

Total and Permanent Disablement (TPD)

For Advisers



July 2020



AIA's Priority Protection Total and Permanent Disablement (TPD) insurance provides cover of up to \$5 million if a customer becomes permanently disabled due to accident or illness and is no longer able to work. It provides a lump sum payment to cover costs such as medical treatment, rehabilitation, home nursing and home modifications.

AIA offers a choice of three main types of TPD cover:

1. TPD - pays a lump sum if you suffer Total and Permanent Disablement due to Injury or Sickness
2. Accidental TPD - pays a lump sum if you suffer Total and Permanent Disablement due to Accidental Injury; and
3. Universal TPD - pays a lump sum if you suffer Loss of independence.

The cover can be purchased as:

- Stand Alone cover (Ordinary Plan or Superannuation Plan)
- Rider Benefit to Life Cover (Ordinary Plan, Linked Benefit or Superannuation Plan), or
- Rider Benefit to Crisis Recovery Stand Alone cover (Ordinary Plan or Linked Benefit).

The available TPD definitions:

Own Occupation ^{NS}	Any Occupation	Loss of Independence	Home Duties
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All TPD definitions include a Partial Disablement definition, which pays a partial benefit where the insured suffers single loss of use of a limb/eye. This is only available under non-super policies.

NS: Not available under the Superannuation Life Cover Plan

Options to maintain Life Cover

To support customers to maintain their Life Cover when a full TPD claim is made, these options are available.

Double TPD

TPD rider benefit with no reduction on Life Cover when a full TPD claim is payable. In addition, future premiums for Life cover will be waived.

TPD Buy Back

Allows the repurchase of Life Cover after a full payment of a TPD claim without providing further evidence of health.

Super or non-Super – or both?

AIA offers flexibility for structuring insurance cover both in and out of superannuation:

Maximiser

A linked policy of TPD Own definition can be held outside super extending TPD Any definition held inside super.

Super PLUS

A linked policy of TPD rider benefit can be held outside super attached to a Life Cover or Crisis Recovery Stand Alone policy held inside super.

Tailoring cover

These optional rider benefits are tailored for extra individual's needs

Repayment Relief Pays a monthly benefit for up to three months to help cover minimum monthly home loan repayments if the life insured has been Involuntarily Unemployed for more than 60 consecutive days. Available under TPD Stand Alone and Universal TPD Stand Alone benefit.

Life Cover Purchase

Allows the purchase of Life Cover after a full TPD claim without providing further evidence of health, for a TPD Stand Alone cover or a TPD Rider Benefit to Crisis Recovery Stand Alone cover.

Forward Underwriting benefit (FUB)

Additional cover for certain life events without providing further evidence of health.

Business Safeguard Forward Underwriting benefit

Additional cover for certain business events without providing further evidence of health.

School Fees Protector

Pays a lump sum towards a child's school tuition fees if the life insured becomes totally and permanently disabled, terminally ill or dies.

Family Protection

Pays a lump sum if the child suffers one of the listed Crisis Events up to the full Family Protection Sum Insured.

Case Study

SUPERANNUATION



Life \$2m

Double
TPD 'ANY'
\$1M

OUTSIDE OF SUPER

Maximiser
Double TPD
'OWN' \$1M

Super
PLUS Crisis
Recovery
\$500K

Jonah is a 35 year old Heating and Ventilation Plumber.

He has a Priority Protection Life Cover Plan with \$2 million Life and \$1 million Double TPD cover ('Any' occupation) as well as \$1 million Double TPD cover ('Own' occupation) via Maximiser and \$500,000 Crisis Recovery cover via Super PLUS, linked outside of super.

During the course of Jonah's employment he was in an accident which resulted in him losing three of his fingers. He was unable to continue working in his own occupation as a Heating and Ventilation Plumber.

AIA's claims team first assessed Jonah's claim under the TPD 'Any Occupation' definition. They concluded that Jonah does not meet the TPD 'Any Occupation' definition under super, as he continues to have capacity to work in occupations he is reasonably suited to by his education, training or experience, such as a plumbing inspector or supervisor.

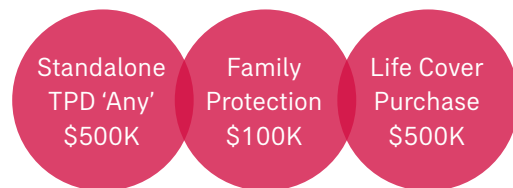
However, as Jonah has cover under **Maximiser**, he is able to also be assessed under the '**Own Occupation**' definition cover he holds outside of super. As Jonah is no longer able to perform the important duties of his current occupation, he satisfies the

Own occupation definition policy requirements for payment of his TPD benefit. The TPD benefit was paid directly to Jonah.

Following payment of his TPD benefit, Jonah's TPD cover both inside and outside of super along with his Crisis Recovery cover (as a rider benefit) are reduced to \$0. However, as Jonah has the **Double TPD benefit** on his policy, his Life cover sum insured will not be reduced. He still has \$2 million life cover and those premiums will be waived until the policy anniversary prior to his 65th birthday.

The Double TPD benefit waives the Life cover premium only when a full TPD claim is payable. Other costs such as a policy fee or the premium for other insurance cover held on the policy are not waived.

Case Study



John is a 37 year old Electrical Mechanic with a 5 year old daughter Sarah. He has a Priority Protection Standalone TPD policy with Life Cover Purchase and Family Protection.

Sadly, John's daughter is diagnosed with Leukemia. As John has the **Family Protection** benefit, he submits a claim to AIA who, on assessment, make a payment of \$100,000 to John. The Family Protection benefit allows John and his family to concentrate on caring for Sarah without the added stress of extra bills. After the claim has been paid, the Family Protection benefit is removed from the policy. This does not reduce the TPD or Life Cover Purchase Sums Insured.

Two years later John was forced to cease work due to a workplace injury and he lodged a claim.

An assessment of John's claim results in him being deemed able to perform an occupation suited to his education, training and experience. However as John's earning capacity is permanently restricted to less than 25% of the income he previously generated as an Electrical Mechanic in the 12 months prior to his injury, he was eligible for a \$500,000 TPD benefit.

As John has the **Life Cover Purchase** benefit on his policy, he decides to purchase Life Cover with a sum insured of \$500,000. This ensures he continues to have a level of protection he may not have been able to acquire after his TPD claim.

To find out more about AIA Australia's Income Protection options, please contact a member of our Client Development team on 1800 033 490 or email au.adviserservices@aia.com