

Frequently Asked Questions

I received my October 2023 policyholder update letter, what do I need to do now?

You do not need to do anything now.

The proposed policy restructure (Scheme) update letter and these Frequently Asked Questions are to update you on the progress of the Scheme, which Foundation Life (NZ) Limited (Foundation Life) is proposing putting to its participating Whole of Life and Endowment policyholders (Policyholders).

The Scheme would be an arrangement between Foundation Life and its Policyholders under Part 15 of the Companies Act 1993.

Why has the vote on the Scheme been delayed?

- The Scheme has been delayed for several reasons. Most recently due to the requirement to work through the Inland Revenue Department's formal review process to address an unexpected tax classification issue with the proposed replacement life insurance product.
 - The tax classification issue relates to the third-party insurer replacement life insurance product and does not impact individual policyholders or their existing Whole of Life or Endowment policies.
 - The tax classification issue does not impact the Foundation Life businesses tax position.
- The tax classification issue has now been resolved and Foundation Life is working with the third-party insurer to finalise Scheme details and confirm the implementation timeline.
- Prior reasons for delays
 - We had to assess the impact of the significant reduction in long term interest rates, which occurred during 2019/2020, on the Scheme to ensure it remained in policyholders' best interests.
 - COVID-19 and the uncertainty it created in financial and economic markets, and on the third-party insurer, made it impossible to finalise the details of the Scheme within the original timeframe.
 - Conducting detailed analysis, and updating complex models to calculate policyholder values, to ensure the Scheme remained in the policyholders' best interests.

When will I receive further information about the Scheme?

Following the resolution of the tax classification issue, the Appointed Actuary is now compiling his Scheme report, which will then be reviewed by the Independent Actuary, followed by the Reserve Bank of New Zealand.

Once all reviews are completed, we will seek approval from the High Court of New Zealand to send all eligible policyholders the Scheme information pack incorporating full details of the Scheme, including how policyholders can vote. We expect the information pack to be posted, and Scheme meeting held, in mid-2024.

Why is Foundation Life thinking about changing my participating Whole of Life and/or Endowment Policy?

Foundation Life has been closed to new business since 2000, and solely manages the existing policies that were sold in the past by Government Life and then Tower Life (N.Z.) Limited. As a result, the number of active policies Foundation Life manages decreases each year.

This causes diseconomies of scale that mean policyholders are likely to face higher policy administration costs in the future. In addition, greater conservatism is required in the investment of the statutory fund to cover insurance business risks. Interest rates have also dropped significantly since the 1980s. These changes are affecting bonus levels.

Policyholders have also told us that they want more value and choice in relation to their life insurance policies.

As a result, we have been considering whether the benefits provided by your participating Whole of Life or Endowment policy could be delivered to you more effectively in a different way.

Which policyholders have you met with? Why wasn't I among them?

Over past years we have met with several policyholders, and some financial advisers, to discuss policy options. We have over 28,000 policyholders so, unfortunately, we have been unable to discuss our thinking with everyone. Following the distribution of our previous update letters we have received a range of feedback, with over 8,000 policyholder enquiries received. You can provide us with feedback if you would like to do so. Our contact details can be found on the [Contact Us](#) page.

What would be the proposed options under the Scheme?

The options expected to be offered to New Zealand resident policyholders to replace their existing policies, if the Scheme is approved, are:

- Replacement insurance with a guaranteed amount of life cover that will usually be 5% higher than your current policy's death benefit (including bonuses), and for which no further premiums are payable;
- A cash payment that is a minimum of 5% higher than your policy's surrender value; and capped at the value of your policy's death benefit; or
- a combination of life cover and cash, with the emphasis at your choice on life cover or cash.

For those New Zealand resident policyholders who elect or default to receive 100% replacement life insurance, Foundation Life will not pay any excess cash balance which is less than \$1,000. Instead, Foundation Life will use the cash amount to buy more life cover from the replacement insurer.

I am living overseas, and my address is an overseas address, can I still receive all the proposed options under the Scheme?

If you are a policyholder with an overseas postal address on our records, you would receive a cash payment in replacement of your policy if the Scheme is approved. This is because the replacement life insurer can offer replacement life insurance only to New Zealand resident policyholders.

However, all overseas policyholders have options to access replacement life insurance if the Scheme is approved. One option is to transfer your policy to a person (or persons) who is a New Zealand resident. More information on these options and the actions overseas policyholders may take is available by visiting the "[Overseas Policyholder](#)" page or by contacting us.

I have an additional benefit (Rider) policy. What will happen to this policy?

You will be able to choose to receive a similar additional benefit policy, along with a replacement life insurance policy, from the third-party insurer, or you can choose to receive the value of the additional benefit policy in cash.

You cannot receive a replacement additional benefit policy if you do not choose to receive a replacement life insurance policy.

I may be away when the information pack is sent; how can I make sure I don't miss out on receiving the information pack?

If there is a chance you will be away when the information pack is sent, please contact us. We will add your details to our "Absent Policyholders" list. We will then send you an email when the information packs are due to be posted. You can arrange for someone to collect your information pack from your mailbox or contact us to arrange an alternative delivery method.

Are you able to tell me what my estimated values under the Scheme will be now?

It is a complex process to calculate each policyholders' estimated values and it can only be done after all details of the Scheme have been finalised. We will not be able to tell individual policyholders their estimated values prior to the information pack being sent. Policyholders will be provided with this information as part of their information pack.

How will the changes be authorised?

No change will occur to your participating Whole of Life or Endowment policy unless the required voting thresholds are met, and the process is approved by the High Court. The proposed voting thresholds are that more than 50% in number of eligible policyholders who vote, representing not less than 75% in value of those who vote, must vote in favour of the proposal. Details of the required voting thresholds will be confirmed in your information pack.

How will policyholders be able to vote on the Scheme?

You could attend the Scheme meeting in person to cast your vote. We will advise you of the location of the Scheme meeting in the information pack. If you are unable to attend the Scheme meeting, you would be able to cast your vote by post, online, by proxy (a proxy vote is where you appoint someone else to vote on your behalf) or via a person who holds a power of attorney for you. Your information pack will include all the information you need to vote on the Scheme.

What if I don't agree with the proposed changes?

If you don't agree with the proposed changes, you would be able to vote 'no' to the Scheme once it is put to policyholders. If the Scheme is not approved by policyholders, it will not proceed, and there will be no change to your participating Whole of Life or Endowment policy. The result of the Scheme vote will be binding on all policyholders.

Do I have to vote?

You do not have to vote on the Scheme. However, the result of the Scheme vote will be binding on all policyholders. Detailed information about voting will be included in your information pack.

Who is involved in the review?

Many parties have been, and continue to be, involved with the review including, Foundation Life's Directors and Chief Executive Officer, Foundation Life's Appointed Actuary (supported by a team of actuaries), an Independent Actuary and various financial advisers and policyholders.

Who is the Replacement Insurer?

Our contract prevents us from announcing who the replacement insurer would be at this stage. We can confirm that the proposed replacement insurer is very credible and has operated in New Zealand for many years. Details of the replacement insurer will be advised as soon as possible.

My policy is owned by a bank or another organisation, what do I need to do?

You will need to contact the bank or other organisation as soon as possible to arrange for the ownership of the policy to be transferred back to you. We have contacted the major banks, so they are aware of the transfer procedure that needs to be followed and to date we have completed over 1,000 transfers. If you have any difficulties with this, please contact us and we will advise you of the process and the contact details of a person at each bank who can help you. If you have the original policy document and the bank/organisation has already completed their section of the Memorandum of Transfer (on the back of the policy document), you can complete the Transferee section and send it to us. We will then register the transfer and return the document to you. Please note that confirmation of identity requirements will also need to be satisfied before we can complete any policy transfer – please contact us for more information on this.

Can I still make a claim against my policy?

Yes, it's business as usual currently.

We have altered our operating procedure to put on hold the ability to convert your policy from a Whole of Life to an Endowment policy and the making of policies 'paid up' (reducing the sum insured in exchange for no further premium payments being required) as these actions would change the policy value. Please note that if you are considering surrendering your Whole of Life or Endowment policy, you might want to consider delaying this decision until the outcome of the proposed Scheme is known.

Is Foundation Life still able to meet all its financial obligations?

Foundation Life continues to be in a very strong financial position with an A- (Excellent) Financial Strength Rating from AM Best. Foundation Life is able to meet all its regulatory and policyholder obligations. All policies with Foundation Life are secure and all approved claims will be paid out in accordance with our current policies and procedures.

Do I still need to pay premiums?

Yes, you still need to pay any premiums due under your policy to Foundation Life. Any unpaid premium debt will affect your policy value.

I have a loan against my policy. Will that affect the value of any replacement insurance or cash that I am offered under the proposed Scheme?

Yes, any outstanding loans, or premium arrears/debt, will be taken into account before your policy value is calculated.

You would not be required to repay any premium debt, policyholder loans or contingent debt to vote on the Scheme, or to receive your Scheme entitlements if the Scheme is approved. However, if you do not repay any amounts owing to Foundation Life, these amounts will be offset against the value of the Scheme option you elect, or default to receive, and reduce the amount you receive. Please contact us for more information on this point.

What interest rate am I charged on my loan or premium debt?

The current annual interest rate on loan and premium debt is 10% per annum on policies written, and loans taken out, from 1 January 1983. For premium debt on policies written prior to 1983 the interest rate will remain 7% per annum. This rate is reviewed at least annually.

I have a loan that I agreed to pay back over a certain number of years. How can I change my loan contract to pay it back sooner?

Under the Scheme your existing Whole of Life or Endowment policy would be cancelled. Therefore, all loans would need to be repaid prior to, or at the time when, the new arrangements are implemented should the Scheme be approved by policyholders and the process approved by the High Court.

Foundation Life will accept repayment of outstanding loans at any time prior to the date to be advised in the information pack to be sent about the Scheme. As discussed in response to the question above, if your loan is not repaid, it will be taken into account before your policy value is calculated.

Please contact us for more information on this point.

If I make a full lump sum payment towards my loan or premium arrears, will I receive my full policy value?

If you make a lump sum payment to repay the full outstanding amount(s), your policy value will reflect this.

If I need/want financial advice who should I contact?

If you have a financial adviser, you should contact them in the first instance.

If you do not have a financial adviser, you could go to the Finding an Adviser page on the Financial Markets Authority (FMA) website <https://fma.govt.nz/investors/getting-financial-advice/finding-an-adviser/> where you can find searchable lists of financial advisers. Foundation Life is unable to offer you financial advice on the Scheme.