

# “SAMPLE ONLY”

## TotalCare Max - Personal

### Optional Benefit Appendix

#### ESSENTIAL DISABILITY INCOME BENEFIT

This *appendix* only applies if you have chosen an essential disability income benefit. The terms of your Sovereign TotalCare Max policy document also apply to this *appendix*.

Details of the essential disability income benefit you have chosen and the names of the people insured for the benefit (called the life or lives assured) are shown in *the schedule*.

**1. When will Sovereign pay a total disability income benefit?**

Sovereign will pay a total disability income benefit if, at any time during the *benefit term*, the life assured has suffered a *condition* and as a result of that *condition* has become *totally disabled* and remains so for a continuous period of at least the *waiting period*. The benefit is in the form of 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.

**2. What amount will Sovereign pay for a total disability income benefit?**

The amount that Sovereign will pay monthly is worked out in the following way:

Take the lesser of:

- 1/12 (one-twelfth) of the benefit amount shown in *the schedule*; and
- Either 75% of the life assured's *pre-disability income* or;
- If the life assured for the benefit is employed as a homemaker, 75% of the costs incurred in hiring home care as a result of the disability, subject to a maximum of \$2,500 per month.

Subtract from this amount each of the following:

- Any other income replacement benefits you receive or are entitled to receive from any other sources in connection with the same disability (for example ACC payments), with the following provision:
  - Where you hold disability income benefits with more than one company, Sovereign will negotiate with the other company(ies) to determine the amount to be subtracted.
- Any mortgage protection disability income benefits that you or your mortgage provider receive or are entitled to receive in connection with the same disability.
- Any income you receive or are entitled to receive from your business, employer, former employer, business partnership, family trust or company subsequent to the *disablement date*, other than unearned income such as investment or rental income.
- Any sick leave entitlements.

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If the life assured was unemployed for more than three months before becoming *totally disabled* the maximum amount Sovereign will pay is \$1,000 per month.

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

Whether a life assured's disability is “total” or not depends on his or her occupation class. The occupation class for each life assured is shown in *the schedule*. However, if a life assured has been on leave without pay for more than 12 months or was unemployed for three months immediately before becoming *totally disabled*, that life assured automatically becomes occupation class five. For each class, the degree of incapacity which constitutes total disablement is as follows:

#### **Occupation classes other than five**

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.

#### **Occupation class five**

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 continuously confined under *full-time care* to the life assured's home or a medical institution.

### 4. When will Sovereign pay a partial disability income benefit?

If the life assured has been *totally disabled* for at least two weeks and then immediately thereafter engages in work or carries on business at a reduced level than was the case before becoming *totally disabled*, a partial disability income benefit may apply. The following conditions must be satisfied:

- The reduction in work capacity results from the continuation of the disability.
- Because of the reduction in work capacity, the life assured earns less than 75% of *pre-disability income*.
- The *waiting period* is over.
- The life assured is in an occupation class other than five at the time of becoming *totally disabled*.
- The reduced benefit will be paid until Sovereign decides that the disability is no longer preventing the life assured from earning at least 75% of *pre-disability income*, or until the end of the *benefit payment period*, whichever is the earlier.

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- Any claim for a subsequent partial disability benefit must be immediately preceded by a 2 week period of total disability. Please refer to Section Six for “When will the *waiting period* be waived.”

### 5. **What is the amount of partial disability income benefit?**

The reduced benefit will be worked out in the following way:

75% of the difference between the life assured’s *pre-disability income* and the amount the life assured is earning or capable of earning from *eligible sources* while disabled, subject to a maximum of the total disability income benefit as defined in Section Two.

Subtract from this amount each of the following:

- Any other income replacement benefits you receive or are entitled to receive from any other sources in connection with the same disability (for example ACC payments), with the following provision:
  - Where you hold disability income benefits with more than one company, Sovereign will negotiate with the other company(ies) to determine the amount to be subtracted.
- Any mortgage protection disability income benefits that you or your mortgage provider receive or are entitled to receive in connection with the same disability.
- Any sick leave entitlements.

For example, if the life assured was earning \$60,000 of *pre-disability income* before becoming *totally disabled* and afterwards is earning or is capable of earning only \$40,000, you will receive  $(\$60,000 - \$40,000) \times 75\% = \$15,000$ . If the life assured is entitled to receive \$5,000 per annum from ACC for the same disability then the amount payable by Sovereign would be \$10,000 per annum.

### 6. **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 or partial disability income benefit ceased. The provisions of sections one to five of this appendix will apply to any benefit claimed.

If the *benefit payment period* is five years 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*.

### 7. **Children’s benefit**

If any child of a life assured (either by birth or legal adoption) aged between three and 18 years of age, solely by reason of sickness or injury:

- Are confined to home or a medical institution; and
- After considering the advice of a *Registered Medical Practitioner*, require continuous nursing care;

then Sovereign will pay a children’s benefit.

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The amount of the children’s benefit is the lesser of \$500 per month or 50% of the *monthly benefit*.

The *waiting period* will be eight weeks.

The benefit will be paid until the child is no longer so confined or attains the age of 18 or the end of the *benefit payment period* is reached, whichever is earlier.

### 8. **How to make a claim**

To make a claim, you must follow the relevant procedures in the section of your Sovereign TotalCare Max policy entitled ‘How to claim a benefit’.

In addition, for an essential disability income benefit claim, Sovereign will require:

- The life assured to be examined by a *Registered Medical Practitioner* acceptable to Sovereign, before accepting liability for a claim. Sovereign may also require further examinations.
- A Sovereign claims form completed by the life assured and a *Registered Medical Practitioner* (at your expense).
- Other information which Sovereign may reasonably request to help assess the claim, which may include evidence of monthly earnings, taxable income, business accounts, ACC details etc.

For ongoing claims Sovereign will regularly require proof of:

- Continuing disability
- Monthly earnings received by the life assured during the claim period
- Any work completed i.e. remunerated or non remunerated
- Income received from other sources.

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

For Sovereign to continue paying the benefits, 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* or a *Registered Medical Practitioner* approved by Sovereign consider necessary.
- Undergo any medical examinations we ask 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, your *monthly benefit* will cease.

### 9. **Exclusions – When Sovereign won’t pay a benefit**

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Sovereign will not pay any of the benefits listed in this *appendix* where any of the following (and in each case either directly or indirectly) causes or contributes to the disability:

- The life assured (or child in respect of the children’s benefit) deliberately injuring himself or herself or attempting to do so.
- The life assured (or child in respect of the children’s benefit) participating in any criminal act.
- Pregnancy or childbirth of the life assured, unless the 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 does not comply with the treatment prescribed by the attending treatment providers.
- The life assured deliberately taking or using non-prescribed drugs, other than for proper therapeutic or medical purpose and in accordance with the manufacturer’s directions for use, or the deliberate misuse by the life assured of prescribed drugs.

Sovereign will not pay a children’s benefit for the relevant *condition* if the *condition* directly or indirectly arises from an injury caused by you, the child’s parents or guardian.

Sovereign will also not pay a children’s benefit if a congenital disorder directly or indirectly causes or contributes to the disability or the disability was known by any person to be present at the *risk commencement date* shown in *the schedule*.

Sovereign will not continue paying a benefit where the ongoing cause of disablement ceases to be the *condition* that gave rise to the claim. No amount will be payable where the ongoing cause of disablement becomes a secondary condition, not included as a condition, such as depression.

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

### 10. Definitions of medical conditions

#### **Alzheimer’s disease and dementia**

The unequivocal diagnosis of Alzheimer’s disease or other dementia. The diagnosis must confirm permanent irreversible failure of brain function and result in significant cognitive impairment for which no other cause has been identified. Significant cognitive impairment means a deterioration or loss of intellectual capacity that results in a requirement for continual supervision to protect the life assured or others. The diagnosis is confirmed by an appropriate *specialist* in psychogeriatrics, psychiatry, neurology or geriatrics. Dementia as the result of alcohol or drug abuse is specifically excluded.

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<b>Angioplasty - 3 vessels or more</b>	The actual undergoing of coronary artery balloon angioplasty, considered medically necessary by an appropriate <i>specialist</i> cardiologist, to correct a narrowing or blockage of three or more coronary arteries during the same procedure, provided that there is a level of occlusion to each affected artery of at least 50%.
<b>Aplastic anaemia</b>	<p>The life assured has suffered the first occurrence of bone marrow failure which results in anaemia, neutropenia and thrombocytopenia, requiring treatment over a period of at least two months with at least one of the following:</p> <ul style="list-style-type: none"><li>• Blood product transfusion</li><li>• Marrow stimulating agents</li><li>• Immunosuppressive agents</li><li>• Bone marrow transplantation</li></ul>
<b>Chronic liver failure</b>	<p>The life assured suffers end-stage liver failure as evidenced by:</p> <ul style="list-style-type: none"><li>• Permanent jaundice; or</li><li>• Ascites; or</li><li>• Encephalopathy.</li></ul> <p>Liver disease caused by alcohol or drug abuse is specifically excluded.</p>
<b>Chronic lung disease</b>	The life assured has reached end-stage respiratory failure as diagnosed by an appropriate <i>specialist</i> in respiratory disease. As a result, the life assured requires continuous oxygen therapy and has a FEV <sub>1</sub> test result of less than 1 litre.
<b>Chronic renal failure</b>	The kidneys of the life assured have reached the end-stage of renal disease resulting in chronic irreversible failure of the kidneys to function, as a result of which regular renal dialysis is instituted or transplantation performed.
<b>Creutzfeldt-Jakob disease</b>	The diagnosis of Creutzfeldt-Jakob disease confirmed by an appropriate <i>specialist</i> neurologist. The life assured must exhibit signs and symptoms of cerebellar dysfunction, severe progressive dementia, uncontrolled muscle spasm, tremor and athetosis, resulting in the life assured requiring permanent and continual medical supervision.
<b>Heart attack</b>	<p>The death of a portion of the heart muscle arising from the inadequate blood supply to the relevant area. The diagnosis shall be based on the following criteria being present and consistent with a heart attack:</p> <ul style="list-style-type: none"><li>• Confirmatory new electrocardiogram (ECG) changes; and</li></ul>

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- A diagnostic rise and fall (other than as a result of cardiac or coronary intervention) in either Troponin I in excess of 2.0microgram/L or Troponin T in excess of 0.6microgram/L or cardiac enzyme CK-MB.

If any of the above criteria is not met, then we will consider a claim based on evidence that the event produced a permanent reduction in the Ejection Fraction to 50% or less (as measured at three months after the event).

### **HIV**

Infection with the Human Immunodeficiency Virus (HIV) must have been acquired by accident or violence during the course of the life assured's normal occupation or through the medium of a blood transfusion, transfusion of blood products, organ transplant, assisted reproduction technique or other medical procedure or operation performed by a registered healthcare professional and/or in a registered hospital care institution, or surgical centre or surgical clinic. You must prove this to our satisfaction. Sero-conversion to the HIV infection must occur within six (6) months of the accident. HIV infection transmitted by any other means, including but not limited to sexual activity or non-medical intravenous drug use, is not covered under this *appendix*.

Any incident giving rise to a potential claim must be reported to us within thirty (30) days of the incident and be supported by a negative HIV Antibody Test taken within seven (7) days after the incident. Sovereign may decline your claim if we are not given access to independently test all blood samples used, if we require, or if the life assured does not allow Sovereign to take further independent blood tests.

### **Major burns**

The life assured has suffered tissue injury caused by thermal, electrical or chemical agents. As a result, the life assured has full thickness or third-degree burns to:

- at least 20% of the body surface area (as measured by age-appropriate use of The Rule of 9 or the Lund and Browder Body Surface Chart); or
- 50% of both hands, requiring surgical debridement and/or grafting; or
- 25% of the face, requiring surgical debridement and/or grafting.

### **Major transplant surgery**

The life assured has had one or more of the following human organs or substances completely transplanted from a human into that life assured's body:

- Kidney

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- Heart
- Lung
- Liver
- Pancreas
- Bone marrow
- Intestine

The transplant of all other organs, parts of organs or any other tissue transplant is excluded.

### **Stroke**

A cerebrovascular event producing neurological deficit. This requires clear evidence on CT, MRI or similar appropriate scan or investigation that a stroke has occurred. This requires evidence of:

- infarction of brain tissue; or
- intracranial or subarachnoid haemorrhage.

Excluded from this definition are transient ischaemic attacks (TIA), reversible neurological deficit (RND), cerebral symptoms due to migraine, cerebral injury from trauma or hypoxia and vascular disease affecting the eye, optic nerve or vestibular functions.

### **Cancer**

#### **Cancer**

The presence of one or more malignant tumours, characterised by uncontrolled growth and spread of malignant cells, with the invasion and destruction of normal tissue for which major interventionist treatment or surgery is considered medically necessary by an appropriate *specialist*.

The following tumours are excluded:

- Tumours classified as carcinoma-in-situ (including intra-epithelial neoplasia).
- Prostate tumours with a Gleason score of less than 6. (If the Gleason score is unavailable, we will use the TNM classification and tumours classified as T1 or its equivalent will be excluded).
- All skin cancers unless there is evidence of metastases or that they are at least a Clark level 3, or greater than 1.5mm thickness as measured using the Breslow histological classification.
- Chronic Lymphocytic Leukaemia less than RAI stage 1.

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### **Carcinoma-in-situ surgery**

As a result of a carcinoma-in-situ, an operation to arrest spread of the malignancy is performed that is considered medically necessary by an appropriate *specialist*.

This benefit only covers the following carcinoma-in-situ surgeries:

- Carcinoma-in-situ of the breast requiring the removal of the entire breast
- Carcinoma-in-situ of the cervix requiring a total hysterectomy.
- Carcinoma-in-situ of the ovaries or fallopian tubes requiring a total hysterectomy and/or oophorectomy
- Carcinoma-in-situ of the vagina requiring a pelvic lymphadenectomy
- Carcinoma-in-situ of the vulva requiring a vulvectomy.

The carcinoma-in-situ must be positively diagnosed by biopsy and be classified as Tis according to the TNM staging method or FIGO Stage 0.

### **Prostatic cancer surgery**

As a result of a prostate tumour the entire prostate is removed to arrest spread of the malignancy and this is considered medically necessary by an appropriate *specialist*.

### **Loss of functionality**

#### **Loss of independent existence**

The life assured is totally and irreversibly disabled, with the effect that he or she is unable, as a result of sickness or injury, to perform without assistance at least two of the following activities for himself or herself:

- Bathing and showering
- Dressing and undressing
- Eating and drinking
- Using a toilet
- Moving from place to place by walking, in a wheelchair, or with a walking aid.

Alternatively, the life assured is unable to perform one of the above and his or her intellectual capacity has reduced or deteriorated to such an extent that the life assured requires *full-time care*.

#### **Permanent blindness**

Complete and irrecoverable loss of the sight of both eyes (whether aided or unaided) as a result of sickness or injury. The extent of vision must be 6/36 or less in both eyes. Blindness as a result of alcohol or drug abuse is specifically excluded.

#### **Permanent loss of**

The life assured, as a result of sickness or injury,

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**speech** loses the ability to produce intelligible speech, both natural and assisted. This loss must be total and permanent as assessed 3 months after the event. Loss of speech related to any psychological cause is excluded.

**Permanent loss of hearing** The life assured, as a result of sickness or injury, loses all hearing in both ears (aided or unaided). This loss must be total and permanent as assessed 3 months after the event.

**Permanent loss of limbs** The life assured, as a result of sickness or injury, loses two or more limbs (the complete severance of an entire hand or foot).

### **Major cardiovascular disease**

The life assured has suffered or undergone one of the following *conditions*:

**Aortic surgery** Open-chest surgery or laparotomy to correct or repair any narrowing, dissection or aneurysm of the thoracic or abdominal aorta.

**Cardiomyopathy** Impaired ventricular function of variable aetiology due to primary disease of the heart muscle, resulting in permanent and irreversible physical impairments to the degree of at least Class 3 of the New York Heart Association classification of cardiac impairment. Cardiomyopathy caused by alcohol or drug abuse is specifically excluded.

**Coronary artery bypass surgery** Open-heart bypass surgery to correct or treat coronary artery disease.

**Heart valve surgery** Open-heart surgery to correct any defects in, abnormalities of, or disease-affected cardiac valves.

**Out-of-hospital cardiac arrest** Cardiac arrest not associated with any medical procedure and that is documented by an electrocardiogram and occurs out of hospital, and is due to:

- cardiac asystole; or
- ventricular fibrillation with or without ventricular tachycardia.

**Pulmonary hypertension** Primary pulmonary hypertension with substantial right ventricular enlargement resulting in permanent and irreversible physical impairment to the degree of at least Class 3 of the New York Heart Association classification of cardiac impairment.

### **Major neurological disease (other than stroke)**

The life assured has suffered any one of the following *conditions* and, as a consequence, sustained a neurological deficit causing:

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- at least 25% permanent impairment of *whole person functioning* as measured six months beyond initial diagnosis; or
- the total and irreversible disablement of the life assured with the effect that he or she is unable to perform without assistance at least one of the following activities of daily living for himself or herself:
  - Bathing and showering
  - Dressing and undressing
  - Eating and drinking
  - Using a toilet
  - Moving from place to place by walking, in a wheelchair, or with a walking aid.

Any of the following *conditions* caused by alcohol or drug abuse are specifically excluded.

<b>Benign brain tumour</b>	A benign intracranial tumour which cannot be removed by surgery, or growth arrested by other available techniques.
<b>Coma</b>	A state of unconsciousness with no reaction to stimuli or internal needs, persisting continuously for at least 96 hours, requiring the use of life-support systems.
<b>Encephalitis</b>	Severe inflammatory disease of the brain diagnosed by an appropriate <i>specialist</i> approved by Sovereign.
<b>Idiopathic Parkinson’s disease</b>	The unequivocal diagnosis of idiopathic Parkinson’s disease where the <i>condition</i> cannot be controlled by medication and shows signs of progressive impairment.
<b>Intensive care benefit</b>	A state of unconsciousness with no reaction to stimuli or internal needs, persisting continuously for at least 96 hours, requiring the use of endo-tracheal intubation in the intensive care unit of a hospital.
<b>Major head trauma</b>	An accidental cerebral injury diagnosed by an appropriate <i>specialist</i> approved by Sovereign.
<b>Meningitis</b>	The diagnosis of meningitis diagnosed by an appropriate <i>specialist</i> approved by Sovereign.
<b>Motor neurone disease</b>	The unequivocal diagnosis of motor neurone disease diagnosed by an appropriate <i>specialist</i> approved by Sovereign.
<b>Multiple sclerosis</b>	The unequivocal diagnosis of multiple sclerosis confirmed by CT or MRI scans. A single episode of multiple sclerosis from which full remission has occurred will not be covered under this policy.
<b>Muscular dystrophy</b>	The unequivocal diagnosis of muscular dystrophy diagnosed by an appropriate <i>specialist</i> approved by Sovereign.

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**Peripheral neuropathy** Irreversible inflammation or degradation of a peripheral nerve diagnosed by an appropriate *specialist* approved by Sovereign.

### Paralysis

The life assured suffers:

**Paraplegia** Total and permanent loss of function of both legs due to injury or disease of the spinal cord.

**Quadriplegia** Total and permanent loss of function of both upper and lower limbs due to injury or disease of the spinal cord.

**Diplegia** Total and permanent loss of function of both arms or both legs due to injury or disease of the spinal cord.

**Hemiplegia** Total and permanent loss of function of one side of the body due to brain injury or disease.

## 11. Key Terms

*benefit term* The term for which the life assured is insured for the total disability income benefit as stated in *the schedule*.

*benefit payment period* The maximum period for which the disability income benefit is payable as stated in *the schedule*.  
For *benefit payment periods* of two and five years;  
(a) the benefit period will cease when the two or five year period expires or when the life assured turns 65, whichever is earlier; and  
(b) the two or five year period (whichever is applicable) is the total period for which benefits will be payable for all claims arising from the same or a related cause.

*condition(s)* A treatment, illness, surgical procedure or event as specified in this *appendix* which leads to a claim being paid under the specified definition.

*disablement date* The date the life assured became *totally disabled*.

*eligible sources* Any income you receive or are entitled to receive from your business, employer, former employer, business partnership, family trust or company subsequent to the *disablement date*, other than unearned income such as investment income or rental income.

*full-time care* Care for 16 hours per day or more, provided by a nursing service approved by Sovereign whose profession it is to provide nursing services.

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<i>monthly benefit</i>	Means one twelfth of the annual benefit amount stated as such in <i>the schedule</i> .
<i>post-disablement income</i>	Means income a life assured is entitled to receive subsequent to the <i>disablement date</i> other than unearned income such as investment income or rental income.
<i>pre-disability income</i>	<p>1) For employed:</p> <p>Means the average monthly earnings of the life assured before tax from their principal employment in the 12 months immediately before disablement. Any benefits for which fringe benefit tax would be payable under the tax legislation applying at the time of total disablement would also be included. Sovereign will calculate the value of these benefits in accordance with the formula used by the Inland Revenue Department.</p> <p>2) For self-employed:</p> <p>The taxable income of the life assured earned from their business or occupation (after business or professional expenses) during a continuous 12 months chosen by the life assured from the 36 months immediately before the <i>disablement date</i>.</p>
<i>specialist</i>	A <i>Registered Medical Practitioner</i> who has an approved fellowship in one of the approved surgical, anaesthetic or traditional non-surgical colleges and who is registered with the New Zealand Medical Council. These include, but are not limited to, the following disciplines: general surgery, orthopaedic surgery, urology, neurosurgery, anaesthesiology, cardiology, endocrinology, gastroenterology, haematology, paediatrics, gynaecology, obstetrics, neurology, oncology, renal specialists and rheumatology.
<i>totally disabled</i>	See Section Three of this <i>appendix</i> for the meaning of these words.
<i>waiting period</i>	The period stated as such in <i>the schedule</i> for which no total disability income benefit is payable.
<i>whole person functioning</i>	Is defined in the ‘Guides to the Evaluation of Permanent Impairment – 4 <sup>th</sup> Edition’ (or subsequent editions), produced by the American Medical Association.