

# A GUIDE TO WHOLE OF LIFE, ENDOWMENT AND PURE ENDOWMENT POLICIES

(Super Retirement Fund)



Our Whole of Life (WOL) policies provide you with a form of permanent life insurance. Endowment policies provide you a form of fixed term insurance and for Pure Endowment policies, a cash value. Unlike fixed term life insurance that provides standalone cover, these policies accumulate a cash value and for Whole of Life and Endowment policies, a death benefit.

These products are no longer open to new business.

## What are the Whole of Life, Endowment and Pure Endowment products?

- Whole of Life
- Endowment
- Pure Endowment
- PruPac.

### Policy description

#### Whole of Life

A life insurance policy designed primarily to provide life cover through your lifetime, while providing the opportunity to build up a tax-effective investment.

Key benefits of a Whole of Life policy:

- Death benefit payable at death or at age 99\* (whichever comes first)
- Ability to budget more effectively by mostly offering level premiums
- Flexibility to access a withdrawal benefit before death\*\*
- If selected at policy issue, profit participating option provides you the opportunity to accumulate annual bonuses and build up a tax-effective investment\*\*\*\*
- If selected at policy issue, additional insurance options available in addition to the basic sum assured.\*\*\*\*

#### Endowment

A life insurance policy designed to provide you with life cover with a sum assured payable at a nominated maturity date.

Key benefits of an Endowment policy:

- Death benefit payable at death or maturity benefit payable at policy maturity (whichever comes first)
- Ability to budget more effectively by mostly offering level premiums
- Flexibility to access a withdrawal benefit before death or policy maturity\*\*\*
- If selected at policy issue, profit participating option provides you the opportunity to accumulate annual bonuses and build up a tax-effective investment\*\*\*\*
- If selected at policy issue, additional insurance options available in addition to the basic sum assured.\*\*\*\*

## Pure Endowment (includes PruPac)

A life insurance policy designed to provide you with a sum assured payable at your nominated maturity date. Unlike Endowment policies, if your Pure Endowment is terminated, a cash value may be payable.

Key benefits of a Pure Endowment:

- Maturity withdrawal benefit at policy maturity
- Provides an adjusted withdrawal benefit payable which is based on the length of time the policy has been in force
- Ability to budget more effectively by mostly offering level premiums
- Flexibility to access a withdrawal benefit before policy maturity\*\*\*\*
- Accumulate annual bonuses (no Terminal Bonus for PruPac policies)
- If selected at policy issue, additional insurance options available in addition to the basic sum assured.\*\*\*\*\*

## Hybrid Whole of Life/Endowment

A hybrid Whole of Life/Endowment (also known as a Co-Op) is a life insurance policy combining features of a Whole of Life and Endowment policies.

Key Benefits of a hybrid Whole of Life/Endowment policy:

- A portion of your sum assured is paid at maturity and the remaining sum insured continues as a Whole of Life
- If selected at policy issue, additional insurance options available in addition to the basic sum assured.\*\*\*\*\*

\* May be earlier than age 99 for some policies, refer to your policy document.

\*\* A withdrawal before death requires a condition of release to be met.

\*\*\* A withdrawal before maturity or death requires a condition of release to be met.

\*\*\*\* A withdrawal before maturity requires a condition of release to be met.

\*\*\*\*\* Available only at policy issue. Once the policy has been issued, you cannot upgrade your policy to include these options.

# When can I access my Withdrawal Benefit?

Where your policy allows, you can request access to your withdrawal benefit by terminating your insurance contract. This means we will pay you the cash value of your policy, you will forfeit any additional insurance benefit and your policy will terminate after the withdrawal benefit is paid.

It is important to note that for some policies (excluding Pure Endowment PruPac), the withdrawal benefit you receive will be less than the death benefit that is payable. We recommend you speak with your financial adviser before you decide to pursue this option.



# Other essential features

Feature	Whole of Life	Endowment	Pure Endowment (includes PruPac)	Hybrid Whole of Life/ Endowment (also known as Co-Op)
<b>Bonus accumulation</b> Your policy allows for the annual allocation of reversionary and for some policy types, terminal bonuses	✓ (with profit only)	✓ (with profit only)	✓ (with profit only) No terminal bonus on PruPac	✓ (with profit only)
<b>Non-forfeiture loan</b> Incurred where your premium payments are not up to date and we've covered them on your behalf	✓	✓	✓	✓
<b>Contributions tax liability</b> Incurred where premiums paid are claimed as personal tax deduction or paid as an employer contribution	✓	✓	✓	✓
<b>Advance contribution account</b> Where we hold surplus premiums in a separate interest bearing account	✓	✓	✓	✓
<b>Additional insurance rider<sup>^</sup></b> Insurance in addition to your basic sum insured	✓	✓	✓	✓
<b>Policy conversion<sup>^^</sup></b> Converts your Whole of Life policy to an Endowment policy	✓	—	—	—

<sup>^</sup> Available only at policy issue.

<sup>^^</sup> Excludes ex-Legal & General. Minimum term five years, maximum maturity age 75.

# What benefits do the essential features provide me?

## Bonus accumulation

With profit policies (also known as participating policies) investors share in any growth in the value of the underlying investment. Where your policy has this bonus feature, we provide this to you in the form of reversionary and terminal bonuses.

## Reversionary bonuses

Reversionary bonuses are guaranteed amounts that are paid in addition to the basic sum assured when a benefit is paid.

## Terminal bonuses

Terminal bonuses are a temporary bonus that may be included when a benefit is paid. They are not guaranteed and can be withdrawn at any time. The amount of any terminal bonus payable depends on how long you have had your policy, the investment experience of the fund and prevailing economic conditions.

## Non-forfeiture loan

Also known as a premium debt, unpaid premiums will create a non-forfeiture debt against your policy. This is because we pay the premiums on your behalf when they have been missed, to ensure your policy continues. For profit policies, we continue to allocate bonuses to your policy. The debt is also considered a loan and interest will be charged against the outstanding debt.

## Contributions tax liability

The contributions tax debt will occur when premiums paid on the policy are claimed as a personal tax deduction or paid as an employer contribution. The contributions tax liability accrues interest and is placed as a liability against your policy.

## Advance contribution account (ACA)

The ACA facility allows you to make additional payments on top of your regular premium amount. These excess monies held in the ACA earn interest which is added to the policy's surrender value at withdrawal, maturity or death.

## Additional insurance

You may have been provided the option of taking out additional insurance (as an added benefit) when you applied for your policy. You cannot add these options once your policy has commenced.

These may include the following types of cover:

- Life cover/term life
- Total and permanent disablement
- Income protection
- Guaranteed insurability option
- Waiver of premium
- Variable income protection
- Accidental death.

## Policy conversion<sup>#</sup>

Whole of life policies can be converted to an Endowment policy if the terms and conditions of your original Whole of Life policy permits. Note that the sum assured and bonuses are recalculated based on the Endowment term and premium payable. The minimum contract term for an Endowment policy is five years with a maximum maturity age of 75 years.

<sup>#</sup> Option not available on PruPac, Co-op and ex Legal and General.

# The basics of understanding your annual statement

The information we have put together below is to help you understand the key information contained in your statement.

Note that the samples below are only an indication of how these sections on your annual statement may appear and may not reflect your annual statement.

## Withdrawal benefit

This section shows the cash value you would expect to receive if you withdrew your policy.

The net withdrawal benefit takes any existing policy debt into account. Any other insurance benefit on your policy terminates after the withdrawal benefit is paid. The opening and closing withdrawal benefit value is provided for the statement period.

### Withdrawal benefit

	1 July 2019	30 June 2020
<b>Your withdrawal benefit</b>	<b>\$1,442.90</b>	<b>\$1,468.01</b>
<b>Your net withdrawal benefit</b>	<b>\$1442.90</b>	<b>\$1,468.01</b>

## Insurance benefits

This section shows your basic sum assured, bonuses, any policy debts and your total benefit on death.

Any additional insurance attached to your policy is also listed in this section and the expiry date of each benefit type. Opening and closing sum assured and benefit on death values are provided for the statement period.

### Insurance benefits

	1 July 2019	30 June 2020
<b>Death benefit</b>		
Basic sum assured	\$8,795.00	\$8,795.00
Declared reversionary bonuses	\$7,392.23	\$7,691.70
Interim reversionary bonus	\$88.29	\$151.25
Terminal bonus	\$4,719.90	\$4,825.01
<b>Total benefit on death*</b>	<b>\$20,995.42</b>	<b>\$21,462.96</b>

Expiry date of Insurance benefit\* 1 October 2027

\* The death benefit shown above will also be increased by the value of total premiums during the policy's duration

	1 July 2019	30 June 2020
<b>Total and Permanent Disablement (TPD) benefit</b>		
Basic sum assured	\$8,795.00	\$8,795.00
Declared reversionary bonuses	\$7,392.23	\$7,691.70
Interim reversionary bonus	\$88.29	\$151.25
Terminal bonus	\$4,719.90	\$4,825.01
<b>Total benefit on death*</b>	<b>\$20,995.42</b>	<b>\$21,462.96</b>

Expiry date of Insurance benefit\* 1 October 2027

Note that for PruPac and Pure Endowment, adding the basic sum insured and bonuses will not give you the total benefit on death.

## Non-forfeiture loans (Unpaid premiums)

This section shows any accrued debt and interest debited resulting from missed premium payments on your policy. The opening and closing non-forfeiture loan balances are provided for the statement period.

### Non-forfeiture loans (Unpaid premiums)

If your premium payments are not up to date this policy has incurred a non-forfeiture loan that is provided in accordance with Section 210 of the Life insurance Act 1995. Premium arrears attracted interest at the following rate/s during the statement period:

• 1 Jan 2020 to 30 June 2020	5.25% pa
• 1 July 2019 to 31 Dec 2019	5.50% pa

Interest in your non-forfeiture loan was calculated daily and charged to your policy annually. Non-forfeiture loans plus accrued interest will continue until the earlier of:

- payment of the full amount of premium arrears plus interest; or
- the value of the non-forfeiture loan plus accrued interest and any other debts exceeds the policy's surrender value, at which time the policy will lapse.

The value of any non-forfeiture loan, plus accrued interest, has been deducted from any death or total and permanent disability settlement payment, as shown in the 'Insurance benefits' section.

AIA Australia will advise you in writing if your policy is likely to lapse under non-forfeiture provisions.

	<b>Non-forfeiture loan balance at 1 July 2019</b>	<b>\$56,905.77</b>
<b>Date</b>	<b>Description</b>	
22 October 2019	Loan for Premium due 01/09/2019	\$9,460.02
25 Jan 2020	Loan Repayment	-\$12,633.61
	Interest accrued to 30 June 2020	\$3,201.89
	<b>Non-forfeiture loan balance at 30 June 2020</b>	<b>\$57,114.07</b>

## Advance contribution account (ACA)

This section shows the balance held in your policy's ACA account and interest credited to your account for monies received into your policy in excess of your premium payable. A breakdown on the interest rate on the ACA, opening and closing ACA balances are provided for the statement period.

### Advance contribution account (ACA)

The advance contribution facility allows you to make premium payments in addition to premiums due for your policy. These additional premiums will be held in a separate interest bearing account.

The ACA will be used to pay for any premiums not paid within the grace period:

• 1 Jan 2020 to 30 June 2020	1.80% pa
• 1 Mar 2020 to 31 May 2020	1.80% pa
• 1 Dec 2019 to 28 Feb 2020	1.00% pa
• 1 Sept 2019 to 30 Nov 2019	1.00% pa
• 1 July 2019 to 31 Aug 2019	1.00% pa

Interest on your ACA is calculated daily and credited annually to your policy

	<b>ACA balance at 1 July 2019</b>	<b>\$1,090.85</b>
<b>Date</b>	<b>Description</b>	
22 October 2019	Interest accrued to 30 June 2020	\$13.86
25 Jan 2020	ACA balance at 30 June 2020	\$1,104.71

Payments may include excess regular premiums.

## Contributions tax liability

Only relevant for superannuation policies. This section shows any contribution tax liability accrued on your policy. It includes the interest amount, rate at which interest has accrued, and the opening and closing balance of the contributions tax liabilities for the statement period.

### Contributions tax liability

This section provides details of the total contributions tax liability applied to your policy

Contributions tax of 15% applied generally on all award, superannuation guarantee employer additional, salary sacrifice contributions and a portion of some rollovers and transfers and personal contributions claimed as a tax deduction

Your total contributions tax liability attracted interest at the following rate/s during the statement period:

- 1 July 2019 to 30 June 2020

Interest on your ACA is calculated daily and credited annually to your policy 4.50% pa

The value of any total contributions tax liability, plus accrued interest, has been deducted from any death and total and permanent disablement settlement payment, as shown in the 'Insurance benefits' section.

Date	Description	Contributions tax liability balance as at 1 July 2019
		<b>\$607.25</b>
	Interest accrued to 30 June 2020	\$27.35
	Contributions tax liability balance at 30 June 2020	<b>\$634.60</b>

## Explanatory notes

This section provides you with general information about your annual statement and additional information that may apply to your policy. We suggest that you also read this section of your statement as the information provided can help you to better understand your policy.

**Call us on 1800 624 100 between 8.30 am and 6 pm (AEST/AEDT), Monday to Friday, excluding public holidays, if you have any questions regarding your policy. You may also consider speaking with your financial adviser for a review of your insurance cover to ensure it continues to meet your needs.**

## Our policies

The table below lists the products we currently administer under the Whole of Life, Endowment and Pure Endowment group of policies.

<b>Endowment Non Profit</b>
<b>Endowment With Profit</b>
<b>PruPac</b>
<b>Pure Endowment Non Profit</b>
<b>Pure Endowment With Profit</b>
<b>Whole of Life Non Profit</b>
<b>Whole of Life With Profit</b>

# Glossary

<b>Accidental death</b>	A death resulting from an accident that was not intended, expected, or foreseeable
<b>Basic sum assured</b>	The base insured amount that your policy provides cover for
<b>Death benefit</b>	The amount payable upon death
<b>Guaranteed insurability option</b>	The guarantee of an additional insurance purchase without the need to provide further evidence of insurability
<b>Income protection</b>	Replaces some of your income if you are unable to work due to injury or sickness
<b>Level premium</b>	An insurance premium does not change as you age
<b>Life cover/Term life</b>	An insurance that pays an amount when you die
<b>Maturity date</b>	The date of when your policy term ends
<b>Memorandum of transfer</b>	Form used to change policy ownership
<b>Tax deduction</b>	A deduction that lowers your tax liability by lowering your taxable income
<b>Sum assured</b>	The amount of cover that your insurance provides
<b>Waiver of premium</b>	The insurer covers your premiums under certain conditions
<b>Withdrawal benefit</b>	The amount payable upon withdrawal
<b>Variable income protection</b>	Provides additional units of cover (through a rider benefit) upon an enabling event listed in your policy document



