

UNDERSTANDING STEPPED PREMIUMS

May 2022



HEALTHIER, LONGER, BETTER LIVES

Stepped premiums increase each year as you get older because your chances of death, illness and injury increase with age.

Stepped premiums increase over time. They are cheaper in the earlier years, than other premium structures like 'level' – which offer greater certainty over the long term.

Every year, before your policy anniversary, we'll provide you with information about your premium for the following year.

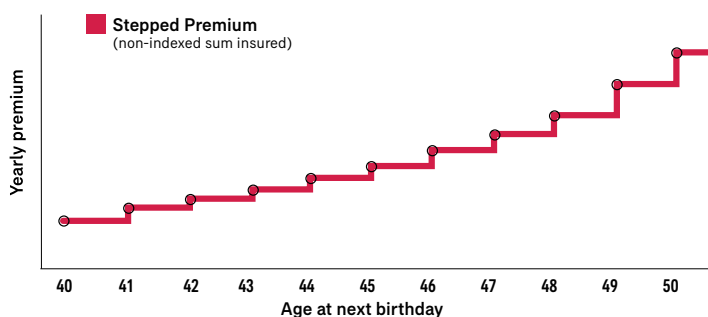
Your stepped premium may change because of the following reasons:

- 1 you get older
- 2 if you chose indexation, which automatically increases your cover amount at a fixed percentage or in line with inflation
- 3 if we change the premium rates for a group of policies
- 4 due to changes in stamp duty rates or
- 5 due to discounts that end or are reduced.

1. Increases to your premium as you get older

Stepped premiums generally go up every year as you get older. These age-related increases in premiums are usually greater for older customers than for younger customers because of the higher likelihood of death, illness or disability as you get older.

The graph below shows how Life Cover stepped premiums increase for the same amount of cover as the person who is covered gets older. In this graph, the premium amount is not affected by any automatic increase of the cover amount due to indexation (non-indexed sum insured).



This graph shows yearly premiums on a policy with Life Cover, for a non-smoking male, aged 40 years old at next birthday when they took out the policy October 2018.

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

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

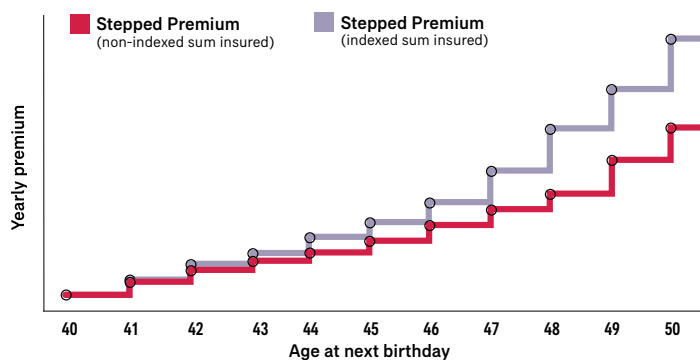
With indexation, we increase your cover amount (sum insured) each year on your policy anniversary to help your cover keep up with inflation. As your cover amount rises, your premium will also increase.

The table below 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 (indexed sum insured)
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

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 stepped premiums would increase each year as the person who is covered gets older and as the amount of cover goes up automatically (indexed sum insured). The red line shows how the yearly premium increases if the cover amount stayed the same (non-indexed sum insured).



This graph shows yearly premiums on a policy with Life Cover, for a non-smoking male, aged 40 years old at next birthday when they took out the policy October 2018.

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

You can choose to not 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.

3. Increases in premium because we reviewed 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, which happens on your anniversary date.

4. Increases 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.

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

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

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