



AXA BUSINESS PROTECTION

Protecting what's important to you and your business



INVESTMENTS INSURANCE
SUPERANNUATION

Be Life Confident

Because you never know
how life's going to turn out...



“ At AXA we want to be
your financial partner for life,
providing you with products
and services that help you
protect all the things that are
important to you and
your business. ”

AXA New Zealand benefits from the strength of being a member of the Global AXA Group - the world's largest insurer, coupled with local knowledge acquired during our 120 year history as National Mutual in New Zealand. It's a winning combination of global strength and local knowledge working for you.

We work with professional financial advisers throughout the country to provide insurance advice across all aspects of financial protection for your personal and business needs.

For a comprehensive insurance package you can't go past AXA's Risk Protection Plan.

Introducing the AXA Risk Protection Plan for your business

The unexpected death, disablement or sickness of you, a business co-owner or a key person could easily throw your business into disarray. It's important to establish a contingency plan to maintain cashflow, continue operating and keep your business on track.

Part of any contingency plan should be to evaluate the risk to your business should something unexpected happen.

By having a business succession plan, combined with an AXA Risk Protection Plan, that offers an appropriate level of cover, you can help protect your business, your co-owner/s and any other dependents by:

- providing for an orderly business succession in the event of a death;
- minimising disruption to the business;
- providing for the deceased's family;
- allowing the purchase of a co-owner's share of the business to be funded;

- minimising the chances of the business having to be sold;
- assisting with the repayment of existing debt;
- assisting with the recruitment of replacement personnel due to the loss of key people; and
- maximising the value you get out of the business if you end up having to sell it.

The following is a general guide to the insurance options available to help tailor your insurance to your specific business needs. A Business Survival Checklist is also provided at the end of this brochure to help you determine your requirements.



What is the importance of Key Person Protection and Business Succession Planning to your business?

KEY PERSON PROTECTION

Ask yourself these questions:

What would happen to your business if one of your key employees were to suffer a trauma, become disabled, or die?

- Would your business be disrupted and the profitability and goodwill of your business be affected?
- Would your clients take their business elsewhere?
- Would the contacts of your key person take their business elsewhere?
- Would you have difficulty finding the time and money to recruit and train a replacement?

If you answered yes to any of these questions, then AXA's Risk Protection Plan could be the ideal solution for your business health.

Having protection for key people in the business can help reduce the impact of losing them and minimise any associated losses by putting cash into your business when it's needed most.

Insurance doesn't replace the loss of a key person, but it does provide compensation to cover any revenue or capital losses related to the unexpected departure or death of an employee. It also provides a buffer period, whereby a suitable replacement can be found and trained while minimising the financial impact from the loss of the key person.

Who are your key people?

A key person is anyone who provides economic advantage to a business. This could be through their skills and knowledge, image or appeal to customers, access to capital or credit, or their ability to organise human resources efficiently and effectively.

In a nutshell, a key person is anyone who possesses characteristics invaluable to the success of a business. A loss of such a person could result in a significant change to revenue and profits, goodwill, capital receipts or access to credit or customers.

Having a Risk Protection Plan can help you keep your business going when one of your top assets can't.



BUSINESS SUCCESSION PLANNING

Ask yourself these questions:

What would happen if you or one of your business co-owners died, were to suffer a trauma or become disabled?

- Would the value of your business remain the same?
- Could you and any other remaining partners work with the partner's nominated beneficiaries?
- Would the remaining partners have the funds to purchase the deceased or disabled person's interests in the business at a fair and reasonable price?
- Would they be able to repay any borrowings?
- Could the surviving partners take on a new partner?
- Would they want to?
- Would there be anyone willing to buy a minority share of the business?

If you answered no to any of these questions, then you need to consider succession planning for the security of your business.

What is business succession?

Business succession is the process whereby a deceased or disabled co-owner's interest in a business is acquired by the remaining co-owners. An AXA Risk Protection Plan will help you take care of the funding for your business to continue.

The importance of succession planning

When faced with the unexpected death or disablement of one of the co-owners of a business, business decisions must be made which may prove difficult for all involved.

In some cases, a deceased co-owner's heirs may want the true value of their interest in the business recognised.

They may try to force the sale of the business which may occur at a lower value compared to what you may have received prior to the loss of the person.

On the other hand, the remaining owners may be forced to take the heirs into active management or urgently find a new associate to buy out the deceased's interest.

A tailored plan made up of a succession plan, a buy-sell agreement and an appropriate level of insurance cover can help protect the business, should you or your co-owners suffer a trauma, become disabled or die.

The AXA Risk Protection Plan provides a range of business protection options: Life, Trauma, Business Future Insurability, Disablement and Income Protection. This information is a general guide to the AXA Risk Protection Plan – your AXA financial adviser will be able to provide more detail.

Discuss your situation with them and remember, as your needs and your business' needs change, so too can your risk protection options.



LIFE PROTECTION

Life Protection pays a one-off cash payment if the Life Insured dies. Not only can you help ensure that your family or your co-owner's family are taken care of, but you can also obtain financial peace of mind by using the payment to help pay off any business debts, recruit replacement staff or to buy the remaining share of the business ensuring that it remains stable for the future.

Life Protection also includes a Terminal Illness Benefit, which brings forward the cash payment if the Life Insured is diagnosed with a Terminal Illness and given 12 months or less to live. You can also choose to add optional benefits such as Trauma or Disablement Protection.

You can apply for the amount of cover that best suits your current and future business obligations. It's a good idea to make sure the amount is enough to cover your business debts and enables the business to keep running in your, your co-owner's or key person's absence.

Business Future Insurability

You may also like to take advantage of our Business Future Insurability Option. It means that, subject to certain conditions, you can apply to increase your Life, Trauma, or Disablement Protection in the future, generally without having to provide any further health evidence, to keep pace with the growing value of your business, or the value of a key person's life to the business.

Reasons to increase your cover could include:

- the value of the business increasing due to expansion; or
- an increase in a business loan; or
- the addition of key people to the business.

Financial evidence supporting the increase in business value is required each time you take the option to increase your cover.

CASE STUDY – *Life Protection*

Andy was a 39 year old mechanic living in Christchurch with his wife Deborah and four year old son, David. They had recently bought a small house and were excitedly awaiting the arrival of their second child, Lisa.

Soon after they moved into their new home, Andy began to feel constantly tired and generally off colour. Eventually, he visited the doctor and after further tests was diagnosed with advanced prostate cancer.

Andy underwent immediate surgery, but the cancer had already spread to his bones. Extensive radiotherapy and chemotherapy sessions followed and he managed to fight the disease for about two years, but it was a losing battle.

Andy passed away the day before Lisa's second birthday.

Fortunately Andy and Deborah had both taken out a Life Protection Policy when they purchased their house. The money from Andy's Policy enabled Deborah to cover the costs of his funeral, pay the mortgage, plan a return to work and build a secure future for Lisa and David.

Without this Policy in place, this sad story would have been much worse.

Things to think about:

- One in seven of us will die during our working lives. Demographic Trends, Statistics New Zealand, 2003
- In 2002 there were 17,943 new cancer registrations in New Zealand – 9399 of these were males. New Zealand Health Information Service, 2002



TRAUMA PROTECTION

Trauma Protection pays a one-off cash payment if the Life Insured is diagnosed with one of 38 specified Illnesses or Injuries. It helps provide financial stability for your business when you need it most - when you or a key person is seriously sick or injured.

You can use the money for whatever you wish - such as medical treatment, rehabilitation expenses, home help, to pay off any business debts, recruit replacement staff or to have someone run the business for you while you are off work.

You can also choose to add Disablement Protection to your Trauma Protection, which provides a one-off cash payment if you become Totally and Permanently Disabled and unable to work. There are two options available for Disablement Protection - Any or Own Occupation. Own Occupation is limited to a number of professional occupations.

Trauma Protection can be taken out as a Stand Alone cover or it can be attached to your Life Protection, providing you with the option of restoring your Life cover back to the original amount, 12 months after payment of a Trauma Benefit.

By choosing the Trauma Buy Back Option you can reinstate 75% of your Trauma cover 12 months after the payment of a Trauma Benefit without any further health evidence.

Business Future Insurability Option can also be added to your Trauma Protection when it is attached to Life Protection. This means that you can increase the Life and Trauma Sums Insured if the value of your business increases.

CASE STUDY – *Trauma Protection*

Vicky was a co-owner of a busy suburban hair salon and owner of a beauty therapy clinic in the city. Together with her 42 year old husband Angus, they also owned a number of rental properties. They were enjoying the rewards of long nights, hard work and good business acumen.

Recognising her financial commitments and the importance of protecting her assets, Vicky and her financial adviser put in place both a Key Person and a Business Succession Plan to ensure she was covered. These included a will, an estate plan and an insurance portfolio including health, Life and Trauma Protection.

Vicky awoke at 7am on a typical week day morning and had her usual cup of coffee. She felt a sharp pain shoot through her jaw and travel into her neck. Angus had gone to work, but after waking up her two teenage girls she started feeling un-naturally hot and developed pain in her chest.

Eventually she rang Angus who rushed her to hospital where she was diagnosed with blockages in her arteries and underwent an emergency Angioplasty. At the age of 38, she did not imagine for a moment that she would suffer a Heart Attack.

Two months later, Vicky suffered another Heart Attack and was admitted to hospital where she underwent a double bypass.

After extensive time away from the salon and the clinic and a total lifestyle change, Vicky decided to sell her share of the hair salon. She was able to use the lump sum payment from the Trauma Protection to provide her with sufficient funds to employ someone to manage the clinic and supplement her and Angus' income until she was able to return to work.



DISABLEMENT PROTECTION

Disablement Protection pays a one-off cash payment if the Life Insured becomes Totally and Permanently Disabled due to Injury or Sickness. It helps provide financial stability and meet the ongoing expenses of day to day living.

Disablement Protection is available as a Stand Alone cover, or as a Supplementary Benefit attached to your Life or Trauma Protection. This means that different Policy Ownership structures can be set up based on your personal and business needs.

Any or Own Occupation protection is available under this Benefit. Own Occupation is available to a limited number of professional occupations, including senior executives and managers.

The Business Future Insurability Option can be added to your Disablement Protection when it is attached to

Life Protection. This means that you can increase the Sum Insured under the Life and Disablement Benefits if the value of your business increases.

PREMIUM WAIVER OPTION

If you become disabled and are unable to work for a period of time, the last thing you need to worry about is whether you or the business can cover your insurance premiums while you are unable to work. With the Premium Waiver Option you can have financial peace of mind knowing that your premiums will continue to be paid so you can focus on recovering and returning to work.

You can choose a Qualifying Period of 4, 8, 13, 26 or 52 weeks. The longer your Qualifying Period, the lower the premium.

CASE STUDY – *Disablement Protection*

Mark and Heather were a happily married couple in their fifties. Mark was a director of an employment agency in Auckland and Heather a secondary school teacher. Their two children had left the family home and Mark and Heather were saving for retirement.

But then, life changed.

Mark suffered a severe Stroke that left him completely paralysed. He was admitted to Auckland Hospital, where he was treated for three months. He then spent another six months in rehabilitation.

Fortunately, Mark had purchased Disablement Protection when he became the director of the employment agency.

While Mark has recovered to some extent, he has difficulty with speech and can walk only with the aid of a walking frame.

Mark is in need of constant care, so the lump sum payment from his insurance Policy enabled Heather to retire and become his full time caregiver.

The insurance money also financed a refit for their house to enable Mark to move around with relative ease. Heather also purchased a purpose-built vehicle, to allow much easier access for Mark than was possible with a standard car.

Things to think about

- 20% of our population are limited in their daily activities because of the long term affects of a disability. Statistics New Zealand, 2004
- Cardiovascular disease, including Heart Disease and Stroke, accounts for 40% of all deaths in New Zealand. Ministry of Health, 2003
- On average, 19 New Zealanders suffer a stroke each day. New Zealand Stroke Foundation, 2003.

INCOME PROTECTION

Income Protection pays you a Weekly Benefit of up to 75% of your income (subject to certain maximums) if an Illness or Injury stops you from working and you suffer a financial loss. It will help pay your bills and meet your other financial commitments while you're off work - so you can focus on your recovery.

AXA Risk Protection offers several Income Protection choices:

- **Deluxe Income Protection** provides a monthly payment as well as additional benefits designed to help take care of the unforeseen extras that can happen after a serious Injury or illness - such as hospitalisation, rehabilitation and getting home from overseas.
- **Yearly Renewable Income Protection** is designed for people who, perhaps because of their job or health, find it difficult to get income protection.
- **Critical Income Protection** provides a monthly payment to be paid in the event of the Life Insured being Disabled as a result of suffering a specified serious condition, and as a result suffering a financial loss.
- **Rural Income Protection** is designed specifically for farmers, providing monthly payments based on gross farm income, as well as extra benefits.
- **Business Expenses Protection** protects your business if you're unable to work because you're Sick or Injured.

It covers the basic fixed costs actually incurred, such as rent, your employees' salaries, leasing costs, insurance and any fixed expenses which are normal and customary in the conduct of your business or the reasonable costs incurred in engaging a Locum to replace you in the business while you are Totally Disabled.

You may also be able to choose additional options:

- **Cover Boost Option** allows you to increase your Weekly Benefit by up to 15% as many as six times, without having to provide further health evidence - so you can keep your Protection in line with your actual income. This Benefit is only available with Deluxe Income Protection.
- **Accident Lump Sum Option** pays you a lump sum of up to 100 times your Weekly Benefit up to a maximum of \$250,000 if you suffer a fatal accident or one that results in specified injuries, such as total Blindness. This Benefit is only available on Deluxe, Rural or Yearly Renewable Income Protection.
- **Booster Benefit Option** allows for an additional Benefit for the first three months of Total Disability. This Option is only available on Deluxe Income Protection.

CASE STUDY – *Income Protection*

David was a 36 year old construction supervisor at a large building site in Wellington. He was recently divorced from his wife, and was the primary care giver of their five year old son, Richard.

One day at work, David slipped and fell awkwardly, injuring his knee.

He was taken to hospital where it was determined that he would need knee reconstruction surgery.

Given the physical nature of David's work, he was forced to take four months off work to allow a full recovery from the surgery.

David had taken out Income Protection prior to his accident.

As a result he was paid a Total Disability Benefit equivalent to 75% of his income, less any other disability income (e.g. ACC payments). This covered his rent, living expenses and the cost of looking after Richard while he recovered.

Things to think about:

- Males suffered 76% of work-related injuries in the year ended June 2003.
- 8142 people were admitted to hospital in 2000/01 with knee injuries and averaged a stay of five days.
NZ Health Information Service, Selected Morbidity Data for Publicly Funded Hospitals, 2000/01

THE EXTRAS

The AXA Risk Protection Plan offers some significant strategic advantages, such as discounts for large amounts of cover, and cost savings if you combine your risk protection under one plan.

If you want to protect your plan from the effects of inflation, just ask us to automatically increase your cover based on the Consumer Price Index (a minimum of three percent per annum). Inflation adjusted cover is completely flexible - you can decide each year whether to accept or decline the adjustment.

These adjustments are not available if you take out the Business Future Insurability Option and may not be available in some other situations. For more information, please ask your financial adviser.

Premiums - your payment options

You have two choices of premium payment options - Level or Stepped, and your premiums are guaranteed not to change for the first year.

Level premiums stay the same as long as you have your Risk Protection Plan - which provides some certainty about your future premiums. They only change if you choose to take inflation adjusted cover or if we review our premium rates.

Stepped premiums increase each year, while the level of protection remains the same. This means they start off costing you less than Level premiums, but gradually increase with your age. It's a good option if you think you'll be able to increase your premium payments in the future.

However, if you need your protection for a prolonged period of time you could consider Level premiums which may be more cost effective.

If you wish, you can choose a Premium Freeze on a Stepped premium. This means your premium will stay the same and the Amount of Cover will gradually decrease each year. This option may be suitable if your need for cover is likely to reduce over time.

The amount you pay depends on your age, gender, occupation, health and Amount of Cover. Discounts are available on a number of the product options which you can discuss with your financial adviser.

Minimum annual premiums

The minimum annual premium for an individual Risk Protection plan is \$135, or \$11.93 per month. (This is excluding the policy fee).

The minimum annual premium for linked Risk Protection policies is \$235 or \$20.76 per month and can be spread across both plans. (This is excluding the policy fee).

Risk Protection Plan Policies can be linked so that only one policy fee is paid in addition to your regular premiums. Linking can be made if two or more Policy Holders are in a business partnership (generally in the event of Key Person Protection).

14 Day Free Look

It's important that your AXA Risk Protection Plan choices fit in with your overall financial strategic plan - that's why we provide a 14 Day Free Look Period to allow you to fully review your Policy Documentation. If you're not completely satisfied that it meets your needs, just send your Policy Documents back to us within 14 days of receiving them with a letter requesting cancellation. We'll refund any premiums you've paid.

Important note

The information contained in this brochure is a summary of the AXA Risk Protection Plan. Full details, including full descriptions of defined terms (capitalised) and details of conditions and exclusions, are set out in the Policy Documents which are available on request. For copies of any Policy Documents contact your financial adviser.

The people described in this brochure are fictitious and any resemblance to actual individuals is entirely coincidental.

BUSINESS SURVIVAL CHECKLIST

How well prepared are you?

Here's a short questionnaire. Ask your financial adviser for extra copies for each of your business co-owners. When you and your co-owners have completed the questions, compare your answers. You may be surprised at the results. You should answer honestly - after all, you're all in it together.

“If you died...”

1. Would your partner and/or family want to:
 Take an active part in the business? That is, assume your role in the business partnership along with its associated duties, tasks and financial responsibilities.
 Become a silent co-owner in the business? That is, receive any forthcoming profits as well as be responsible for any future indebtedness the business may incur.
 Want nothing to do with the business, and in return receive full value for your share of the business?
2. Can your current co-owners ensure fair and equitable treatment of your partner and/or family, regardless of which of the above options they chose?
 Yes No Unsure
3. Do you believe your business would have to be dissolved and sold at a current and perhaps unfavourable market price?
 Yes No Unsure
4. Do you want your family's future financial security to depend solely on the continued success of your business partnership?
 Yes No Unsure

“If one of your co-owners died...”

1. Would you want to work with the inheriting relatives of your co-owner?
 Yes No Unsure
2. If you decided to buy out your deceased co-owner's share, which financial resource would you be forced to tap?
 Current or future profits Sell personal assets
 Sell business assets A bank loan
3. When considering your co-owner's family needs, how quickly do you think they would demand a settlement?
 3 months 6 months
 1 year 2 or more years
4. Would a co-owner's death seriously jeopardise the services or products you currently offer to your customers?
 Yes No Unsure
5. Would your bank and other creditors become nervous, wary or suspicious of the company's future performance?
 Yes No Unsure

Business survival: Business Succession Planning with AXA

These questions are designed to explore the private feelings and opinions not often expressed between business co-owners. However, once concerns are openly discussed, they can be addressed in a positive way. A Business Succession Plan will help resolve your concerns.

A Business Succession Plan allows both co-owners and survivors to reach a harmonious and hassle-free agreement on business value and business ownership.

The agreement, which is discussed and decided upon by all co-owners involved together with your financial adviser and the company's own advisers, contains two key components.

They are:

- Life Insurance Protection
- Appropriate legal documents or buy/sell agreements

A Business Succession Plan with AXA is individually designed and tailored to meet your needs. It offers scope and flexibility, which accommodates company changes and most business types.

For further information
on how to plan for Business Succession,
contact your financial adviser, or phone
our customer services team on **0800 106 652**.

www.axa.co.nz

For more information about these and other AXA New Zealand products & services, contact your financial adviser or contact us on **0800 106 652** fax **0800 161 699**



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