

Joint & Several

an alternative solution for debt protection

Zurich offers a unique alternative debt protection solution where you need to cover 100% of the debt on both co-borrowers who are joint & severally liable.



Home \$3m Mortgage

HOME OWNERS	GENERAL APPROACH	JOINT & SEVERAL
Income Generating Spouse	\$3m Life	\$3m Life
Homemaker Spouse	\$1.5m Life	\$3m Life

How to Quote

Go to zurich.com.au and complete quotes for all lives as if it was normal death cover being applied for and select Joint & Several Request in the pre-assessment/ loadings tab.

For more information

Contact your Zurich BDM on 1800 252 650 or call Tony Baker, Financial Underwriting Manager on 02 9995 1941 adviser.service@zurich.com.au

Fact explained: Joint & Several

Banks generally insist on both spouses being co-borrowers or else personally guaranteeing the borrowing on the family home. This is 'joint and severally liability'.

Where there are multiple borrowers, the loan is often structured as a joint debt. Alternatively, loans may be issued to a borrower or borrowers with additional security required of a personal guarantee from additional individuals. With a joint and several loan or a guarantee each of the individuals are jointly and severally liable for the debt and the bank (or financier) is able to claim repayment of the entire debt from any of the borrowers or guarantors. In terms of life insurance however, insurers will generally only insure each individual's proportionate share of the loan, not the entire debt. Many life insurers will not recognise individual's guarantor obligations in the financial underwriting process. This is where Joint & Several provides an alternative solution.

In this document, we treat both insured persons with primary loan obligations or guarantor obligations as a "co-borrower" for the full amount of the debt. Where we issue cover, we refer to both of the insured lives as a "Co-insured"

Why is it important for your clients?

You now have a facility for both co-borrowers to be insured for the full sum of outstanding debt, on special conditions. With the Joint & Several clause on both the co-borrowers life policies everyone can have peace of mind. As shown in the illustration, a higher level of cover is available with the Joint & Several clause than what may generally otherwise be available.

How does the clause work?

Both co-borrowers should apply for cover with the Joint & Several Clause Request (as shown over the page). Each of the co-borrowers should apply for cover and each policy issued will be subject to a special condition, "The Joint & Several clause." The clause provides that in the event of any of the listed lives being first to die, a claim for the full amount of cover may be made. Proceeds can then be applied to extinguish the debt. Following the death of the first to die of the insured co-borrower, the amount which is payable under the remaining policies will be subject to reduction under the terms of the clause. The potential claim scenarios are:

Scenario	LIFE INSURED/CUSTOMER	INTER-CONNECTED CO-INSURED/S
	Customer (A)	Spouse (B)
1. Customer (A) is first to die	Benefit is Paid	The sum insured reduces to the lesser of the original sum insured or \$1.5m
2. Customer (A) not first to die but also dies as a result of same accident/event	Policy ends and no benefit is payable	If (B) is first to die benefit is paid
3. Customer (A) not first to die and survives	The sum insured reduces to the lesser of the original sum insured or \$500k	If (B) is first to die benefit is paid

A policyholder who is a surviving spouse may apply (within 90 days of the death of the insured co-borrower) to increase the sum insured by an amount up to and equal to the amount of the reduction subject to full financial underwriting (without any reassessment of his/her health).

How to Apply

Complete the Joint & Several Request and identify all co-borrowers to the relevant loan. Please arrange for the Request form to be signed and dated by each of the co-borrowers.

Attach a copy of the form and completed Financial Questionnaire or SOA with each co-borrowers application. All co-borrowers should apply for insurance where cover is being applied for under the Joint & Several terms and cover should be for the same amount on all co-borrowers applications.

The Joint & Several special condition is only available with stand alone death cover under Wealth Protection.

Request for Spouses Joint & Several Clause

- I request that the applications for life insurance cover on my life as per quote forming part of the application is modified so that I am applying for cover which is subject to the Spouses Joint & Several Clause shown below. The policy will therefore be inter-connected with each other policy issued to one of the Co-Insureds listed below, where that policy is also subject to the Joint & Several Clause and identifies me as a Co-insured
- I accept that the amount payable under this policy may be subject to reduction as a result of the Joint & Several Clause.
- I/ understand and request that the above mentioned Application for insurance be altered by accepting special conditions will be applied to my policy as follows

SPOUSES JOINT AND SEVERAL SPECIAL CONDITION

1. This policy is inter-connected to any policy issued that covers a Co-insured identified below (not being the Life Insured under this policy), which is also subject to a Spouses Joint & Several Special Condition and identifies the Life Insured under this policy as a Co-insured .
2. The following apply if one of the Co-insureds (the 'Deceased Co-insured') dies before the Life Insured named in this policy and at the time of death the Deceased Co-insured held a policy which is inter-connected to this policy:
 - (a) If the Life Insured on this policy dies as a result of the same accident or event that caused the death of the Deceased Co-Insured who was the first to die, and the Life Insured dies within 30 days of the death of the Deceased Co-Insured, then the insurance cover provided under this Policy ends and no benefit is payable.
 - (b) If (a) above does not apply, the death benefit payable under this policy will be reduced to the lesser of the death benefit amount at the date of the death of the Deceased Co-Insured, and \$1,500,000. Any reduction in sum insured will be deemed to have been made at the date of death of the Deceased Co-Insured.
 - (c) In the event of a reduction in the death benefit amount as a result of paragraph (b) above, the policy owner can apply to increase the death benefit amount by the amount of the reduction, subject to full assessment of the Life Insured's financial circumstances (without any re-assessment of the Life Insured's health). This application must be made within 90 days of the death of the Deceased Co-Insured. If any special conditions apply to the existing cover, as shown in the policy schedule, then those special conditions or exclusions will automatically apply to the increased cover.

In determining who was first to die in circumstances where the time of death cannot be ascertained with certainty, the older person will be deemed to have died first.
3. In the event that an application for a certain death benefit amount is accepted by us on this policy before the same death benefit amount is accepted by us for all Co-insured, the death benefit payable under this policy will be limited to the lesser of the death benefit amount or \$1,500,000 until such time as the death benefit amount is accepted for all Co-insureds.
4. The policy owner can apply to remove this special condition from the policy subject to our approval. A policy owner of an inter-connected policy can also apply to remove this special condition from the inter-connected policy.
5. The following apply in the event that this special condition is removed on any inter-connected policy, or if any inter-connected policy is terminated or otherwise comes to an end (other than due to death):
 - (a) The death benefit payable under this policy is immediately reduced to the lesser of the death benefit amount or \$1,500,000.
 - (b) If the terminated inter-connected policy is reinstated in accordance with the terms of the inter-connected policy within 30 days of termination, the death benefit amount on this policy that was reduced as a result of (a) will also be reinstated.
 - (c) If (b) does not apply, the policy owner can otherwise apply to increase the death benefit under this policy by the amount that was reduced as a result of (a), subject to full assessment of the Life Insured's financial circumstances (without any re-assessment of the Life Insured's health). This application must be made within 90 days of the reduction occurring. If any special conditions apply to the existing cover, as shown in the policy schedule, then those special conditions or exclusions will automatically apply to the increased cover.
6. This special condition terminates in respect of this policy after all applicable provisions have been applied following:
 - (a) the death of the first to die of the Co-Insureds; or
 - (b) any of the events referred to in clause 5 occurring.
7. The policy owner and Life Insured agree that for the purposes of administering this special condition, Zurich may inform the policy owner of an inter-connected policy of events occurring in respect of this policy, such as a claim, cancellation or alteration.
8. This special condition does not effect a nomination of beneficiary. The policy owner can apply to nominate a beneficiary in the form approved by Zurich.
9. Other than the terms set out above and in the policy, Zurich does not assume any responsibility in relation to the financial arrangements between Co-insureds and the policy owner agrees to indemnify Zurich against any claims against or costs incurred by Zurich as a result of any cancellation or alteration by the policy owner which may have an effect on a Co-insured or policy owner of an inter-connected policy.
10. Any new signed Spouses Joint & Several Special Condition that is accepted by Zurich shall replace and supersede any previous Spouses Joint & Several Special Condition.
11. The Co-insureds for the purpose of this clause are:

CO-INSUREDS	DATE OF BIRTH

- I/We, the Policy Owner/s and Life Insureds, understand and agree that this request shall form part of the Application and shall, together with the Application, be the basis of the proposed Insurance.
- I/We, understand that the Duty of Disclosure continues until the Application (including this request) has been accepted by Zurich.

CO-INSUREDS (or policy owner if different from co-insured)	SIGNATURE	DATE

Zurich Australia Limited
 ABN 92 000 010 195 AFSLN 232510
 5 Blue Street North Sydney NSW 2060

www.zurich.com.au

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