

Scheme Summary

Integrity Life Australia Limited ABN 83 089 981 073 (**ILAL**) and AIA Australia Limited ABN 79 004 837 861 (**AIAA**) are making an application to the Federal Court of Australia (**Federal Court**) for the confirmation of a proposed scheme to transfer part of the life insurance business of ILAL to AIAA under Part 9 of the *Life Insurance Act 1995* (Cth) (**Life Act**).

We refer to this transfer as the **Scheme** throughout this document. The Federal Court must first confirm the Scheme under the Life Act before the transfer can go ahead.

The life policies that are issued under one of the products listed in the Annexure to this Scheme Summary will transfer from ILAL to AIAA if the Scheme is confirmed (**Transferring Life Policies**). You should check this list to see if your policy is being transferred.

The Scheme involves the replacement of the policy terms and conditions for some of the Transferring Life Policies, as shown in the Annexure.

If you are a policy owner of a group life product under the product names Group Life, Group Salary Continuance or Five+ then your policy will not be transferring under the Scheme and it will remain with ILAL. These persons are referred to as the **Remaining Policy Owners** throughout this document.

About this Scheme Summary

This Scheme Summary outlines the key details of the Scheme and how it will affect you. It explains:

- > the proposed transfer between ILAL to AIAA;
- > the transfer process under the Scheme;
- > your rights as a policy owner;
- > how the proposed transfer will affect you; and
- > other aspects of the Scheme that you should know about.

This Scheme Summary has been approved by the Australian Prudential Regulation Authority (APRA) for the purpose of ILAL and AIAA making an application to the Federal Court for confirmation of the Scheme.

Why are we proposing the Scheme?

ILAL and AIAA are registered life insurance companies under the Life Act. ILAL closed to new business in September 2023. Since then, it has been engaged in a process to transfer its business to other life insurers.

ILAL and AIAA have agreed that ILAL will transfer part of its retail life insurance business to AIAA.

Both ILAL and AIAA believe that the Scheme is in the interests of policy owners, and will allow the transferring ILAL policy owners to benefit from AIAA's financial strength and ongoing commitment to the Australian market.

What happens if the Scheme proceeds?

If the Federal Court confirms the Scheme, then on and from the effective date of the Scheme:

- > each ILAL Transferring Life Policy referable to ILAL's Statutory Fund No.1, will become an AIAA life policy referable to AIAA's Statutory Fund No.1; and
- > AIAA will acquire ILAL's rights and assume ILAL's liabilities and obligations (including the obligation to pay benefits) in respect of the Transferring Life Policies.

Your rights as a policy owner

As a policy owner affected by the Scheme, you have the right to **attend the Federal Court hearing and to request to be heard on the application for confirmation of the proposed Scheme.**

The Federal Court hearing will be heard at the New South Wales Registry of the Federal Court, located at Law Courts Building, Queens Square, Sydney on 13 February 2025 at 9.30am (AEST). If you wish to be heard at the hearing, you may contact the lawyers for ILAL, Hall & Wilcox, Level 18, 347 Kent Street, Sydney NSW 2000 (Tel: 02 8267 3800) or the lawyers for AIAA, Ashurst, Level 16, 80 Collins Street, Melbourne VIC 3000 (Tel: 03 9679 3000).

You are not required to take any action if you have no objection to the proposed Scheme. However, it is in the interests of policy owners to examine the Scheme document and the actuarial reports so as to assure themselves that the Scheme, if confirmed, will not adversely affect their interests.

How will my policy terms be affected?

1. The Transferring Life Policies whose terms and conditions will be replaced

The terms and conditions of the Transferring Life Policies that are listed in item numbers 1 and 2 of the Annexure, which comprise the Integrity's Here for You policies and the policies originally issued by CUNA Mutual Insurance Society, **will be replaced** by the terms and conditions of the AIAA "Priority Protection" product disclosure statement and policy document.

To access a summary of the changes to the terms and conditions of your policy, please visit this link:

<https://www.aia.com.au/en/products/life-insurance/integrity-part-9/policy-information> for key differences and www.integritylife.com.au/part-9/ for details about the replacement terms and conditions that will apply.

2. The Transferring Life Policies whose terms and conditions will not change

The terms and conditions of the policies listed at item numbers 3 and 4 of the Annexure, which comprise loan and mortgage protection life insurance policies, will be retained and will not change when these policies are transferred under the Scheme to AIAA.

3. The Remaining Policy Owners

The policies of the Remaining Policy Owners are not being transferred to AIAA under the Scheme, and they will remain with ILAL. Their policy terms and conditions will not change.

4. AIAA's existing policy owners

The terms and conditions of all existing AIAA policies will remain the same and there will be no changes under the Scheme for existing AIAA policy owners.

Accessing the Scheme documents

You can view the Scheme document and the actuarial reports regarding the Scheme on our websites at:

- > www.integritylife.com.au/part-9/; and
- > www.aia.com.au/integritypart9.

You can request a copy of the Scheme document and the actuarial reports free of charge by contacting:

- > ILAL on 1300 54 33 66 or emailing part9@integritylife.com.au; or
- > AIAA on 1800 333 613 or emailing au.integritypart9@aia.com.

The actuaries' opinions

The Scheme is based on the actuarial reports of Mr Michael Dermody and Mr Nghiep Luu, the appointed actuaries of ILAL and AIAA, respectively. Mr David Goodsall, an independent actuary, has also provided an opinion on the Scheme.

Impact on ILAL's policy owners

Mr Dermody has formed the opinion that the Scheme is in the interests of ILAL's policy owners as a whole. In particular:

- > Without the proposed Scheme, ILAL's policy owners are expected to otherwise lose cover by February 2028 and ILAL's capacity to meet policy owner benefits in full would be exhausted. Also, the premium rate increases that most Transferring Life Policy owners would face over the next two years with ILAL are expected to be greater than the prospective premium increases under AIAA if the proposed Scheme is confirmed.
- > The only viable approach to the proposed Scheme is to amend ILAL's policies to the terms and conditions of AIAA's products (except for the QBE and LFI mortgage and loan insurance products), and to apply AIAA's premium rates.
- > There are likely to be some policy owners who, if they applied to another insurer for the same or similar cover they have with ILAL, would be declined cover entirely, be provided cover but with additional exclusions and/or with a higher underwriting loading. These policy owners are better off under the proposed Scheme as cover will continue with AIAA whereas they will lose this cover should the proposed Scheme not proceed.
- > Transferring Life Policy owners who are currently on claim or who claim in the future are better off under the proposed Scheme because under the proposed Scheme the financial security of their benefits is greater.
- > ILAL is engaging with other life insurers to agree terms to transfer all claim liabilities relating to the Remaining Policy Owners. Should an agreement be reached, the Remaining ILAL Policy Owners are expected to receive their benefit entitlements in full and will have access to a life company that holds assets in excess of its regulatory capital requirement.

Impact on AIAA's policy owners

Mr Nghiep Luu has formed the opinion that the Scheme will not materially prejudice the interests of existing AIAA policy owners and will improve benefit security of Transferring Policy Owners. In particular:

- > the Scheme will not adversely impact the contractual benefits and rights of existing AIAA policy owners;
- > the Scheme will not adversely impact the reasonable benefit expectations of existing AIAA policy owners;
- > the security of existing AIAA policy owners' benefits will continue to be appropriate post the Scheme; and
- > the Scheme is necessary to provide adequate security for Transferring Policy Owners' benefits.

Findings of the independent actuary

Mr Goodsall has concluded that the Scheme:

- > Apart from the proposed changes to policy terms and conditions, the proposed Transfer will not further materially prejudice the interests of Policy Owners of ILAL;
- > There will not be any further adverse impact on reasonable benefit expectations of Transferring Policy Owners of ILAL;
- > Following the Transfer the financial position of AIAA will remain in a sound financial position, meeting regulatory and internal capital requirements. The financial position and benefit security of the Transferring Policies will be materially improved following the Transfer;
- > The Financial Position of ILAL will improve following the Transfer improving the benefit security of the ILAL Remaining Policy Owners;
- > There will be no changes to the policy terms and conditions of the ILAL Remaining Policies as a result of the Proposed Transfer;
- > The financial position of existing AIAA Policy Owners will not be impacted by the Transfer;
- > There will be no changes to the policy terms and conditions of the AIAA Existing Policies or the ILAL Remaining Policies as a result of the Proposed Transfer;
- > The reasonable benefit expectations of AIAA Non-Participating and Participating Policies will not be adversely impacted: and
- > The proposed Transfer will not materially prejudice the interests of Policy Owners of AIAA.

The actuarial reports of Mr Dermody, Mr Nghiep Luu and Mr Goodsall are available for you to read. Please see “Accessing the Scheme documents” section on page 3 for details.

Frequently asked questions (FAQs)

When will the Scheme take effect?

It is expected that the Scheme will take effect on and from 1 March 2025, unless the Federal Court determines a different date.

How will I know what my new terms and conditions will be?

For those Transferring Policy Owners whose policy terms and conditions are being replaced, as soon as practicable after the Scheme takes effect, you will receive a replacement AIAA policy schedule as part of your Welcome Pack.

Will my insurance claim or dispute be affected?

For all of the Transferring Life Policies, the Scheme will not affect:

- > any active insurance claims or insurance claims under assessment;
- > any active requests or complaints submitted; or

> any claims decisions that are under internal review or in dispute.

What administrative changes will I notice?

AIAA will be responsible for administering the Transferring Life Policies and paying any claims and meeting all other obligations arising under these policies. All future communications after the Scheme take effect will be issued by AIAA.

Any premiums that are payable will be paid to AIAA. Unless otherwise notified by AIAA, you won't have to change your payment arrangements – this will happen automatically. Some Transferring Life Policy owners may notice a change to the reference that appears on their bank statements.

What premium changes will occur?

The Scheme will involve increases in premiums for the majority of the Transferring Life Policies listed at item numbers 1 and 2 of the Annexure, comprising the Integrity's Here for You and the policies issued by the former CUNA Mutual Insurance Society.

For these two groups of Transferring Life Policy Owners', the premium increase will occur at the next billing date that falls due after the Scheme takes effect.

ILAL together with AIAA will provide you with further details about your new premium amount before the Scheme is confirmed.

The other two groups of Transferring Life Policies, comprising loan and mortgage protection life insurance policies will have no changes to their premiums.

Who is paying for the Scheme?

The costs associated with the Scheme will be paid by ILAL and AIAA. Policy owners of ILAL and AIAA will not directly incur any of those costs.

Who has considered the Scheme?

The Scheme has been considered by several different groups including the appointed actuaries of ILAL and AIAA and an independent actuary, as well as by APRA.

Do you have any questions?

Please contact us on 1300 54 33 66, email us at part9@integritylife.com.au or contact your financial adviser if you have any questions or feedback about the Scheme.

Annexure – List of Transferring Life Policies

The ILAL Transferring Life Policies are the policies issued under the following product names:

No.	Product name	Are the policy terms and conditions being replaced?
1.	The Life Policies issued by ILAL under the product name "Integrity's Here for You".	Yes
2.	<p>The Life Policies that were originally issued by CUNA Mutual Insurance Society for life, term life cover, crisis recovery and accident insurance under the product names:</p> <p>(a) MemberCare Life Insure Policy;</p> <p>(b) MemberCare Term Life Insurance Plan/Term Life Cover; and</p> <p>(c) MemberCare Term Life and Crisis Recovery Plan.</p>	Yes
3.	<p>The Life Policies that were originally issued by QBE Insurance (Australia) Ltd and ILAL for mortgage and loan protection cover under the product names:</p> <p>(a) MemberCare Loan Insure;</p> <p>(b) MemberCare Mortgage Insure;</p> <p>(c) Mortgage Protection Insurance; and</p> <p>(d) Loan Protections Insurance.</p>	No
4.	The Life Policies that were originally issued by LFI Group Pty Ltd and QBE Life (Australia) Limited for mortgage and loan protection cover under the product names "Loan Protection Insurance" and "Mortgage Protection Insurance".	No