AIA FINANCIAL LIMITS

INCOME PROTECTION – AGREED VALUE

Financial evidence must be provided for all applications where the proposed monthly benefit reaches or exceeds the levels shown in the table below.

Employed Persons*

OCCUPATION CLASS	*EMPLOYED	FINANCIAL REQUIREMENTS	*EMPLOYED	' <u>EXTRA</u> ' FINANCIAL REQUIREMENTS
AAA	\$15,001	(1) Either:	\$20,001	
AA	\$15,001	 Individual Tax Return & Notice of Assessment for 	\$20,001	(2) Individual Tax Returns & Notice of Assessments for
Α	\$12,501	the latest financial year, or Letter from employer detailing current remuneration	\$20,001	last 2 financial years, plus
В	\$12,501	 Letter from employer detailing current remuneration package, <u>or</u> 	\$20,001	(3) AIA Assets & Liabilities Q're (held personally or in Trust), completed & signed by the insured &
С	\$8,001	Latest group certificate.	\$20,001	adviser.
D	N/A	N/A	N/A	N/A
E	N/A		N/A	

^{*}Employed person refers to employees who have no ownership interest in the organization by whom he/she is employed.

Self Employed Persons

OCCUPATION CLASS	SELF EMPLOYED	FINANCIAL REQUIREMENTS	SELF EMPLOYED	'EXTRA' FINANCIAL REQUIREMENTS
AAA	\$12,501		\$20,001	
AA	\$12,501	(1) Profit & Loss statements & Balance Sheets for the Business	\$20,001	(3) AIA Assets & Liabilities Q're (held personally or
Α	\$10,001	(including any Trusts if applicable) for latest 2 financial	\$20,001	in Trust), completed & signed by the insured &
В	\$8,001	years, plus (2) Income Tax returns & Notice of Assessments for the	\$20,001	adviser, plus (1) & (2).
С	\$6,001	insured and all business entities for latest 2 financial years.	\$20,001	
D	N/A	N/A	N/A	N/A
E	N/A		N/A	

Important Notes:

- 1. Financial evidence is based on total cover with all companies.
- 2. Where Income Protection and Business Expenses combined exceeds \$25,000/month, Profit & Loss Statements for the last 2 years is required.
- 3. Profit & Loss statement submitted should include the Trading Account and the Accountants Notes to and forming part of the Accounts. Business Income Tax returns must also be submitted in addition to the Insured's individual Income Tax Returns.
- 4. Where the financial evidence above is not received at application stage financial proof of income may be required in the event of a claim.
- 5. Agreed Value is not available for class D & E.

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LARGE DISABILITY INCOME BUSINESS

1. ASSETS & LIABILITIES

For high net worth individuals (*ie, cover \$20,001/month or more*), a separate AIA Financial questionnaire detailing the applicants 'Assets & Liabilities' (Sections A & B), must be completed by the insured and the adviser. This statement should include an itemized list of all assets and liabilities to enable a thorough analysis and evaluation of the net asset base and degree of liquidity (but excluding the net value of the family home).

Basis for Offsetting the Maximum Benefit Allowable

An applicant with net assets <u>exceeding</u> \$5,000,000 may have the maximum annual benefit offset using a conservative 5% investment return on the net asset value.

The net value of the family home however is excluded from the net asset calculation.

How the 5% will be calculated to offset the DI benefit

Using AlA's formula: [(Earned Income + Unearned Income) X 75% less Unearned Income]

Example: Applicants Earned Income = \$275,000pa

Total Assets \$7,200,000 (excluding family home)

Total Liabilities \$2,100,000 (excluding mortgage on family home)

Net Assets: \$5,100,000

5% of \$5,100,000 = \$255,000pa which is applied as the Unearned Income figure used in the above

formula as follows:

Earned Income: \$275,000 Unearned Income: \$255,000

(Using formula: Earned + Unearned X 75% - Unearned Income)

\$275,000 + \$255,000 = \$530,000. => 75% X \$320,000 = \$240,000 plus

=> 50% X next \$210,000 = \$105,000 \$345,000

=> \$345,000 – 255,000 (unearned income) = \$90,000

Maximum Monthly benefit available = \$90,000/12 = \$7,500/m

2. PROOF OF INCOME - LAST 2 YEARS

When requesting proof of income we are looking for consistent earnings in history that demonstrates continuity of income over the past few years. Proof of income is defined as actual lodged returns submitted to the Australian Taxation Office over the last 2 years. Since incomes can vary each year, (particularly for self employed's), we will average the income if high earnings are demonstrated in a single year which is out of line with previous years income (unless there are particular reasons to base the cover on the most recent earnings). We will however consider current figures available not yet lodged to the ATO, provided a statement is received from the accountant confirming that the figures are the final figures that will be submitted to the ATO. These figures would be in addition to the 2 years actual figures already provided. (When determining the final benefit allowable, other factors also taken into consideration include age of the applicant, years in the business, date the practice started and any significant fluctuations in earnings etc).