

# TARGET MARKET DETERMINATION

For Income Protection cover provided and issued under  
Income Protection provided by AIA Australia Limited  
(ABN 79 004 837 861, AFSL 230043)



November 2023

## 1. About this document

### When to use this target market determination

This target market determination (TMD) provides customers, distributors and staff with an understanding of the class of customers this product has been designed for, having regard to the likely objectives, financial situation and needs of the target market. Further, it sets out how the product is distributed, review periods and triggers relating to the TMD, and reporting and monitoring the TMD.

This document is not a summary of the product's terms and conditions and is not intended to provide financial advice. Persons interested in acquiring this product should carefully read the Product Disclosure Statement (PDS) and any applicable Supplementary Product Disclosure Statement(s) which outline the relevant terms and conditions before making a decision whether to buy this product.

### PDS to which this target market determination applies

This TMD applies to the Income Protection cover referred to in the following PDS:

- Income Protection Provided by AIA Australia

### Effective Date

10 November 2023

### Version

1.1

## 2. Class of customers that fall within this target market

The information below summarises the class of customers that fall within the target market for this insurance cover, and the likely objectives, financial situation and needs that this cover has been designed to meet.

### Class of customers

The customer has (or envisages that in future they will or may have) a need to replace their pre-disability income in the event that they are unable to earn their income due to injury or sickness.

### Excluded class of customers

The insurance cover has **not** been designed for individuals who:

- are not an Australian citizen or permanent resident, or a New Zealand citizen;
- are not a Commonwealth Bank customer living permanently in Australia at the time of application;
- are not aged between 18 and 59 years old at the time of the application;
- are not permanently employed or self-employed;

- where they are self-employed, work from their place of residence more than 20% of their time;
- do not meet underwriting requirements – for example exceeds relevant underwriting criteria in respect of Body Mass Index (BMI) and other lifestyle/medical factors;
- are performing an occupation considered heavy manual work or working less than 20 hours per week, including casual workers; and
- are unlikely to be able to afford to pay the regular policy premium.

## Product value, likely needs and objectives

The insurance covers have been designed to provide value for customers who have the following likely needs and objectives:

Type	Likely needs and objectives
<b>Income Protection</b> <i>Accident and Sickness Cover</i>	<ul style="list-style-type: none"> <li>• want to reduce the burden of financial commitment through the receipt of monthly payments for a limited benefit term, if they are unable to work due to injury or sickness;</li> <li>• want to protect their income through receipt of monthly payments for a limited benefit term; and</li> <li>• want to support dependants and maintain their lifestyle for a limited benefit term, while they are unable to work due to sickness or injury.</li> </ul>

## Financial situation

A customer who is employed, has savings or otherwise has financial capacity (e.g. family or other relationships) to pay premiums (which may vary from time to time) to retain the product for the period of time it is intended to be held.

## 3. Product design descriptions

Below is a description of the key terms, features and attributes that affect whether this product is likely to be suitable for the needs of the target market. Refer to the PDS for a full description of this product and for the applicable terms and conditions.

### Product Application Eligibility

<b>Income Protection – Total Disability cover – Accident and Sickness</b>	
<b>Residency Criteria</b>	Must be an Australian citizen or permanent resident or a New Zealand citizen
<b>Commonwealth Bank Customer</b>	Must be a Commonwealth Bank customer who is registered with NetBank
<b>Benefit Description</b>	Income Protection provides a monthly payment in the event the customer becomes Totally Disabled and unable to work due to an accident or sickness for a chosen benefit period of either 6 months, 1 year or 2 years, after a chosen waiting period of 30 or 90 days.
<b>Age Eligibility at application</b>	18 – 59
<b>Max Cover</b>	70% of the customer's income up to \$10,000 per month
<b>Claim payments</b>	Following the waiting period of 30 or 90 days, monthly payments will be paid up to the selected benefit period as long as the customer remains totally disabled
<b>Minimum Hours Work</b>	20 hours per week
<b>Heavy Manual Work</b>	Do not perform heavy manual work, for example cleaners, truck drivers, fencing contractors, concreters, earth moving workers, carpet layers
<b>Self Employed working from home</b>	Must not be working from home more than 20% of the time.

## Policy Premium

Paying premiums on time in accordance with the product conditions is a requirement of continued cover. If premiums are not paid when due, the policy may lapse in which case the customer would no longer be covered and cannot make a claim.

Premiums are dependent on the information provided at application stage including, the level of cover, for example: age, gender, smoking status, applicable discounts, individual and underwriting loadings determined at point of application.

Premiums can change over time based on the customer's increasing age and changes in their cover amount for example whether benefit indexation has been chosen (the sum insured will increase by the greater of 3% and CPI at the policy anniversary date) and if any discounts apply.

Premiums increase each year as the customer gets older because the customer's chances of death, illness and injury increase with age. Premiums increase over time. In general, premiums will increase over time and are cheaper in younger years.

Note: Applicable discounts may reduce or end, if the discount eligibilities are not met over time.

## Product Exclusions

For Income Protection cover a benefit will not be payable as a result of:

- any deliberately self-inflicted injury or sickness including suicide or attempted suicide;
- normal pregnancy;
- engaging in criminal activities and war; and
- events arising during the course of directly or indirectly carrying out certain hazardous duties\* for example, working in outdoor conditions at a height greater than 10m from the ground

\* (Hazardous duties are working above 10 metres from the ground, working underground, working offshore, underwater diving, working with explosives, working as a professional sportsperson or coach, or employment in the armed forces)

## Cover Amount Limitations

- Where the customer is covered under more than one Income Protection provided by AIA Australia policy, the maximum total of all cover amounts payable is 70% of the customer's income up to \$10,000 per month.
- Where the customer is covered under more than one income protection insurance policy issued by AIA Australia (this includes cover under a group life insurance scheme), the maximum sum insured under all policies is limited to \$10,000 per month.
- Where the customer receives income or payments from other sources whilst they are on claim, their benefit amount will be reduced by these amounts. This is known as Offsets. Offsets are in place so that the benefits the customer receives are not higher than 70% of their pre-disablement income.

## Appropriateness explanation

Broadly, the target market comprises those who have or expect to have outstanding financial commitments that will not be satisfied in the event of their not being able to work in their own occupation due to a sickness or injury and who have a capacity to pay potentially variable premiums on an ongoing basis. As the product pays a monthly benefit for Income Protection on total disability, it is therefore likely to meet the needs, or go towards meeting the needs, of those in the target market.

## 4. How this product is to be distributed

### Distribution channels

The product is distributed through the following means only:

- Online – via the Commonwealth Bank NetBank platform; and
- Contact centre for customers who require additional assistance during their online application.

### Distribution conditions

The distributor must follow the distribution conditions to ensure that this product is sold to consumers likely to be in the target market. The following will ensure that the customers will be likely to be in the target market. These include:

- Customers are existing Commonwealth Bank customers and have access to NetBank or the CommBank app;

- Suitability and eligibility questions to determine whether the customer can apply for the product by meeting the eligibility requirements;
- a PDS and other materials that explain the product has been designed for customers in the target market;
- Customers have access to and an opportunity to review the PDS before agreeing to purchase.

Representatives of the contact centre (operated by AIA Australia) have received training about the product and comply with authorised scripting, training and quality assurance standards.

## 5. Reviewing this target market determination

We will review this target market determination in accordance with the below:

<b>Initial review</b>	12 months after the effective date by 5 October 2022.
<b>Periodic reviews</b>	At least every three years from the initial review.
<b>Review triggers or events</b>	<p>A trigger event or circumstances which arise that would reasonably suggest the TMD is no longer appropriate or that the product is no longer consistent with the likely objectives, financial situation and needs of customers in the target market. Examples of trigger events include:</p> <p><b>External Events</b></p> <ul style="list-style-type: none"> <li>• A change in law or a change in the distribution conditions required to comply with regulatory standards;</li> <li>• A change in the likely needs of customers, for example as driven by significant advances in medical treatment or diagnosis standards; and</li> <li>• a material alteration in eligibility requirements or underwriting criteria of the product.</li> </ul> <p><b>Product Performance and Changes</b></p> <ul style="list-style-type: none"> <li>• Alterations in product eligibility and suitability requirements or a significant change in product underwriting acceptance criteria;</li> <li>• any significant or unexpectedly large fluctuations in metrics, including, but not limited to, sales volumes, applications acceptance rates, policy cancellation levels and product value to customers; and</li> <li>• unexpectedly high number of complaints regarding the product outcomes for customers.</li> </ul> <p><b>AIA Australia as the Product Issuer</b></p> <ul style="list-style-type: none"> <li>• The use of Product Intervention Powers in relation to the distribution or design of this product where AIA Australia considers this reasonably suggests that this TMD is no longer appropriate.</li> </ul> <p><b>Distribution Conditions and Performance</b></p> <ul style="list-style-type: none"> <li>• the addition of new distribution channels or a material change in the design of existing distribution channels;</li> <li>• Unexpectedly high complaints regarding the distribution of the product; and</li> <li>• occurrence of a significant dealing</li> </ul>
<b>After a review trigger event</b>	• Where a TMD update has occurred due to a trigger event, then the next review will be in 12 months (aka initial review).

**Information needed for review triggers**

In considering whether a trigger event has occurred, the following are examples of the types of information that will be considered.

**External events:**

- Published legislation by government;
- Regulatory guides and industry consultation; and
- Consumer research outlining changes in consumer behaviours and preferences.

**Product Performance and Changes**

- The actual and expected product performance of key metrics such as loss ratio, lapse rates, claims acceptance rates;
- Product Specification documents;
- Complaints captured in AIA Australia systems; and
- Complaints captured and recorded by distributors, including Commonwealth Bank.

**AIA Australia as the Product Issuer**

- Relevant Product Intervention order

**Distribution Conditions and Performance**

- Level of customer engagement in application process and customer behaviours during application processes;
- The outcomes of quality assurance reviews on assisted customer calls;
- Complaints and the nature of the complaints regarding product design, claims and distribution condition; and
- A significant dealing in the product which is not consistent with the TMD (within 10 business days of becoming aware of the dealing).

Where a review trigger has occurred, this target market determination will be reviewed within 10 business days using information available about the performance of the product against likely customer needs and objectives and about the adherence of the distribution of the product to the distribution conditions outlined in this TMD.

## 6. Reporting and monitoring

We will collect and to report on the following information:

**Complaints**

We will receive reports on all complaints in relation to this financial product half-yearly (within 10 business days of the end of the calendar half-year). This will include whether the distributor received complaints during the reporting period and if so, the number of complaints received, the nature of the complaints, regarding product design, claims and distribution, in relation to the product, and the date on which each complaint was received.

**Significant dealings**

We will receive notification if our distributors become aware of a significant dealing in the product that is inconsistent with the TMD within 10 business days.