at age 40 next birthday for a non-smoking male. This doesn't include indexation.
2. The ages above are 'age at next birthday' which refers to the next birthday the insured person will have following the policy anniversary.
3. Optimum premiums switch from the Stepped phase to the Level phase at different ages depending on factors such as your selected benefit types. Not all customers and policies switch at the same age.

Total premiums over a 25-year period

The following table illustrates the difference in annual premiums when comparing the three premium options: stepped, level and optimum.

Based on male, age next birthday 40, non-smoker, Accountant.

Life cover of \$500,000 (non-indexed sum insured)

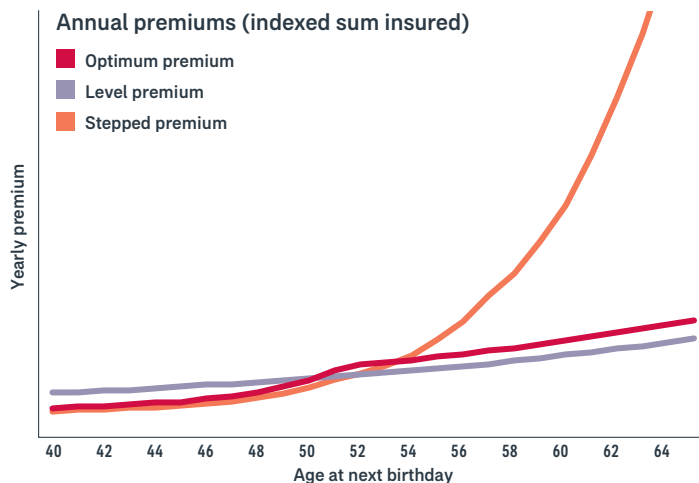
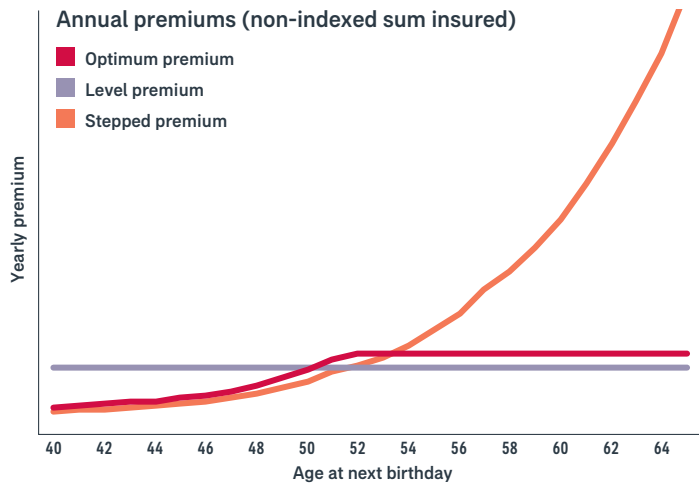


Notes

1. This graph shows premiums on a Life Cover policy which commences at age 40 next birthday for a non-smoking male.
2. The stamp duty (if any) is not included in the premium projection which is provided for illustrative purposes.
3. This graph is provided for illustrative purposes only and the premium comparison may not be the same for your policy.

Over the long-term Optimum premiums are cheaper than Stepped premiums

The graph above shows that over the duration of 25 years, by selecting optimum premiums, you could pay approximately half the amount compared to selecting stepped premiums. Long term savings will vary for each policy.



Notes

1. These graphs show yearly premiums on a Life Cover policy which commences at age 40 next birthday for a non-smoking male.
2. These graphs are provided for illustrative purposes only and the premium comparison may not be the same for your policy.
3. Any indexation increase is applied at the policy anniversary. Indexation automatically increases your cover each year to help it keep pace with inflation.
4. The ages above are 'age at next birthday' which refers to the next birthday the insured person will have following the policy anniversary.

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

Optimum premiums convert to level at a certain point to help you keep your cover longer and when you need it most.

Your premiums may also 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 optimum 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.

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

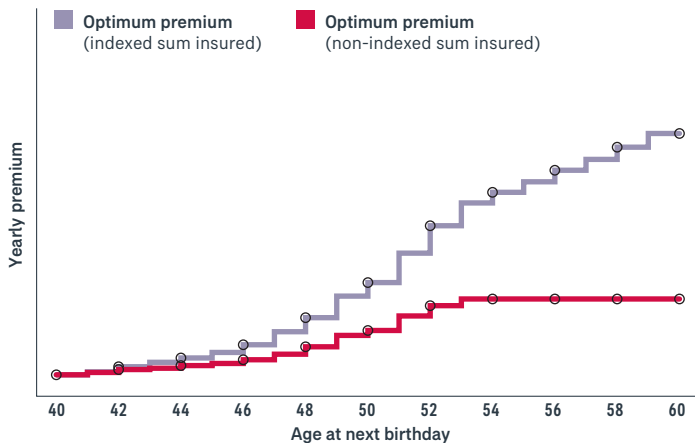
With indexation, we increase your cover amount (sum insured) each year on your policy anniversary to help your cover keep up with inflation. As your cover amount rises, your premium will also increase.

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

Note: This graph is provided for illustrative purposes only and may not be the same for your policy.

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

1. This graph shows yearly premiums on a Life Cover policy which commences at age 40 next birthday for a non-smoking male.
2. This graph is provided for illustrative only and may not be the same for your policy.
3. Any indexation increase is applied at the policy anniversary. Indexation automatically increases your cover each year to help it keep pace with inflation.
4. "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

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 between 8am–6pm (AEST/AEDT), Monday to Friday (excluding public holidays) or visit us online at: aia.com.au/life

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

Things you should know: This article had been prepared by AIA Australia Limited ABN 79 004 837 861 AFSL 230043 (AIA Australia) and may include general advice but does not take into account your individual objectives, financial situation or needs. You should read the relevant Product Disclosure Statement carefully and assess whether the information is appropriate for you and consider talking to a financial adviser before making an investment decision.

The Priority Protection PDS is available from your financial adviser, by calling 1800 333 613 or from 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. 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