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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, in Sovereign's opinion, at any time during the *policy term*, the life assured has become *totally disabled* and remains so for a continuous period greater than the *waiting period*.

In addition, the life assured must be:

- > residing and *operating* their *business* in New Zealand immediately before becoming *totally disabled*; and
- > *actively involved* in their *business* immediately before becoming *totally disabled*.

The benefit is paid monthly in advance from the end of the *waiting period* until the life assured, in Sovereign's opinion, ceases to be *totally disabled*, or until the occurrence of any one or more of the events set out in Section 11.

Where the life assured has a *waiting period* of 8 weeks or less, is *totally disabled* due to injury and the nature of the injury is such that the life assured is expected to recover within a set period of time, Sovereign may choose to make a lump sum payment of up to 3 monthly benefit payments (after the *waiting period* and any offsets have been taken into account) and close the claim. This payment may be made during the *waiting period*.

If the life assured is still *totally disabled* at the end of the expected recovery period corresponding with the lump sum payment, then Sovereign will reopen the claim and pay a benefit in accordance with the provisions of this policy.

3. What amount will Sovereign pay for a benefit?

The amount that Sovereign will pay monthly is 1/12th of the sum assured shown in *the schedule*. In addition, Sovereign will also pay any *premiums* 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 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 immediately before the *disablement date* for more than 10 hours per week; or
- > unable to perform the key *income* producing duties of the role they were involved in immediately before the *disablement date* for more than 10 hours per week; and
- > in each case, not in fact working, or engaged in any other *business* for reward, financial or otherwise.

5. What is the Recurrent Disablement Benefit?

The *waiting period* will be waived if in Sovereign's opinion, after considering the advice of a *Registered Medical Practitioner* and other relevant information, the life assured becomes *totally disabled* again and this is caused by the same or a related illness or injury as the original period of total disablement, not later than 12 months after benefit payments related to the original claim ceased. The provisions in Sections 2, 3 and 4 will apply to any benefit claimed.

All claims resulting from the same or a related *disability* will be considered to be 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 done so) in order for the agreed value basis of *your* cover to continue.

If *you* provide financial accounts, the provisions of *your* policy (including section 3) will continue to apply but Sovereign may change *your* sum assured based on *your* financial information.

If *you* do not provide financial accounts, the provisions of *your* policy will continue to apply except that section 3 will be replaced by:

The amount that Sovereign will pay monthly is the lesser of:

- > 1/12th of the sum assured shown in *the schedule* less offsets as described below; or

- > 75% of the life assured's *pre-disability income* less 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 relation to the life assured and in respect of the same or a related *disability* (for example payments from ACC, Work and Income New Zealand (WINZ) or another insurer).
 - Where the life assured is covered by income replacement, rural income protection, business income protection, key person or mortgage protection benefits held with more than one provider, Sovereign will negotiate with the other provider(s) to determine the amount to be offset.
 - If the life assured is entitled to receive a benefit from ACC but is not receiving that benefit because the life assured has either not applied for the benefit, or has not provided all of the requirements necessary to assess the benefit, or the benefit has been stopped due to any non-compliance with ACC requirements, Sovereign will offset the full ACC entitlement regardless of whether the life assured is receiving a payment or not.
- > Any *income* before income tax, as a result of the life assured being *actively involved* in or actively carrying on *business*, other than passive income such as investment income, rental income or income earned by the *business* which cannot be attributed to the active involvement of the life assured.
- > The life assured's sick leave payments, subject to a maximum of 10 days' sick leave payments for all claims resulting from the same or a related *disability*.

In addition, Sovereign will also pay any *premiums* due under this policy while a benefit is being paid.

7. Policy transfer options

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

Please Note: If *you* are able to transfer to an income protection policy 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 Income Protection policy, these will also apply to *your* new Sovereign Personal or Business income protection policy, regardless of the *benefit payment period* you choose for that new income protection policy.

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

For any claims enquiries, advice about submitting a claim or before incurring any costs in respect to a claim, please phone the Sovereign Claims Team or *your* Sovereign Registered financial adviser for assistance.

Sovereign Claims Hotline: 0800 500 108

Sovereign will tell *you* about any other information that may be required once notice of the claim has been received.

Sovereign is under no obligation to consider a claim unless all of the information requested is provided. Furthermore, Sovereign is under no obligation to assess or pay a claim prior to receiving notification.

Sovereign may also ask *you* to undergo further medical examinations throughout the life of the claim. Any requests made by Sovereign for further medical information will be at our expense.

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

- > the life assured to be examined by a *Registered Medical Practitioner* acceptable to Sovereign, before accepting liability for a claim; and
- > a Sovereign claims form completed by the life assured and a *Registered Medical Practitioner* (at *your* expense); and
- > other information which Sovereign may reasonably request to help assess the claim, which may include evidence of earnings, taxable *income*, *business* accounts, Accident Compensation Corporation details or similar; and
- > proof of financial information where applicable under Section 6; and
- > the life assured 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 considers necessary; and
- > any other information that Sovereign may deem relevant to the assessment of the claim.

10. Ongoing claim requirements

For ongoing claims Sovereign will regularly require:

- > Completion of a monthly medical certificate by a *Registered Medical Practitioner* (at *your* expense) and in a form from time to time approved by Sovereign for the purposes of determining ongoing entitlement to payment of a benefit.
- > Completion of a monthly individual declaration by the life assured in a form from time to time approved by Sovereign, which may include completion of daily activity logs detailing the life assured's functional activities for the purposes of determining ongoing entitlement to payment of a benefit.
- > Proof of any remunerated or non-remunerated work completed by the life assured during the claim period.
- > Any other information that Sovereign may deem relevant to the ongoing assessment of the claim.

11. When will Sovereign cease paying a benefit?

Sovereign will cease paying a benefit if:

- (a) The life assured fails to undergo and complete:
 - any surgical operation; and/or
 - any medical rehabilitation programme; and/or
 - any social rehabilitation programme; and/or
 - any vocational rehabilitation programme,which a *Registered Medical Practitioner* approved by Sovereign considers reasonably necessary.
- (b) The life assured fails to undertake any medical examinations that Sovereign requires the life assured to have, at our expense.
- (c) The life assured fails to comply with the requirements of Section 10 above.
- (d) Sovereign determines that the life assured is no longer *totally disabled*.
- (e) The *benefit payment period* expires in relation to the life assured.
- (f) 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.
- (g) The life assured ceases to be *actively involved* in the *business*, unless the reason for this is related to the claim.
- (h) The life assured is in prison for any reason.
- (i) The life assured dies.

If Sovereign ceases paying a benefit in accordance with paragraphs (a), (b) or (c) and the life assured subsequently complies with the relevant requirement(s), then:

- > The date that the life assured complied with the relevant requirement(s) will, subject to the provisions of this policy, be treated as the *disablement date* for a new claim.
- > The *waiting period* will be waived for the new claim.
- > The original claim and the new claim will be considered to be the same claim in respect of the *benefit payment period*.

- > No monthly benefit payments will be payable retrospectively for any period of time before the date that the life assured subsequently complies with the relevant requirement(s).

12. Exclusions – When Sovereign won't pay a benefit

Sovereign will not pay a benefit where any of the following directly or indirectly cause or contribute to the *total disability*:

- > The life assured deliberately injures himself or herself or attempts to do so.
- > The life assured engages in or is part of any conduct that is criminal.
- > The life assured does not comply with the treatment recommended by the attending treatment providers.
- > Pregnancy of, or childbirth by, 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 91st day.

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

13. When can *your* policy be cancelled?

Policy termination

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

- > At the expiry of the *policy term* for the life assured as shown in *the schedule*.
- > When the life assured dies.
- > 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 for the continuation of the policy.
- > 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 policy will remain in force until the life assured ceases to be *totally disabled* or the end of the *benefit payment period*, whichever is earlier.
- > If the *business* is wound-up or liquidated, unless Sovereign has been notified in writing and its written consent has been given for the continuation of the policy. However, if the life assured is on claim and the reason for the *business* being wound-up or liquidated is due to the *total disability* of the life assured, the policy will remain in force until the life assured ceases to be *totally disabled* or the end of the *benefit payment period*, whichever is earlier.
- > When the policy is cancelled by the policy owner.

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. Sovereign will promptly refund any premiums paid under your policy provided no benefit has been paid or any claim has been made. 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. If you pay your premium less frequently than monthly, we will refund any part of a premium already paid that relates to any period more than one month beyond the date of cancellation. Otherwise, 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?

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

If Sovereign issues you this policy with the understanding that it is to replace a policy you already have then you must cancel your existing policy. If you fail to cancel your existing policy, Sovereign can cancel this policy or decline liability for any claims made under this policy. A Business Replacement Advice (BRA), application form, illustration or quote which indicates this policy is intended to replace an existing policy will be sufficient evidence that your policy was issued on the basis that you would cancel the existing policy.

Sovereign can cancel this policy and decline liability for any claims made under this policy if you or any life assured, or anyone acting on your or any life assured's behalf, makes a claim under this policy that is false or fraudulent in any respect.

In the event that a false or fraudulent claim is established after payment of a claim, all amounts paid in relation to the false or fraudulent claim must be repaid by you to Sovereign.

Non-disclosure or the provision of false or misleading information

Any information you or any life assured gives us, and any information given to us on your behalf, must be complete, true and correct.

If you or any life assured:

- fails to disclose material information to Sovereign prior to inception of this policy or any variation or reinstatement of this policy, or
- has made a statement on the faith of which the policy was issued, renewed, varied or reinstated that was substantially incorrect.

Sovereign may, at its complete discretion either:

- subject to the Insurance Law Reform Act 1977, avoid your entire policy from its inception (this means the policy is deemed to have never existed); or
- avoid from its inception any individual benefits provided by your policy (this means the individual benefit(s) are deemed to have never existed); or
- alter the terms upon which cover is provided under your policy (such alteration of terms will be effective from the risk commencement date or such date of our choosing, at our discretion); or
- remove from cover any life assured from inception but leave the policy in force for the remaining lives assured.

If this policy is avoided or any terms altered or a life assured is removed from cover, we are entitled to retain all premiums paid in relation to the policy or that life assured.

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.

The premium amount may change from time to time (as described below) and you will need to pay the new premium on the agreed regular basis. Sovereign will advise you of the new premium before the change.

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 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.

How will you know what to pay?

Each year prior to the anniversary date, Sovereign will write to you and tell you how much the premium will need to be to maintain your existing cover.

If Sovereign tells you that premiums need to increase to maintain your existing benefit amount, you can choose to:

- > increase the premium to maintain the existing benefit amounts; or
- > reduce the benefit amount to the amount which your existing premium will cover.

Other circumstances that can change your premium

The other circumstances in which *your premium* will change are as follows:

- > When *you* increase or reduce the amount of benefit under the policy.
- > When the benefit ceases due to the life assured covered for the benefit attaining the benefit expiry age as specified in *the schedule*.
- > Any changes to the tax treatment of any *premium* payable or claims receivable in respect of the policy (such as changes to GST).

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.

Nothing else forms part of this contract.

Law changes affecting Sovereign or the policy

If changes in the law 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 benefit;

then Sovereign can change the provisions of the policy, but only to take into account the effect of the law change.

Sovereign statutory fund

Your insurance policy is part of the 'Sovereign Statutory Fund Number 1', effective 1 July 2013. This is a requirement under the Insurance (Prudential Supervision) Act 2010, for policy holder protection.

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

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 outlining the continuation options for this policy. Please contact *your* Sovereign Registered financial 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 transfer ownership of *your* policy at any time. To be valid the transfer must be on a *transfer of ownership form* and registered with us.

If ownership of *your* policy has been transferred, references in this policy document to *you*, *your* and the policy owner(s) are references to the most recent transferee(s).

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 Financial Services 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 about the Ombudsman from the website: www.ifso.nz

The Ombudsman's address is:

Insurance and Financial Services 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:

actively involved	Working an average of more than 30 hours per week in the six months prior to the <i>disablement date</i> , inclusive of any periods of approved leave.
anniversary date	The anniversary in each year of the first <i>premium due date</i> .
benefit payment period	<p>The maximum term for which the Start-Up Income Protection Benefit is payable as stated in <i>the schedule</i>.</p> <p>The <i>benefit payment period</i> commences at the end of the <i>waiting period</i> and ceases either 6, 12 or 24 months (whichever is stated in <i>the schedule</i>) later or when the life assured reaches the end of the <i>benefit term</i> as stated in <i>the schedule</i>, whichever is the earlier.</p> <p>The 6, 12 or 24 month period</p>

(whichever is stated in *the schedule*) is the total period for which benefits will be payable for all claims arising from the same or a related cause illness or injury.

business	The <i>business</i> of the 'Policy Owner' named in <i>the schedule</i> .
disabled/disability	The illness or injury giving rise to the claim for <i>total disability</i> .
disablement date	The date the life assured became <i>totally disabled</i> .
expiry date	The date shown in <i>the schedule</i> .
income	<p>Any income that the life assured receives or is entitled to receive from his or her current or former employment or <i>business(es)</i>. This includes:</p> <ul style="list-style-type: none">> The life assured's share of profits of the <i>business</i> (and/or any associated entities), after the deduction of <i>business</i> expenses, which are determined in line with the usual manner that profits and/or losses of the <i>business</i> (and/or associated entities) are divided between the life assured and any co-owners, partners, shareholders or beneficiaries of the <i>business</i> (and/or associated entities); and> 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 <i>business</i>. <p>The current year's taxation liability excludes any tax losses which have been brought forward from previous years.</p>
material	A statement is material only if that statement would have influenced the judgement of a prudent insurer in fixing the <i>premium</i> or in determining whether they would

have taken or continued the risk upon substantially the same terms.

what is actually correct would have been considered *material* by a prudent insurer

operating 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.

the schedule

The most recent schedule for *your* policy and:

- any notice of a change to *premiums*; and
- any policy alteration or endorsement documents recording a change to *your* policy

person An individual, employer, company, partnership, association, organisation or trust.

totally disabled

See Section 4 of this document for the meaning of this key term. *Total disability* and *total disablement* have corresponding meanings.

policy illustration The Sovereign Start-Up Income Protection illustration enclosed with this policy document.

transfer of ownership form

Sovereign's standard form for an assignment of a policy by way of ordinary transfer.

policy term The maximum term for which the life assured is insured for as stated in *the schedule*.

waiting period

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

pre-disability income The average monthly *income* earned in the 12 months immediately prior to the *disablement date*.

you/your

The 'Policy Owner' named in *the schedule*.

premium The amount payable by *you* to Sovereign under this policy, comprising the cost of the benefits chosen by *you*, plus the policy fee, if any.

premium due date The date on which the *premium* is payable under the policy, as agreed with Sovereign.

Registered Medical Practitioner(s) A *person*, acceptable to Sovereign, who is registered and practicing as a medical practitioner in New Zealand other than:

- > *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.

risk commencement date The commencement date of the policy, being the date on which the policy was issued.

substantially incorrect A statement is substantially incorrect only if the difference between what was stated and