

Home Loans
**Freehold
Mortgage
Protection**



ensuring your home stays in your hands

Secure the roof over your head

Buying a home is a major step in life. The last thing you want to see is your home slip out of your hands, if for some reason you can't meet your loan repayments.

That's why, at Sovereign, we offer you a competitive insurance package, which will help ensure your home stays in your or your family's hands if your earning capacity is seriously affected by illness, disability or redundancy.

Your home is simply too valuable an asset to put at risk. So come and talk to us about safeguarding your home and your lifestyle with Sovereign's Freehold Mortgage Protection Plan.

Remember, at Sovereign you deal with friendly, trusted professionals, with a proven history of helping New Zealanders achieve their financial and lifestyle goals. We'd love to help you meet yours.

Who should take out Sovereign's Freehold Mortgage Protection Plan?

Do you already have an existing home loan? Or are you planning to apply for one in the near future? If you are, then take a few seconds to ask yourself the following important questions:

- Would you have enough money in reserve to meet your home loan repayments if serious illness, disability or redundancy stopped you from working, either temporarily or permanently?
- If you died, would you leave behind enough resources to pay off your home loan, and safeguard your dependants' future?

If you answered 'no' to either of these questions, then you should seriously consider taking out a Freehold Mortgage Protection Plan.



How does it work?

How does the Freehold Mortgage Protection Plan work?

There are five types of cover:

- Life Cover
- Loan Instalment Repayment Benefit and Waiver of Premium Benefit
- Living Assurance Benefit
- Total Permanent Disablement Benefit
- Redundancy Benefit

To take out a Freehold Mortgage Protection Plan you can choose to include either one or all of the five options.

Here's how they work:

Life Cover****

With Life Cover, if you die before your home loan is paid off, then the Freehold Mortgage Protection Plan will pay a lump sum to cover your outstanding loan balance.* That way, you won't leave your family or loved ones homeless, even though you're no longer there to provide for them.

Initially, the insurance will cover you for up to 110% of your home loan's opening balance. Your total cover can be adjusted to reflect your actual loan balance.

Naturally, your premiums will reflect any change in cover, so you won't be paying for more than you have.

Loan Instalment Repayment

With a Loan Instalment Repayment, if you are totally disabled** for longer than the waiting period because of illness or injury, the Freehold Mortgage Protection Plan will pay the policy owner an ongoing monthly benefit.*** That way, you can take care of your loan repayments – even though you're unable to work.

What's more, under the Waiver of Premium Benefit, while you're receiving benefit payments you won't have to make your regular insurance premium payments.

The amount of Loan Instalment Repayment you have will normally equal the amount of your monthly mortgage repayments. This benefit will continue for as long as you are totally disabled** or until the end of your benefit payment period, whichever is earlier.

All applications for a Loan Instalment Repayment Benefit are subject to individual consideration.

* Freehold will usually be based on up to 110% of the original terms of your loan. If at any stage your loan is varied, e.g. interest rate is altered or term increased or decreased, the actual balance outstanding under the loan may not equal the amount of Life Cover, Living Assurance or Disability Income Benefit provided.

** A precise definition of total disability is shown in the policy document.

*** Sovereign will not pay a Loan Instalment Repayment Benefit if the disability is directly or indirectly the result of self-injury, participation in a criminal act, taking or using non-prescribed drugs, not complying with the treatment prescribed by the attending treatment providers, or pregnancy or childbirth where disability lasts for less than 90 days.

**** Sovereign will not pay the Life Cover where death occurs as a result of the life/lives assured committing suicide, whether sane or insane, within 13 months of the commencement date of the policy.



Waiver of Premium Benefit

This benefit ensures that in the event of total disability for longer than the waiting period, under the same terms as the Loan Instalment Repayment Benefit, your premium will be paid for you (thereby ensuring other valuable benefits are maintained).

Living Assurance Benefit

With a Living Assurance Benefit, a lump-sum benefit is payable**** if the life assured suffers from any of the following conditions for the first time, after the risk commencement date, and survives for at least 14 days thereafter:

- Alzheimer's disease and dementia
- Angioplasty#^
- Aplastic anaemia
- Cancer#
- Chronic liver failure#
- Chronic lung disease#
- Creutzfeldt-Jakob disease
- Heart attack#
- HIV (only for emergency services professionals)
- Chronic renal failure
- Loss of functionality
 - Loss of independent existence
 - Permanent blindness#
 - Permanent loss of speech, hearing or limbs
- Major burns
- Major cardiovascular disease
 - Aortic surgery#
 - Cardiomyopathy
 - Coronary artery bypass surgery#
 - Heart valve surgery#
 - Out-of-hospital cardiac arrest
 - Pulmonary hypertension
- Major neurological disease (other than stroke)
 - Benign brain tumour
 - Coma
 - Encephalitis
 - Major head trauma
 - Motor neurone disease
 - Multiple sclerosis#
 - Muscular dystrophy
 - Idiopathic Parkinson's disease
 - Peripheral neuropathy
- Major transplant surgery
- Paralysis
 - Diplegia
 - Hemiplegia
 - Paraplegia
 - Quadriplegia
- Stroke#

Any one of these conditions can put a serious strain on your finances. There will probably be medical bills to pay, as well as day-to-day living costs while you're off work.

A Freehold Mortgage Protection Plan lump-sum payment will help to ensure you don't have to sacrifice your loan repayments to meet these extra expenses, or you can use it to repay your loan if you wish.*

Of course, as with Life Cover, the amount of protection can be decreased to reflect your decreasing loan balance.

A claim under the Living Assurance Benefit will cancel the benefit.

The only exception to this is where the life assured claims for angioplasty. After you have made a claim for angioplasty, cover will continue for other specified conditions with the sum assured being reduced by the amount of the claim. You cannot claim again for angioplasty.

All applications for Living Assurance Benefits are subject to individual consideration.

For a detailed description of the benefits described above you should refer to the policy document.

In the case of these conditions, Sovereign will not pay the benefit if the life assured first suffers that condition at any time before the end of three months after the commencement date of the policy.

^ Angioplasty is limited to 10% of the Living Assurance Benefit under the policy, subject to a maximum of \$30,000.

***** Sovereign will not pay a Living Assurance Benefit if the condition existed before the risk commencement date or is directly or indirectly the result of self-injury, or participation in a criminal act.

Total Permanent Disablement (TPD)

This benefit provides a lump sum if you became disabled permanently through illness or accident, up to the age of 65. Total Permanent Disablement is available on an own occupation or any occupation basis. Cover is accelerated against the Life Cover, which reduces the life cover by the annual amount paid.

TPD defined:

What does "Any Occupation Total Permanent Disablement" mean? A life assured has suffered any occupation total permanent disablement when the life assured becomes totally incapacitated by illness or accident and, as a result of that incapacity, is completely unable to engage in the occupation or carry on the business he or she was involved in just before he or she was incapacitated; has not worked in any occupation or carried on any business for six consecutive months after the disablement began; and is, in the opinion of Sovereign, after consideration of the medical evidence satisfactory to Sovereign, so disabled that it is unlikely he or she will ever be able to work in his or her occupation or ever engage in any other gainful employment for which he or she may be reasonably suited by education, training or experience.

Any condition that Sovereign has reasonable grounds to expect can be reversed or improved by surgery or other treatment will not be considered to be a disablement covered by the “any occupation total permanent disablement” definition.

What does “Own Occupation Total Permanent Disablement” mean? A life assured has suffered own occupation total permanent disablement when the life assured has become totally incapacitated by illness or accident and, as a result of that incapacity, is completely unable to engage in the occupation or carry on the business he or she was involved in just before he or she was incapacitated; has not worked in any occupation or carried on any business for six consecutive months after the disablement began; and is, in the opinion of Sovereign, after consideration of the medical evidence satisfactory to Sovereign, so disabled that it is unlikely he or she will ever be able to work in his or her own occupation.

Any condition that Sovereign has reasonable grounds to expect can be reversed or improved by surgery or other treatment will not be considered to be a disablement covered by the “own occupation total permanent disablement” definition.

In respect of both TPD definitions, “work” is defined as personal effort using the life assured’s time and skills, whether or not income is generated for the life assured.

A TPD Benefit will not be payable where any of the following (and in each case either directly or indirectly) causes or contributes to the disablement:

- The life assured deliberately injuring himself or herself or attempting to do so.
- The life assured participating in any criminal act.
- 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 also not pay a TPD Benefit if the life assured dies within six months of the date that the life assured became totally permanently disabled.

These exclusions apply to any subsequent benefit increase made by the policy owner.

Redundancy Cover

This optional benefit is available when you choose the Loan Instalment Repayment Benefit. Freehold’s Redundancy Benefit can help to remove and concerns you may have meeting your financial responsibilities while you go through this difficult time. You will receive a monthly benefit, equivalent to the benefit payable under the Loan Instalment Repayment for up to six months.

This cover has a waiting period of four weeks but can increase to 13 weeks if you receive a redundancy payment from your employer. See the policy document for full details.

Sovereign will not pay a benefit if the life assured was not employed for financial reward for at least 20 hours per week prior to the redundancy, if the life assured is imprisoned or on home detention, if the life assured is made redundant outside of New Zealand and does not return to New Zealand within 28 days, or if the life assured knew of the redundancy prior to the risk commencement date.

The availability of any insurance cover is subject to your application being approved. All applications are subject to individual consideration. Special conditions, exclusions or premium loadings may apply. This brochure provides a summary of the benefits.

For full details refer to the policy document.

Sovereign makes it easy

How to apply

To apply for a Freehold Mortgage Protection Plan, all you need to do is fill out the Freehold application form.

This asks you to provide details about your medical history, and the type of leisure activities you pursue. Based on the information you supply in this form, we may also ask you to fill in a supplementary form which records more specific details about:

- Any medical problems you've experienced
- Any dangerous pastimes you're involved with.

Once you've completed the form, leave it with your adviser who will ensure your application is processed promptly.

Our flexible home loans can meet your needs

If you're looking to purchase a home, or looking to refinance an existing mortgage, then talk to us. We have a home loan to meet your needs.

Sovereign's Go Home Loan offers you flexible repayment options, a highly competitive interest rate, and the ability to redraw money from your home loan account if required (floating rate only).

Applications are subject to individual consideration.

For further details on our criteria and to find out how we can help you buy the home of your dreams, contact your adviser.

This brochure is dated April 2007.

A specimen "Freehold Mortgage Protection Plan" policy document which provides full details of the Freehold Mortgage Protection Plan and a copy of Sovereign's latest financial statements are available upon request from any Sovereign office.



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Your accredited Sovereign adviser

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