

START-UP INCOME PROTECTION

TABLE OF CONTENTS

1 WHAT ARE YOUR START-UP INCOME PROTECTION POLICY BENEFITS?

2 WHEN WILL SOVEREIGN PAY A BENEFIT?

3 WHAT AMOUNT WILL SOVEREIGN PAY FOR A BENEFIT?

4 WHAT DOES *TOTALLY DISABLED* MEAN?

5 WHAT IS RECURRENT DISABLEMENT?

6 WHAT HAPPENS WHEN YOU HAVE HAD YOUR POLICY FOR THREE YEARS?

7 POLICY TRANSFER OPTIONS

8 CHANGING YOUR SUM ASSURED

9 HOW TO MAKE A CLAIM

10 ONGOING CLAIM REQUIREMENTS

11 WHEN WILL SOVEREIGN CEASE PAYING A BENEFIT?

12 EXCLUSIONS

13 WHEN CAN YOUR POLICY BE CANCELLED?

- Policy term
- When can you cancel your policy?
- When can Sovereign cancel your policy?

14 YOUR PREMIUMS

15 OTHER IMPORTANT INFORMATION

- What forms part of this policy contract?
- Law changes affecting Sovereign or the policy
- Policy subject to laws of New Zealand
- Notices
- Information about your policy
- No surrender value
- Non-assignment of policy
- Complaints process

16 KEY TERMS

1 WHAT ARE YOUR START-UP INCOME PROTECTION POLICY BENEFITS?

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 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*.

To qualify for a benefit the life assured must be:

- an owner of the business; and
- *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 assured's business must be *operating* at all times during the *policy term*.

At three years after *risk commencement date*, the provisions of Section 6 will apply.

2 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, the life assured must be:

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

The benefit is in the form of a monthly payment, 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.

3 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.

4 WHAT DOES *TOTALLY DISABLED* MEAN?

In Sovereign's opinion, after considering the advice of a *Registered Medical Practitioner* and any 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 for reward, financial or otherwise.

5 WHAT IS RECURRENT DISABLEMENT?

The *waiting period* will be waived by Sovereign if the life assured becomes *totally disabled* again from the same or a related cause of the original *disability* not later than six months after the original *total disability* ceased. All claims resulting from the same or a directly related cause will be treated as the same claim in respect of the *benefit payment period*.

6 WHAT HAPPENS WHEN YOU HAVE HAD YOUR POLICY FOR THREE YEARS?

On the third anniversary of your *risk commencement date* Sovereign will require you to provide financial accounts for your business (if you have not already). Your agreed value cover will then continue, but based on your financial information Sovereign may change your sum assured.

If you do not provide financial accounts, your benefit will remain under this policy, and the amount Sovereign will pay for a benefit is the lesser of:

- the monthly benefit amount shown in the *schedule* less offsets as described below; or
- 75% of the life assured's *pre-disability income* less any offsets as described below.

OFFSETS:

- Any other income replacement, rural income protection, business income protection, key person, or mortgage protection benefits that any *person* receives or is entitled to receive from any sources in connection with the same *disability* (for example ACC payments).
- The life assured's sick leave entitlements.

7 POLICY TRANSFER OPTIONS

From one year after your *risk commencement date* you may apply to transfer your policy to a relevant Sovereign Personal or Business Income Protection benefit.

PLEASE NOTE: If you are able to transfer into a Sovereign Income Protection benefit and you have previously been on claim under your Start-Up Income Protection policy, the condition(s) that you claimed for may be excluded under the new policy. This means you will be unable to make any further claims for that/those condition(s).

If you have any exclusions or loadings on your existing Start-Up policy, this will also apply to your TotalCare Max Disability Income Protection or your Sovereign Business policy regardless of the *benefit payment period* you choose.

8 CHANGING YOUR SUM ASSURED

You may apply to Sovereign in writing at any time to increase or reduce your sum assured.

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

Any increase or reduction in your sum assured 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.

9 HOW TO MAKE A CLAIM

To make a Start-Up Income Protection claim, Sovereign will require:

- The life assured to be examined and certified as *totally disabled* by a *Registered Medical Practitioner* acceptable to Sovereign, before accepting liability for a claim. Sovereign may also require further examinations.
- A Sovereign claim form completed by the life assured.
- Proof of financial information where applicable under Section 6.
- Other information which Sovereign may reasonably request to help assess the claim.

10 ONGOING CLAIM REQUIREMENTS

For ongoing claims Sovereign will regularly require:

- Monthly medical certificate from a *Registered Medical Practitioner* (at your expense) and an individual update form confirming continuing *disability*.
- Proof of any remunerated or non-remunerated work completed during the claim period.
- Any other information that Sovereign may deem relevant to the ongoing assessment of the claim.

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

- Undergo and complete any surgical operation or vocational, medical and/or social rehabilitation program (treatment program), at your expense which the life assured's *Registered Medical Practitioner* or a *Registered Medical Practitioner* approved by Sovereign consider necessary.
- Complete any medical examinations we ask the life assured to have, at Sovereign's expense.

11 WHEN WILL SOVEREIGN CEASE PAYING A BENEFIT?

Sovereign will cease paying a benefit when:

- Sovereign in its sole discretion determines that the life assured is no longer *totally disabled*.
- The life assured does not comply with any treatment program prescribed by the attending treatment providers.

- The *benefit payment period* expires in relation to the life assured.
- The life assured or anyone acting on behalf of the life assured makes a false or *fraudulent* statement in respect of a claim or supports any claim with false evidence.
- The life assured ceases to be *actively involved* in the business, unless the reason for this is related to the claim.
- If the life assured is in prison for any reason, no monthly benefit will be payable during the term of imprisonment.
- The life assured dies.

12 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 engaging in or being part of any conduct that is criminal.
- The life assured has not complied with any reasonable treatment program prescribed by his or her *Registered Medical Practitioner*, or a *Registered Medical Practitioner* approved by Sovereign.
- 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 91st 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 in prison for any reason, no monthly benefit will be payable during the term of imprisonment.

13 WHEN CAN YOUR POLICY BE CANCELLED?

POLICY TERM

This policy will terminate and eligibility for the Start-Up Income Protection Benefit will cease for a life assured:

- At the expiry of the *policy term* as shown in the *schedule*.
- Upon the death of the life assured.
- If the life assured is no longer *actively involved* in the business for more than 60 days for reasons other than *total disablement*, unless Sovereign has been notified in writing and its written consent has been given.
- If the life assured sells his or her ownership interest in the business. However, if the life assured remains in the business as a key employee, you may apply to Sovereign in writing to continue the benefit. If the life assured is on claim and the reason for selling his or her ownership interest is due to the *total disability* of the life assured, the benefit will remain in force until the end of the *benefit payment period*.

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?

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*.

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.

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.

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

14 YOUR PREMIUMS

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; and
- 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 Section 15 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.

15 OTHER IMPORTANT INFORMATION

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
Victoria Street West
Auckland 1142
New Zealand

The street address of Sovereign's head office is:

Sovereign Assurance Company Limited
Sovereign House
74 Taharoto Road
Takapuna
Auckland 0622
New Zealand

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 acts 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 receives 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.

You must immediately notify Sovereign of any changes to your postal or residential address. Every notice required to be given to you by Sovereign shall be deemed to be delivered three days after having been posted.

INFORMATION ABOUT YOUR POLICY

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

You may at any time write to Sovereign or your Sovereign Registered 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.

TRANSFER OF OWNERSHIP

You may assign your policy at any time by completing the Memorandum of Transfer printed at the back of this policy document. More than one person can own or take an assignment of the policy. A trust or trustee cannot own the policy. To be valid the assignment must be registered with Sovereign. No charge is payable.

COMPLAINTS PROCESS

Complaints should 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. The Ombudsman can only deal with a complaint

after Sovereign's internal complaints procedure has been exhausted and a letter acknowledging this has been sent to the complainant.

You can obtain more information on the Ombudsman from the website www.iombudsman.org.nz

The Ombudsman's address is:

Insurance and Savings Ombudsman
PO Box 10-845
Wellington 6143
Phone: (04) 499 7612 or 0800 888 202

16 KEY TERMS

Some words in this policy document 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 Start-Up Income Protection Benefit is payable as stated in the <i>schedule</i> .
<i>disability / disabled</i>	The illness or injury giving rise to the claim for <i>total disability</i> .
<i>disablement date</i>	The date the life assured became <i>totally disabled</i> .
<i>expiry date</i>	The date shown in the <i>schedule</i> .
<i>fraudulent</i>	A statement is fraudulent if the person making the statement makes it: <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>income</i>	Any income that the life assured receives or is entitled to receive from his or her current or former employment or business(es). This includes: <ul style="list-style-type: none">• The life assured's share of profits of the business (and/or any associated entities), after the deduction of business expenses, which are determined in line with the usual manner that profits and/or losses of the business (and/or associated entities) are divided between the life assured and any co-owners, partners, shareholders or beneficiaries of the business (and/or associated entities); and

	<ul style="list-style-type: none"> Any other remuneration, whether in the form of salary or wages, superannuation, director's fees, allowances or any other monetary or non-monetary benefit, the life assured receives or is entitled to receive directly or indirectly from his or her employment or the business. 	<i>risk commencement date</i>	The commencement date of the policy, being the date on which the policy was issued.
	<p>The current year's taxation liability excludes any tax losses which have been brought forward from previous years.</p>	<i>schedule</i>	The latest (in time) schedule of policy details, including endorsements, that forms part of this policy document.
<i>material</i>	<p>A statement is material 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.</p>	<i>substantially incorrect</i>	A statement is substantially incorrect only if the difference between what was stated and what is actually correct would have been considered <i>material</i> by a prudent insurer.
<i>operating</i>	<p>The usual day-to-day activities of the business in order to produce necessary cash flow, to pay its expenses and debts and remain solvent.</p>	<i>totally disabled</i>	See section 4 of this document for the meanings of these words. <i>Total disability</i> and <i>total disablement</i> have the same meaning.
<i>person</i>	<p>An individual, employer, company, partnership, association, organisation or trust.</p>	<i>waiting period</i>	The period stated in the <i>schedule</i> for which no income protection benefit is payable.
<i>policy illustration</i>	<p>The Sovereign Start-Up Income Protection illustration enclosed with and forming part of this policy document.</p>		
<i>policy term</i>	<p>The maximum term for which the life assured is insured for as stated in the <i>schedule</i>.</p>		
<i>pre-disability income</i>	<p>The average monthly income earned in the 12 months immediately prior to the <i>disablement date</i>.</p>		
<i>premium due date</i>	<p>The date on which the premium is payable under the policy, as agreed with Sovereign.</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 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. 		