

# “SAMPLE ONLY”

## Start-Up Income Protection

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## 1. **Policy benefit**

Your Sovereign Start-Up Income Protection policy can provide financial assistance in the event of *total disability*.

Details of the Start-Up Income Protection benefit (benefit) and the name of the person insured for the benefit (called the life assured) are shown in the *schedule*. The terms of your benefit are also contained in this policy.

Provided your claim is accepted, Sovereign Assurance Company Limited (Sovereign) will pay the benefit to the policy owner.

Your policy commences from the *risk commencement date*.

## 2. **Eligibility**

To qualify for this policy the life assured must be:

- *actively involved* in their business on the *risk commencement date*; and
- residing and working in New Zealand at all times during the *policy term*.

In addition, the life insured's business must be operating at all times during the *policy term*.

## 3. **Your premium**

To ensure your policy remains in force you must pay the premium on a regular basis as agreed with Sovereign.

The initial premium is shown in the *schedule*, the first payment is due to Sovereign on the first *premium due date*.

### **Change in premium amount**

Your premium will be recalculated at each *anniversary date* based on:

- the age of the life assured;
- the sum assured shown for the benefit in the *schedule*; and
- Sovereign's underlying premium rates at that time.

### **Method of paying premiums**

You must pay all premiums to Sovereign at its head office in New Zealand (see clause 12 for Sovereign's address). Premiums are normally paid by direct debit or credit card. Alternatively, you can pay premiums by cheque. Premium payments are not effective until after they have been credited and cleared to Sovereign's bank account.

### **What happens if you do not pay the premium on time?**

You have 30 days' grace in respect of any premium due. Sovereign will be entitled to cancel your policy by written notice to you at your last known address if a premium remains outstanding 31 days after a *premium due date*.

If you want to have the 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 a benefit is payable under the policy when the premium is overdue, Sovereign may deduct any overdue premium from the benefit.

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### 4. **Change in cover amount**

You may apply to Sovereign in writing to increase or reduce existing benefits.

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.

Any increase or reduction in cover will start from the next *premium due date* after Sovereign accepts your application. Your premium will be recalculated based on Sovereign's underlying premium rates at that time.

### 5. **When will Sovereign pay a benefit?**

Sovereign will pay a benefit if, at any time during the *policy term*, the life assured has become *totally disabled* and remains so for a continuous period of at least the *waiting period*.

In addition, to qualify for a benefit, the life assured must be:

- residing and operating their business in New Zealand at the time of becoming *total disabled*; and
- *actively involved* in their business on the date of becoming *totally disabled*.

The benefit is in the form of a monthly income, which Sovereign pays monthly in arrears from the end of the *waiting period* until the life assured ceases to be *totally disabled*, or until the end of the *benefit payment period*, whichever is the earlier.

### 6. **What amount will Sovereign pay for a benefit?**

The amount that Sovereign will pay monthly is the sum assured shown in the *schedule*. In addition, Sovereign will also pay any premium due under this policy while a benefit is being paid.

### 7. **When will the *waiting period* be waived?**

The *waiting period* will be waived by Sovereign if the life assured becomes disabled again from the same or a related cause not later than six months after the original *total disability* benefit ceased.

All claims resulting from the same or a related cause will be considered to be the same claim in respect of the *benefit payment period*.

### 8. **What does *totally disabled* mean?**

*Totally disabled* means that, in Sovereign's opinion, after considering the advice of a *Registered Medical Practitioner* and other relevant information, the life assured for the benefit is so seriously incapacitated by illness or injury that they are:

- unable to follow the occupation or carry on the business they were involved in before the *disablement date* for more than 10 hours per week; and
- not in fact working, or engaged in any other business.

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### 9. How to make a claim

#### **Initial claim requirements**

You must give Sovereign written notice of a claim for a benefit as soon as practicable but within 3 months of the event giving rise to the claim.

If you need a claim form or advice about submitting a claim, please phone the Sovereign claims team on 0800 500 195 or your adviser for assistance.

Before accepting any claim, Sovereign will require:

- that the life assured be examined by a *Registered Medical Practitioner*, (Sovereign may also require further examinations);
- a Sovereign claims form completed by the life assured and a *Registered Medical Practitioner* at your expense;
- proof of age of the life assured for the benefit; and
- other information which Sovereign may reasonably request to help assess the claim.

#### **Ongoing claim requirements**

Sovereign will regularly require proof of:

- continuing disability; and
- any work undertaken i.e. remunerated or non-remunerated.

The life assured's *Registered Medical Practitioner* will be required to complete a monthly claim report at your expense. Sovereign will normally send this claim report with the payment letter for the previous month's benefit.

For Sovereign to continue paying the benefit, the life assured will need to:

- undergo medical and/or surgical treatment (including any operation or vocational, medical and/or social rehabilitation programme), at your expense, which the life assured's *Registered Medical Practitioner* considers necessary; and
- undergo any medical examinations Sovereign asks the life assured to have, at Sovereign's expense.

If the life assured does not comply with reasonable medical treatment or an agreed rehabilitation programme, the monthly benefit will cease.

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### When will Sovereign cease paying a benefit?

Sovereign will cease paying a benefit when:

- the life assured returns to any work for more than 10 hours per week;
- Sovereign in its sole discretion determines that the life assured is no longer *totally disabled*;
- the *benefit payment period* expires in relation to the life assured;
- the life assured makes a false, dishonest or fraudulent statement in respect of a claim or supports any claim with false evidence; or
- the life assured dies.

### 10. Exclusions

#### When Sovereign won't pay a benefit

Sovereign will not pay a benefit where any of the following (and in each case either directly or indirectly) causes or contributes to the *total disability*:

- The life assured deliberately injures himself or herself or attempts to do so.
- The life assured participates in any criminal act.
- The life assured does not comply with the treatment prescribed by the attending treatment providers.
- The life assured is pregnant or gives birth, unless the *total disability* lasts for more than 90 days after the end of pregnancy, in which case the *waiting period* will start from the 91<sup>st</sup> day.
- The life assured deliberately takes or uses non-prescribed drugs, other than for proper therapeutic or medical purpose and in accordance with the manufacturer's directions for use, or deliberately misuses prescribed drugs.

If the life assured is imprisoned for any reason, no monthly benefit will be payable during the term of imprisonment.

### 11. Ending the policy

#### Policy term

Cover under this policy will cease automatically on the *expiry date*. Any benefit paid prior to the *expiry date* will continue to be paid until terminated in accordance with clause 9.

The policy will also cease if:

- the life assured's business is liquidated, placed into receivership, ceases to operate or cannot pay its debts when they fall due or is deemed not to be able to pay them in accordance with Section 287 of the Companies Act 1993; or
- the life assured sells the business.

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### When can you cancel your policy?

If for any reason you are not happy with this policy, you may return it to us within 15 days from the date your policy document is received. You will be deemed to have received your policy document three days after postage from Sovereign. In such a case, Sovereign will promptly refund any premiums paid under your policy provided no claim has been made by you. Alternatively, changes to your policy may be made and a replacement policy document issued.

You can cancel your policy at any time by giving Sovereign notice in writing. Sovereign does not have to refund any part of the premium you have paid. You will remain liable to pay any premium due on the policy before Sovereign received the cancellation notice.

You will not be entitled to any benefit under the policy from (and including) the date Sovereign receives notice of cancellation of the policy.

### When can Sovereign cancel your policy?

(i) Sovereign will cancel your policy if you or a life assured has:

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

Sovereign may, at its complete discretion, either:

- avoid from inception your entire policy (this means the policy is 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, Sovereign may do so effective from the *risk commencement date*.

If the policy is avoided from inception, you will forfeit and Sovereign will be entitled to retain all premiums paid in relation to the policy.

(ii) Sovereign can cancel the policy and decline liability in respect of any claim made 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 payment of the claim, all amounts paid in relation to the false or fraudulent claim must be repaid.

(iii) Sovereign can cancel the policy if a premium has not been paid within 31 days of the *premium due date*.

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### 12. **Miscellaneous**

#### **What forms part of this policy contract?**

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

- This policy document including the *schedule* and any alterations made to this policy document as permitted under the policy
- Any application forms and declarations made by you, at any time, concerning this policy
- All statements which anybody who is insured under this policy has made to Sovereign
- Any provisions which any legislation states must be included in this contract, unless those provisions can be contracted out of, in which case they are deemed not included
- The *policy illustration*

Nothing else forms part of this contract.

#### **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 benefit;

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

#### **Policy subject to laws of New Zealand**

The laws of New Zealand govern this policy.

#### **Notices**

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.

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  
New Zealand

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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 Sovereign 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 Sovereign actually receive the letter or notice at the relevant address.

When Sovereign writes to you about this policy, Sovereign will send the letter or notice to the address for the policy owner shown in the *schedule*, or a substitute address you give us.

### **Information about your policy**

Shortly before the *expiry date*, Sovereign will send you a letter confirming the termination of this policy. Please contact your adviser to discuss new cover options.

You may at any time write to Sovereign or your Sovereign financial adviser for further information about your policy.

### **No surrender value**

This policy does not participate in the profits of Sovereign. The policy has no surrender value or cash value if it is cancelled.

### **Non-assignment of policy**

This policy may not be assigned without the written agreement of Sovereign.

### **Complaints**

Complaints must be made to Sovereign in writing in the first instance.

If you are not satisfied with the outcome of the complaint, you may have the right to refer the complaint to the Insurance and Savings Ombudsman.

You can obtain more information on the Ombudsman from the website [www.iombudsman.org.nz](http://www.iombudsman.org.nz)

The Ombudsman's address is:  
Insurance and Savings Ombudsman  
PO Box 10845  
Wellington

Phone: (04) 499 7612 or 0800 888 202

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### 13. Key terms

Some words have special meanings:

<i>actively involved</i>	working for more than 30 hours per week in the business
<i>anniversary date</i>	The anniversary in each year of the first <i>premium due date</i>
<i>benefit payment period</i>	The maximum term for which the income protection benefit is payable as stated in the <i>schedule</i>
<i>disablement date</i>	The date the life assured became <i>totally disabled</i>
<i>expiry date</i>	The date the policy automatically expires being 3 years from the <i>risk commencement date</i>
<i>fraudulently</i>	A statement is made fraudulently if the person making the statement makes it: <ul style="list-style-type: none"><li>• knowing it is incorrect; or</li><li>• without belief in its correctness; or</li><li>• recklessly, without caring whether it is correct or not.</li></ul>
<i>material</i>	A statement is <i>material</i> only if that statement would have influenced the judgement of a prudent insurer in fixing the premium or in determining whether they would have taken or continued the risk upon substantially the same terms.
<i>policy illustration</i>	The Sovereign Start-Up Income Protection illustration enclosed with and forming part of this policy document.
<i>policy term</i>	The maximum term for which the life assured is insured for as stated in the <i>schedule</i> .
<i>premium due date</i>	The date on which the premium is payable under the policy, as agreed with Sovereign.
<i>Registered Medical Practitioner(s)</i>	A person, acceptable to Sovereign, who is registered and practising as a medical practitioner in New Zealand other than: <ul style="list-style-type: none"><li>• you;</li><li>• the life assured;</li><li>• a member of the life assured's family or your immediate family;</li><li>• the life assured's or your business partner or associate.</li></ul>
<i>risk commencement date</i>	The commencement date of the policy, being the date on which the policy was issued.
<i>schedule</i>	The latest (in time) schedule of policy details, including endorsements, that forms part of this policy document.

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*substantially incorrect*

A statement is substantially incorrect only if the difference between what was stated and what is actually correct would have been considered *material* by a prudent insurer.

*totally disabled*

See clause 8 of this document for the meanings of these words. *Total disability* has the same meaning.

*waiting period*

The period stated in the *schedule* for which no income protection benefit is payable.