

# ▶ INCOME PROTECTION

*protect your greatest asset*



## AT A GLANCE

- ▶ Your ability to earn an income is your most important asset – if disability prevents you from working you need to protect your earning power to meet your commitments and achieve your goals.
- ▶ This policy is a flexible plan that will pay you an income should you be sick or disabled. It has a range of features and additional options to allow you to customise the product to suit your individual requirements.
- ▶ There are two variations of cover available – Indemnity and Agreed Value – a description of these is provided under Key Facts.
- ▶ If you have a small business or are in a partnership you can select the Business Overheads/Locum, or Business Disability Cover options. These allow your business to claim either the costs associated with the running of your business or the cost of a locum while you are unable to work due to illness or injury, or receive an agreed benefit.

## WHY YOU NEED IT

- ▶ The financial consequences of a disability or extended illness could be devastating for your lifestyle and those that depend on you. A person will earn on average over \$1.5 million through their working life. A prolonged absence from work or a return to work in a reduced capacity could have a severe impact on your future financial security.
- ▶ Around one in six of the working age population has a disability. Of those with a disability, 10% within the working age population are disease or illness related and 38% are attributed to accident or injury.\*

\* Source: Statistics New Zealand, Disability Counts 2001

## KEY FACTS

### Ages

- ▶ Entry age is from age 17 to age 59.
- ▶ This cover ceases at age 65.

### Level of cover

- ▶ The maximum monthly benefit is \$20,000 – subject to financial and medical underwriting acceptance.
- ▶ You can choose benefit periods of 2 years, 5 years, or to age 65.
- ▶ There is a minimum 4-week waiting period before your benefit would be paid. As individual circumstances such as sick leave entitlements and savings vary from person to person, you can choose a longer waiting period of 8 weeks, 13 weeks, 26 weeks, 52 weeks, or 104 weeks.

### Premiums

- ▶ Payable fortnightly, monthly, half-yearly or annually.
- ▶ Premiums are fixed for one year at a time and will normally increase annually in line with age.
- ▶ Premiums are based on your age, sex, smoking status, occupation, whether or not you are self-employed, the composition of your plan and the level of benefit chosen.
- ▶ After 5 years, Fidelity Life provides a loyalty discount on the cost of cover. This discount applies irrespective of any claims you have made.

### Two variations of cover

- ▶ **Indemnity** – Up to 75% of your pre-disability income can be insured if you select this benefit. We understand premiums on this plan are tax-deductible and that benefits are assessable as income.
- ▶ **Agreed Value** – The level of benefit is determined when you start the policy by averaging your earnings over the past three years. You can apply for a benefit to a maximum of 55% of this amount. We understand that premiums are not tax-deductible and that benefits are not assessable as income.

## STANDARD BENEFITS (automatically included)

- ▶ **Benefit period** – benefits are paid until you recover from your disability or to the end of the benefit period, whichever is sooner. You can select a benefit period of: up to 2 years; up to 5 years; or to age 65.
- ▶ **Partially off work benefit** – if you have been totally off work for at least two weeks and return to work in a reduced capacity because of your disability, Fidelity Life will pay a partial benefit if your earnings are under 75% of your pre-disability income. This benefit is payable until your earnings exceed 75% of your pre-disability income or until the end of your chosen benefit period, or until you recover from your disability. Your normal waiting period applies.
- ▶ **Premium Holiday if on leave without pay** – you can suspend cover during a period of leave without pay, i.e. compassionate, maternity, paternity, sabbatical, or study leave at a registered educational centre, and reinstate your cover without medical evidence within 12 months of taking leave. The maximum cover under this benefit is \$8,000 per month.
- ▶ **Recurrent disability benefit** – if you suffer a relapse within six months of returning to work, the waiting period will be waived and your benefit will recommence until you are no longer disabled or the benefit period ends.
- ▶ **Vocational retraining** – if you have been totally disabled for at least one month and return to work in a reduced capacity earning less income you can enrol in a vocational retraining and rehabilitation course approved by Fidelity Life and receive an additional 50% of your benefit for up to six months.
- ▶ **Replacement benefit** – if you are self-employed at claim time you may choose to employ a replacement and claim the cost of that person (up to a maximum of \$5,000 per month) rather than receive the disablement benefit. This enables your business to continue uninterrupted.
- ▶ **Rehabilitation benefit** – this is payable in addition to the monthly benefit, to assist with recovery and rehabilitation costs such as wheelchair, prosthetic devices, and house and car modifications. The maximum payment is six times the monthly benefit.
- ▶ **Relocation benefit** – if you become totally disabled for at least one month while you are outside New Zealand, we will reimburse the cost of transport back to New Zealand after deducting any reimbursements from other sources. The benefit is payable only once in any 12 month period and is limited to a maximum of three times the monthly benefit.
- ▶ **Future Insurability Option** – you can increase your monthly benefit by 10% to a maximum of \$1,000 per month every third policy anniversary up to age 55. This option is not medically underwritten, but is subject to financial evidence.

**Important note about this Fact Sheet** - This Fact Sheet is a convenient summary of the key points of this insurance policy. It is not, and is not intended to be, a policy document. Details of definitions, benefits, terms and conditions are contained in the official policy document which is available from your financial adviser. You should read the policy document carefully to make sure you understand exactly what cover is provided under each benefit.

## OPTIONAL BENEFITS

### Inflation-proofing

- ▶ You can choose to have your cover increase each year in line with the Consumer Price Index, regardless of health, to ensure your benefit keeps pace with inflation. We will advise you of the level of indexation each year.

### Reduction in Premium

- ▶ You have the option of taking a 20% reduction in premiums on a 'to age 65' benefit and a 7.5% reduction on a 5-year benefit period if you limit the benefit period for a mental disorder or back claim to 24 months. Benefits will be payable beyond 24 months if you are unable to undertake two activities of daily living. Benefits for other disabilities are payable until the end of the benefit period you have chosen.

### Add other options/insurance covers

You can also add the following to your plan (additional premiums apply)

- ▶ **Claims escalation** – With this option your benefit will increase in line with the Consumer Price Index in each successive year of claim. The maximum increase is 10% per annum.
- ▶ **Waiver of premium** – Fidelity Life pays the premiums on your policy during a period of disability after the waiting period has been completed. If your plan has an investment component, your contributions will be credited to your policy in order to protect your long-term savings goals. This benefit ceases at age 65.
- ▶ **Extended benefit** – Income Protection benefits normally cease at age 65. However by adding this option to your plan, your benefits will continue if you have been disabled for at least three months prior to your 65th birthday and you are unable to perform two or more activities of daily living.
- ▶ **Booster benefit** – This option increases your benefit by one third during the first three months of your claim when the costs associated with your disability are often higher.
- ▶ **Hospitalisation and nursing care benefit** – If you are confined to hospital during the waiting period this benefit commences after three days and continues until you are discharged from hospital, no longer need regular nursing, or until the end of the waiting period.
- ▶ **Business Overheads/Locum Cover** – This option is designed for small businesses or partnerships. It allows you to claim the costs associated with the running of your business or the cost of a locum while you are unable to work due to illness or injury.
- ▶ **Business Disability Cover** – If you have a small business or are in a business partnership, Business Disability Cover will pay an income to the business.

A separate fact sheet is available for Business Overheads/Locum Cover and Business Disability Cover.

FIDELITY LIFE ASSURANCE  
COMPANY LIMITED HAS AN

**A** - (EXCELLENT)  
RATING

GIVEN BY A.M. BEST,\* A SPECIALIST INSURANCE RATING AGENCY

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## INCOME PROTECTION

### 1. INCOME PROTECTION COVER

The Company will pay the benefits shown below if the Life Assured becomes disabled prior to age 65.

### 2. BENEFITS

**Disablement Benefit** After the Waiting Period during an Off Work Period the Company will pay the Monthly Benefit, subject to the limitations of Clauses 11 and 12, until the cessation of the Off Work Period or to the end of the Benefit Period whichever occurs first.

**Partial Disablement Benefit** After the Waiting Period during a Partially Off Work Period the Company will pay a reduced benefit until cessation of the Partially Off Work Period or to the end of the Benefit Period whichever occurs first. The reduced benefit applicable for a particular month is calculated as follows.

$(\text{Pre-Disability Income} - \text{Other Income}) \times 75\%$  with a maximum of the Monthly Benefit

If no work is available or if the Life Assured is working without an income, the Company will on the advice of the Actuary substitute for Other Income an amount calculated by reference to his or her capacity to earn.

**Rehabilitation Benefit** If the Off Work Period exceeds the Waiting Period by at least one month and the Life Assured takes part in a rehabilitation program approved in advance, the Company will pay the costs of the rehabilitation program.

The costs can include (but are not limited to) items such as wheelchairs, artificial limbs, prosthetic devices, travelling and education expenses, and house and car modifications. These costs will be included only if they are not refundable to the Life Assured from any other source. The amount payable will not exceed six times the monthly benefit.

The Rehabilitation Benefit is paid in addition to the **monthly benefit**.

**Vocational Retraining Benefit** If the Off Work Period exceeds the Waiting Period by at least one month and the Life Assured is totally disabled or returns to work in a significantly reduced capacity earning less income the Policy Owner may apply for the Vocational Retraining Benefit. If the Life Assured enrolls and follows a course or program approved in advance by the Company, to provide vocational retraining, the Company will pay the Life Assured an additional 50% of their Monthly Benefit each month for a maximum period of six months. This benefit is only payable while the Life Assured remains disabled and fully participates in the program.

**Relocation Benefit** If the Life assured becomes totally disabled for at least one month while you are outside New Zealand, the Company will reimburse the cost of transport back to New Zealand after deducting any reimbursements from other sources. The benefit is payable only once in any 12 month and only payable once during any one claim period and is limited to a maximum of three times the monthly benefit.

**Hospitalisation/ Nursing Care Benefit Option** If this option is included and if, during the Waiting Period, the Life Assured is confined to hospital for at least 3 days the Company will pay 1/30 of the Monthly Benefit for each further full day on the following terms:

- a) The Life Assured remains hospitalised or requires the attendance of a paid registered nurse at least twice daily as certified by a Medical Practitioner.
- b) No benefit is payable beyond the end of the Waiting Period.
- c) No benefit is payable beyond the end of the Benefit Period.
- d) Subsequent claims in the same Waiting Period do not require a 3 day confinement to hospital before a benefit is payable.

**Booster Benefit Option** If this option is included the benefit payable after the Waiting Period will be increased by one third for a maximum of three months for any one continuous Off Work Period, subject to the limitation of Clause 11.

**Extended Benefit Option** If this option is included for a Life Assured and if;

- i) He or she has attained age 65; and
- ii) The Class 5 Occupation definition of an Off Work Period applies; and

iii) The Monthly Benefit subject to the limitations of Clause 11 has been payable for at least 3 months prior to the Life Assured attaining age 65,

Then a benefit will be paid until the earlier of:

- a) The death of the Life Assured; or
- b) The Life Assured ceasing to be disabled in terms of (ii) above.

The benefit payable after age 65 will be equal to the Monthly Benefit as calculated before age 65 and the Claims Escalation option (if any) will not apply.

### 3. REPLACEMENT BENEFIT

If the Life Assured is self-employed and employs a replacement during an Off Work Period or Partially Off Work Period, then the Policy Owner can apply for a Replacement Benefit instead of the Disablement or Partial Disablement Benefit subject to the following conditions.

1. The replacement is not a member of the Life Assured's family and performs duties that the Life Assured is no longer capable of undertaking because of sickness or injury.
2. The replacement is not a current worker who increases their workload.
3. Other Income as defined in this Cover is amended by deleting the words, "business or partnership" under part i).
4. For an Off Work Period the benefit will be the least of the amount paid for replacement labour, the Monthly Benefit less Other Income and \$5,000 per month.
5. In respect of a Partially Off Work Period the benefit will be the least of the amount paid for replacement labour, a percentage of the Monthly Benefit based on the Life Assured's degree of disablement and \$5,000 per month. To qualify the Life Assured must be at least 25% disabled.

### 4. CONDITIONS

**Concurrent Disability** Where there are concurrent but unrelated claims for a Life Assured, the Company will pay benefits relating to only one claim. Payments relating to a concurrent but unrelated claim may only commence after payments under the previous claim have ceased and after the expiration of the Waiting Period.

**Recurrent Disability** Successive Off Work Periods or Partially Off Work Periods due to the same or related cause will be considered as an extension of the prior Off Work Period or Partially Off Work Period unless separated by a period of six months or more where no benefit is payable. On Recurrent Disability, no Waiting Period will apply. The Benefit Period will be reduced by the period of time during which benefits have already been paid for the Life Assured.

**Unemployment** If the Life Assured has been unemployed for more than three months immediately prior to the Off Work Period then the definition of an Off Work Period will be that for Class 5 occupations. Other Income will be deducted from any benefits payable.

### 5. CLAIM PROCEDURE

The Company must be given written notice of claim within 60 days of the commencement of an Off Work Period. Otherwise, the Company will not pay the benefit for any period before receiving the written notice of claim. The Policy Owner must pay any expenses incurred in proving the claim.

The Policy Owner and Life Assured shall supply documents, medical or other evidence and reports, signed by a Medical Practitioner or other person specifically approved or appointed by the Company.

The Life Assured shall;

- a) at the Company's request be examined by a medical referee appointed by the Company.
- b) give written and signed authority (in a form specified by the Company) for any person/organisation defined by the Company to disclose to it or its agent any personal information regarding any claim.
- c) give written and signed authority for the Company to release information regarding any claim to any person appointed to evaluate such claim.

**6. PAYMENT OF CLAIMS**

- a) Upon a claim being admitted by the Company benefits will be paid monthly in arrears.
- b) Entitlement to any benefit will cease immediately proof of continuance of the Off Work Period or Partially Off Work Period is not provided within 30 days of such proof being requested by the Company.
- c) Benefits payable for a period of less than one month will be calculated on a pro-rata basis based on a 30 day month.
- d) Benefits will cease after 3 months unless certified evidence of business or partnership income is produced as requested by the Company from any Life Assured who is self employed.

**7. CPI OPTION**

If CPI Option is included, on each policy anniversary the Life Assured has the option of increasing the monthly benefit by the same percentage as the increase of the consumer price index, regardless of the state of health of the Life Assured.

**8. CLAIMS ESCALATION OPTION**

If Claims Escalation is included, then the Monthly Benefit during claim will increase annually on the anniversary of the date claim payments commenced with the same percentage as the Consumer Price Index increases with a maximum of 10% per annum.

The Claims Escalation Option is independent of the CPI Option. When a claim ceases the Monthly Benefit for the Life Assured will revert back to that applying prior to the claim commencing plus increases (if any) due to the CPI Option.

**9. RENEWABILITY**

Cover automatically renews provided that premiums due are paid. Premiums will change annually based on the Life/Lives Assured age(s) and the premium rates applicable at that time. The Company may vary premium rates but only if variations are made for all lives insured with the same occupational class, same sex and same year of commencement (the period from 1 July to 30 June). Premium rates will not alter as the result of a change in a Life Assured's health or occupation.

**10. EXCLUSIONS**

- A) The Company will not pay benefits due to sickness or injury as a direct or indirect result of:
  - a) Intentional self-inflicted injury or disease;
  - b) Participation in any criminal act;
  - c) Any condition which existed prior to the Date of Commencement unless disclosed in the proposal and accepted by the Company or unless the condition was unknown to the Life Assured and/ or the Policy Owner.
- B) The Company will not pay benefits due to normal and uncomplicated pregnancy or childbirth, of which neither will be regarded as a sickness or injury. Multiple pregnancy, threatened miscarriage, participation in In-vitro Fertilization or similar program, normal discomforts such as morning sickness, backache, varicose veins, ankle swelling and bladder problems shall not be considered as abnormal or complications of pregnancy.  
If the Off Work Period lasts for more than 90 days after the end of pregnancy, the Waiting Period will commence from the 91st day.
- C) The Company will not pay any benefits under this Cover if the Life Assured does not comply with the treatment prescribed by his or her Medical Practitioner.

**11. LIMITATIONS**

During an Off Work Period the benefit payable together with Other Income will not exceed 75% of the Life Assured's Pre-Disability Income. If the Booster Benefit is included, then the benefit payable together with Other Income will not exceed 100% of the Life Assured's Pre-Disability Income during the three months immediately following the Waiting Period.

Any benefits overpaid will be repaid by the Policy Owner, or at the Company's election, offset against other benefits payable.

The benefits under this Cover are based on the understanding that claim payments are assessable for income tax. If this is not so, the Company will reduce any benefits payable by an amount not exceeding the tax that would otherwise have been payable if the benefits would have been taxable at the top personal marginal rate of taxation.

**12. MENTAL DISORDER AND BACK DISORDER LIMITATION**

If this limitation is included and a Life Assured suffers from a Mental Disorder and/ or a Back Disorder, the Company will pay benefits for a maximum period of 24 months regardless of the Benefit Period shown on the Schedule.

Successive Off Work Periods or Partially Off Work Periods due to the same or related Mental Disorder and/ or Back Disorder will be considered as an extension of the prior Off Work Period or Partially Off Work Period. The maximum period under this clause will be reduced by the length of time during which benefits have already been paid for the Life Assured.

No benefits will be payable for any Mental Disorders and/ or Back Disorders beyond the maximum period unless the Life Assured is unable to undertake two or more Activities of Daily Living without assistance.

**13. LEAVE WITHOUT PAY OPTION**

Under this option and subject to the following conditions, the Policy Owner may cancel this Cover with a right to reinstate without evidence of health if the Life Assured is to undertake a period of leave without pay from his or her occupation.

The Policy Owner must give written notice of the cancellation to the Company advising why the Life Assured is taking leave without pay, the date it commences and its expected duration.

The Policy Owner acknowledges that reinstatement of the Life Assured's Cover within 12 months of the cancellation is his or her or their sole responsibility.

Valid reasons are compassionate leave, maternity leave, paternity leave, sabbatical leave or study leave at a registered educational centre.

The Company will cancel the Life Assured's Cover from the date leave without pay commences provided that a valid reason is given and that the period of leave without pay is less than or equal to twelve months.

The maximum benefit that can be cancelled under this option is \$8,000 per month.

From the date of reinstatement, premiums are payable on the same terms that applied prior to the period of leave without pay.

No benefits will be payable during the Life Assured's period of leave without pay.

No benefits will be payable for sickness or injury that occurred to the Life Assured during the period of leave without pay.

This option only applies if the Life Assured has had a continuous period of at least 12 months employment since the previous period of leave without pay.

If the Policy Owner has exercised this option, no claim can be made for the Life Assured unless premium payments have recommenced and he or she:

1. Has returned to his or her usual occupation, and
2. Has worked for at least 25 hours per week for at least one month after his or her return to work, and
3. Has had a continuous period of employment since returning to work, and
4. Returns to work within 12 months of the period of leave without pay commencing.

A pro rata Monthly Benefit will apply if a claim is made for a Life Assured who returns to work part-time.

**14. FUTURE INSURABILITY OPTION**

The monthly benefit can be increased in the circumstances shown below regardless of the Life Assured's state of health. The Company will require confirmation that the Life Assured is actively at work and that his or her income is expected to continue at or above the current level.

- a) In addition to any increase under the CPI Option, the monthly benefit can be increased by up to 10%, with a maximum benefit of \$1000 per month, subject to the need for cover being established by financial underwriting of the Life Assured.
- b) The last option date is the policy anniversary prior to the Life Assured 55th birthday.
- c) This future insurability option for a life assured can be exercised once every 3 years and must be exercised in writing within 30 days of the policy anniversary. Options cannot be carried over to any future year.
- d) The total monthly benefit after an increase must be no greater than \$20,000 per month.
- e) The total of all increases under this option cannot exceed the monthly benefit at the commencement of this Cover.

## 15. DEFINITIONS

**"Activities of Daily Living"** means

- 1. Dressing – the ability to put on or take off clothing
- 2. Toileting – the ability to use the toilet including getting on or off
- 3. Mobility – the ability to get in or out of a bed and a chair
- 4. Feeding – the ability to get food from a plate into the mouth
- 5. Continence – the ability to control bowel and bladder function

**"Back Disorder"** means any disease, disorder or injury to the spine, its intervertebral discs, nerve roots, supporting musculature or ligaments, which is caused by any disease or is as a result of any accident.

**"Mental Disorders"** means a manifestation of any disorder classified in the Diagnostic and Statistical Manual of Mental Disorders published by the American Psychiatric Association that is most current on the date the Off Work Period began. Mental Disorders include, but are not limited to, the following disorders or combination of disorders:

- Anxiety, depression, behavioural disorder, psychoneurosis or psychosis
- Stress, fatigue, exhaustion, chronic fatigue syndrome
- Any psychiatric complication of physical disorders
- Drug or alcohol abuse
- Any other physical disorder related or attributable to stress or any other mental or nervous disorder

**"Monthly Benefit"** for the Life Assured means the Regular Monthly Benefit or 75% of Pre-Disability Income whichever is the lesser.

**"Monthly Earnings"** means

- a) The Life Assured's share of the income (before tax) of any business which is by personal exertion less his/ her share of business expenses; and
- b) From any other source of employment, his or her salary, fees, commission, bonuses or fringe benefits (as agreed with the Company), before tax, but excludes income from deferred compensation plans, other disability income policies or retirement plans or any other income not derived from his or her personal exertion.

**"Off Work Period"** means a period where a Life Assured who is under the regular and personal care of an approved Medical Practitioner and because of continuing sickness or injury:

- a) For Class 1, 2, 3 and 4 Occupations, is unable to engage in own occupation for 10 hours per week and is not engaging in any other occupation, and
- b) For Class 5 Occupations, is disabled to such an extent that necessitates confinement to the home under medical supervision or to a recognized medical institution and necessitates receiving regular medical care or he or she shall, as a result of sickness or injury, be unable to undertake two or more of the Activities of Daily Living without assistance.

**"Other Income"** means income paid or payable during an Off Work Period or Partially Off Work Period:

- i) By any employer, business or partnership; and

- ii) From a superannuation or retirement scheme; and
- iii) Under any insurance policy where regular benefits are payable for the Life Assured's sickness or injury; and
- iv) Pursuant to benefits secured under legislation including Accident Rehabilitation and Compensation Insurance payments, Social Security benefits or any other similar legislative benefit, compensation or award payment, including sick leave.

Other Income does not include a lump sum payment (unless it is a commutation of a regular benefit), interest, dividends, rent and other similar payments.

**"Partially Off Work Period"** means a period immediately following an Off Work Period of at least two weeks during which the Life Assured, while under the regular and personal care of a Medical Practitioner, is working and because of continuing sickness or injury earns less than 75% of Pre-Disability Income.

**"Pre-Disability Income"** means the greater of the Life Assured's average Monthly Earnings for:

- a) The twelve calendar months immediately before the Off Work Period began; or
- b) Any two successive years during the five-year period immediately before the Off Work Period began.