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SOVEREIGN ESSENTIALS

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1. Introduction to Essentials

Your Essentials policy is a *term life insurance policy* provided by Sovereign Assurance Company Limited (Sovereign, we, us). This policy does not participate in the profits of Sovereign. This policy has no surrender value or cash value if it is cancelled.

The benefits you have chosen, cover options and premium payments are shown in *the schedule*. The details of your benefits are shown in the *appendices*.

The schedule lists the policy owner (you or your) and the life assured. When the life assured dies or suffers a condition described in the *appendices*, Sovereign will pay a benefit to you, or if you have died, to your estate. If there is more than one policy owner, Sovereign will pay the benefit to both policy owners. When one policy owner has died, Sovereign will pay the benefit to the surviving policy owner.

The policy owner is responsible for paying all premiums under this policy.

The policy owner can be an individual, group or organisation other than the life assured.

2. Your cover

The benefits you have chosen and initial amount of cover for each benefit are shown in *the schedule*. The descriptions of your benefits are contained in the *appendices*.

The amount of cover of your benefit is described as one of the following:

Level	The amount of cover under the relevant benefit remains the same each year.
Inflation	The amount of cover under the relevant benefit will increase on each <i>anniversary date</i> , by the same percentage as the percentage increase in the <i>consumer price index</i> for the preceding year ending 30 September. However, if the increase in the <i>consumer price index</i> is more than 5% per annum and on the relevant <i>anniversary date</i> you have a current claim for or are eligible for a total or partial disability benefit under this policy, then on that <i>anniversary date</i> the increase in the disability income protection benefit for the life assured for whom you are claiming will be limited to 5%.

If the *consumer price index* falls, your amount of cover will remain the same as the previous year.

3. Your premium

Your premium is shown in *the schedule*. The first premium is due to Sovereign on the first *premium due date*. You must pay the premium at the frequency stated in *the schedule*. You can pay your premium by credit card or a direct debit arrangement with Sovereign.

Your premium will change from time to time (as described below). Sovereign will advise you of any changes to your premium before we make a change. The enclosed *policy illustration* gives details of the likely changes.

When your premium can change

Each year, Sovereign will recalculate your premium at the *anniversary date* based on the age of the life or lives assured, the amount of cover for each benefit and Sovereign's underlying premium rates at that time. Sovereign will write to you before the *anniversary date* and tell you how much your premium will be to maintain your existing benefits under your policy at that time.

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Your premium will also change when:

- you add other benefits to the policy or increase or reduce the amount of benefits under the policy;
- a claim is paid and the benefit ceases as a result of the payment being made;
- you request and we agree to change your premium frequency;
- the life assured reaches the benefit expiry age, as specified in *the schedule*, and as a result the benefit ceases.

Overdue premium

Sovereign may cancel your policy by written notice to you at your last known address if your premium remains outstanding 31 days after a *premium due date*.

If you want to have your policy reinstated, you must write to Sovereign. Sovereign does not have to reinstate the policy but may do so on any conditions it considers appropriate. If Sovereign accepts a claim under the policy when a premium is overdue, any overdue premium may be deducted from the claim amount.

4. How to claim a benefit

If you wish to claim a benefit, please phone the Sovereign claims team on 0800 500 103 or your adviser for assistance. You must give Sovereign written notice of a claim for any benefit as soon as practicable or within 12 months of the event giving rise to the claim.

Once Sovereign receives notification of a claim, we will advise you if we require any further information to process the claim. Further information about making a claim can be found in the *appendices*.

5. Cancelling your policy

When can you cancel your policy?

You have a 15 day free-look period. This means if for any reason you are not happy with this policy, you may return the policy document to us within 15 days. Sovereign will promptly cancel the policy and refund any premiums paid under your policy. Your free-look period starts three days after Sovereign has posted this policy document to you.

You may cancel your policy at any time after the free-look period by giving Sovereign written notice. If you have elected to pay premiums less frequently than monthly, we will refund any part of a premium already paid for this policy to cover any period of more than one month beyond the date of cancellation (being the date we receive the cancellation notice). Otherwise, we do not have to refund any premiums or part of premiums already paid. You will remain liable to pay any premium due on the policy before Sovereign received the cancellation notice.

From (and including) the date Sovereign receives your request to cancel the policy, you will not be entitled to any benefits under the policy.

When can Sovereign cancel your policy?

The following is a description of your legal responsibility to Sovereign and Sovereign's ability to cancel the policy.

If you or a life assured has:

- failed to disclose all *material* information to us prior to inception, variation or reinstatement of this policy; or
- made a statement on the faith of which we issued, renewed, varied or reinstated the policy that was, in terms of the Insurance Law Reform Act 1977:
 - *material*; and
 - *substantially incorrect*; and

For a life policy was made either:

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- *fraudulently*; or
- within the period of three years immediately preceding the date on which the policy is sought to be avoided or the date of death or the life assured, whichever is earlier,

Sovereign may, at its complete discretion, either:

- avoid your entire policy from inception (this means the policy is deemed never to have existed); or
- avoid any individual benefits provided by your policy from inception (this means the individual benefit(s) are deemed never to have existed); or
- alter the terms upon which cover is provided under your policy. If we choose to alter the terms of your policy we may do so effective from *the risk commencement date*.

If the policy or any benefit provided by the policy is avoided from inception you will forfeit and we can retain all premiums you have paid in relation to that benefit or your policy.

Sovereign can cancel the policy and decline to pay a benefit under the policy if you, a life assured or anyone acting on your behalf, makes a claim under the policy that is false or *fraudulent* in any respect. In the event that fraud is established after we have paid the claim, all amounts paid in relation to the false or *fraudulent* claim must be repaid.

Sovereign can cancel the policy if a premium has not been paid within 31 days after the *premium due date*.

6. Making changes to your policy

Changing your cover

You may apply to Sovereign in writing to increase or reduce your benefits (subject to the maximum and minimum levels of cover allowed) or add other benefits to the policy. Any increase in cover other than by way of inflation will be treated as a new policy.

Sovereign does not have to accept an application for any increase in existing cover. Any acceptance will depend on a number of factors, including the state of health of the life assured.

You may add other benefits so long as the life assured meets Sovereign's usual requirements for those benefits.

Any increase or reduction in cover will start from the next *premium due date* after Sovereign accepts your application.

Changing ownership of your policy

You may assign your policy to someone else at any time by completing the Memorandum of Transfer printed at the back of this policy document, and returning the document to Sovereign for registration. To be legally valid, the assignment must be registered with Sovereign. A policy can be assigned to more than one person. Your policy can be transferred to an individual, group or organisation. A trust or trustee cannot own the policy. No charge is payable.

7. What forms part of this policy contract?

All terms of this policy are contained in and based on:

- this policy document, which includes *the schedule, appendices and policy illustration*;
- any alterations made as permitted under the policy to the relevant benefit *appendix* and/or any application forms and declarations made by you at any time concerning this policy;
- all statements which the life assured has made to Sovereign under this policy;
- any provisions which any legislation states must be included in this contract. If those provisions can be contracted out of, they do not form part of this contract.

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8. Law changes affecting Sovereign or the policy

If changes in the law or its interpretation occur after the *risk commencement date* and Sovereign believes on reasonable grounds that those changes will affect:

- Sovereign’s liability to pay any tax; or
- the tax treatment of any premiums payable or claims receivable in respect of the policy; or
- the way in which the policy works; or
- the amount which can be paid under the benefits;

then Sovereign can change the provisions of the policy or the benefits in whatever way it deems appropriate.

9. Policy subject to laws of New Zealand

The laws of New Zealand govern this policy, which has been issued in New Zealand.

10. Contacting us

When you write to Sovereign about this policy, you must send the letter to Sovereign’s head office in New Zealand or a substitute address Sovereign gives you.

If more than one person owns this policy, all the policy owners must sign any letter or notice to Sovereign. However, Sovereign will not be liable to any policy owner if we act on a letter or notice signed by one or more, but not all, of the policy owners. Sovereign is not bound by anything contained in a letter or notice you send unless we actually receive the letter or notice at the relevant address.

When Sovereign writes to you about this policy, we will write to you at your address as shown in *the schedule*, or a substitute address you give us.

The postal address of Sovereign’s head office is:

Freepost Sovereign
Private Bag Sovereign
Auckland Mail Centre 1020
New Zealand

The street address of Sovereign’s head office is:

Sovereign Assurance Company Limited
Sovereign House
74 Taharoto Road
Takapuna
North Shore City
New Zealand

11. Information about your policy

Shortly before each *anniversary date*, Sovereign will send you a letter containing information about your policy. You may write to Sovereign or your adviser for further information about your policy at any time.

12. Key terms

In this policy some words have special meanings:

<i>anniversary date</i>	The anniversary in each year of the first <i>premium due date</i> .
<i>appendices</i>	The <i>appendix</i> or <i>appendices</i> that forms part of the policy document and contains the terms of any benefit you have chosen.
<i>consumer price index</i>	The <i>consumer price index</i> (all groups) issued by the Government Statistician or any index which may replace that index.

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<i>fraudulently</i>	<p>A statement is made <i>fraudulently</i> if the person making the statement makes it:</p> <ul style="list-style-type: none">• Knowing it is incorrect; or• Without belief in its correctness; or• Recklessly, without caring whether it is correct or not.
<i>material</i>	<p>A statement is <i>material</i> only if that statement would have influenced the judgment of a prudent insurer in fixing the premium or in determining whether he/she would have taken or continued the risk upon substantially the same terms.</p>
<i>policy illustration</i>	<p>The Sovereign Essentials <i>policy illustration</i> enclosed with and forming part of this policy document.</p>
<i>premium due date</i>	<p>The date on which the premium is payable under the policy, as agreed with Sovereign.</p>
<i>risk commencement date</i>	<p>The commencement date of the policy, being the date on which the policy was issued.</p>
<i>Registered Medical Practitioner(s)</i>	<p>A person, acceptable to Sovereign, who is registered and practising as a medical practitioner in New Zealand or Australia, other than:</p> <ul style="list-style-type: none">• You;• The life assured;• A member of the life assured’s family or your immediate family;• The life assured’s or your business partner or associate.
<i>substantially incorrect</i>	<p>A statement is <i>substantially incorrect</i> only if the difference between what was stated and what is actually correct would have been considered <i>material</i> by a prudent insurer.</p>
<i>term life insurance policy</i>	<p>A policy as defined in Section 2A of the Securities Regulations Act 1983 that is not a security or a life insurance policy for the purposes of the Securities Act 1978.</p>
<i>the schedule</i>	<p>The latest (in time) schedule of policy details including endorsements that forms part of this policy document.</p>