

“SAMPLE ONLY”

ESSENTIALS

APPENDIX

INCOME PROTECTION BENEFIT

1. When Sovereign will pay an income protection benefit

Sovereign will pay an income protection benefit, during the *benefit term* and in accordance with this policy if the life assured has become *totally disabled* while in New Zealand and remains so for a continuous period of at least the *waiting period*. Sovereign will only pay an income protection benefit while the life assured is living in New Zealand.

Sovereign pays you the income protection benefit in the form of a monthly income, which we pay in arrears from the end of the *waiting period*. Once we have accepted your claim, you will receive the income protection benefit until the life assured ceases to be *totally disabled*, or until the end of the *benefit payment period* whichever is the earlier.

The *benefit payment period* is the maximum period Sovereign will pay you an income protection benefit for the same or related illness of a life assured.

Waiver of premium benefit

If you are entitled to an income protection benefit you will also be entitled to a waiver of premium benefit. Sovereign will waive your regular premiums payable under this policy (for all benefits), for the duration of the claim payment period. Once Sovereign stops paying you an income protection benefit, you must recommence your premium payments.

2. What does “totally disabled” mean

Whether a life assured is *totally disabled* or not, depends on his or her occupation class. The occupation class for each life assured is shown in *the schedule*.

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 required for a life assured to be *totally disabled* is as follows:

Occupation classes other than five	A life assured is <i>totally disabled</i> if, in Sovereign’s opinion, after considering the advice of a <i>Registered Medical Practitioner</i> and other relevant information, the life assured 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 becoming <i>totally disabled</i> for more than 20 hours per week.
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Occupation class five	A life assured is <i>totally disabled</i> if, in Sovereign’s opinion, after considering the advice of a <i>Registered Medical Practitioner</i> and other relevant information, the life assured is so seriously incapacitated by illness or injury that they are continuously confined under <i>full-time care</i> to the life assured’s home or a medical institution.
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A *total disability* does not include the following conditions:

- any disease or disorder of, or injury to the spine, intervertebral discs, nerve roots or supporting musculature, including their treatment or complications thereof;
- any mental disorder including, but not limited to, anxiety disorders, chronic fatigue syndrome, depression, stress, fatigue, exhaustion, psychiatric complications of physical disorders, behavioural or any other mental or functional nervous disorder, their treatment or complications thereof;
- complications of pregnancy or childbirth of the life assured, unless the disability lasts for more than 90 days after the pregnancy, in which case the *waiting period* will start from the 91st day.

3. The amount Sovereign will pay out for an income protection benefit

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

1/12 (one-twelfth) of the income protection benefit amount shown in *the schedule*

Subtract from this amount each of the following:

- any other income replacement benefits the life assured receives or is entitled to receive from any other sources in connection with the same disability (for example ACC payments), with the following provision:
 - where the life assured has income protection benefits with more than one company, Sovereign will negotiate with the other company(ies) to determine the amount to be subtracted.
- any mortgage protection benefits that the policy owner, life assured or their mortgage provider receive or are entitled to receive in connection with the same disability; and
- any income the life assured receives or is entitled to receive after becoming *totally disabled* from the life assured’s business, employer, former employer, business partnership, family trust or company as a result of being involved in or carrying on business other than unearned income such as investment or rental income.

If the life assured was unemployed for more than three months before becoming *totally disabled* the income protection amount shown in *the schedule* is subject to a maximum of \$12,000.

4. When Sovereign will not pay a benefit

Sovereign will not pay an income protection benefit where any of the following (and in each case either directly or indirectly) causes or contributes to the life assured’s disability:

- the life assured deliberately injuring himself or herself or attempting to do so;
- the life assured participating in any criminal act;
- the life assured does not comply with the treatment prescribed by the *Registered Medical Practitioner*;
- 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.

If the life assured is imprisoned for any reason while they are *totally disabled*, Sovereign will not pay an income protection benefit for the term of imprisonment.

Sovereign will not pay an income protection benefit if the life assured is living outside New Zealand.

Sovereign may cease payment of an income protection benefit if you do not provide all the information reasonably requested by Sovereign while Sovereign is paying you an income protection benefit.

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5. Making an income protection claim

To make a claim for an income protection benefit, please call the Sovereign claims team on 0800 500 103 for assistance.

The life assured must be examined and a claim form completed by a *Registered Medical Practitioner* (at your expense).

Sovereign will request further information to help assess the claim, including evidence of:

- the life assured’s continuing disability;
- any earnings received by the life assured during the claim period;
- any work completed by the life assured (e.g. remunerated or non remunerated); and
- income received by the life assured from other sources, including the Accident Compensation Corporation.

While you are receiving an income protection benefit, this information will be required on an ongoing basis.

Each month, Sovereign will send you a monthly claim report with confirmation of the claim payment. The life assured’s *Registered Medical Practitioner* must complete the monthly claim report (at your expense). For Sovereign to continue paying the benefits, the life assured must comply with medical treatment recommended by a *Registered Medical Practitioner*.

Sovereign may also request the life assured to undergo further medical examinations while you are receiving an income protection benefit. Any requests made by Sovereign for further medical information will be at our expense.

Sovereign is under no obligation to pay an income protection benefit until we have received all the information we have requested.

6. Key Terms

<i>benefit term</i>	The term for which the life assured is insured for the income protection benefit as stated in <i>the schedule</i> .
<i>benefit payment period</i>	The maximum period for which an income protection benefit is payable for the same or related illness of a life assured, which is two years or until the life assured turns 65 whichever is the earlier.
<i>full-time care</i>	Care for 16 hours per day or more, provided by a professional nursing service.
<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">• You;• The life assured;• A member of the life assured’s family or your immediate family;• The life assured’s or your business partner or associate.
<i>risk commencement date</i>	The commencement date of the policy, being the date on which the policy was issued.
<i>totally disabled</i>	Has the meaning given to it in section 2 of this appendix.

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waiting period

The minimum period, as stated in *the schedule*, that a life assured must be *totally disabled* before Sovereign will pay an income protection benefit.

the schedule

The latest (in time) schedule of policy details including endorsements that forms part of this policy document.