

Optimum Premium™



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AIA Australia has created a new premium option that sits in the previously uncharted space between stepped and level premiums. This unique offer will assist clients in keeping their life insurance cover for the long term.

It is alarming to note that AIA Australia's statistics relating to crisis cover show that the average age of cancellation is 45 yet the average age of claim is 47. This statistic reinforces the need for an affordable and sustainable premium option.

With Optimum Premium™, you can now offer your clients an affordable premium which will hopefully increase the likelihood that they keep their cover longer.

What is Optimum Premium™?

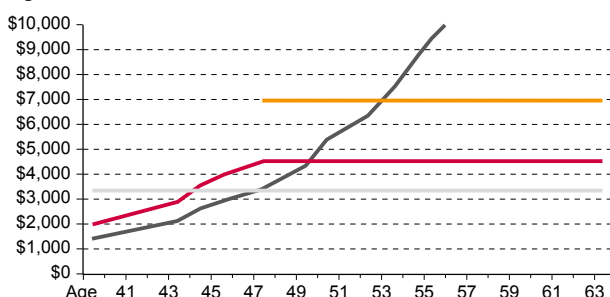
Optimum premium™ is a premium option which combines the upfront cost effectiveness of stepped premiums with the consistency and longer term savings of level premiums.

How does it work?

The client commences on stepped premiums with a premium loading. At a given point, depending on the client's age and the product selected, the premium converts automatically to level premiums with a premium loading.

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

**Crisis Recovery Stand Alone (Comprehensive)
Age 40, male non-smoker**



Total premiums¹ over a 25 year period

Stepped	\$200,478
Level	\$83,930
Optimum	\$100,421
Level (48)	\$117,567

This table shows that over the term of the contract, by selecting optimum premiums, the client will pay approximately half the amount than if the client had selected stepped premiums.

Also interesting to note is the orange line in the graph which demonstrates the premiums paid if the client purchased insurance at age 48. The table shows that it is approximately 15% cheaper for a client to be covered for 25 years paying optimum premiums from age 40 than to be covered for 17 years paying level premiums from age 48.

- Stepped premium
- Level premium
- Optimum
- Level premium at turning point (entry age 48)

1. Includes policy fee and stamp duty.

How do optimum premiums compare with other life office rates?

To illustrate the advantage of Optimum Premium™ over AIA Australia's competitors, let's look at examples of both male and female clients. As AIA Australia's competitors do not have an Optimum Premium™ option we have used their stepped premiums.

Example 1: Female, 47 next birthday, \$1million life cover

AIA Australia optimum ²	Year 1	\$1,035
	Cumulative (up to age 65)	\$34,846
Competitor 1	Year 1	\$856
	Cumulative	\$53,923
Competitor 2	Year 1	\$1,307
	Cumulative	\$72,074
Competitor 3	Year 1	\$1,082
	Cumulative	\$109,848

In this example only one premium is cheaper initially, competitor 1. Competitor 2 is more expensive from the outset and is around 100% more expensive cumulatively. Competitor 3 is not only more expensive initially, but their cumulative premium is three times AIA Australia's cumulative Optimum Premium™ option.

Example 2: Male, 40 next birthday, \$1million life cover

AIA Australia optimum ²	Year 1	\$842
	Cumulative (up to age 65)	\$40,977
Competitor 1	Year 1	\$653
	Cumulative	\$99,227
Competitor 2	Year 1	\$920
	Cumulative	\$111,571
Competitor 3	Year 1	\$786
	Cumulative	\$106,601

The male client shows the same pattern emerging except the initial premiums are more competitive. From a long term perspective, however, the cost of optimum premiums are substantially lower.

Benefits for your clients

Over the term of the contract optimum premiums offer clients insurance premiums that are significantly cheaper than stepped premiums and only slightly more expensive than level premiums.

Ultimately, optimum premiums provide substantial savings to clients over the term of the contract, but still give them affordability from the outset.

Benefits of optimum premiums at a glance:

- Entry level affordability
- Converts to level premium when cover is most often needed and when clients are most likely to stop paying
- Positions the importance of insurances for the long term
- Substantial premium savings when compared to stepped over the long term

Which of your clients are most suited to Optimum Premium™ option?

All clients that pay premiums are suited to optimum premiums.

Target market at a glance:

- All clients that pay premiums
- Smaller sums insured, younger ages and lower premiums
- Clients whose cash flow is not an issue
- Clients who are prepared to pay level premiums

2. Includes policy fee and stamp duty.

The Optimum Premium™ option has been designed to encourage sustainable insurance which benefits both you and your clients. To find out more about AIA Australia's Optimum Premium™ option, please contact your local Sales Manager or our Adviser Services team on Freecall 1800 033 490 (option 4).

To find out more about AIA Australia visit AIA.COM.AU

CUSTOMER FREECALL: 1800 333 613

ADVISER FREECALL: 1800 033 490

