



## Benefits of Life Care come when needed the most

About three years ago, Lorraine\* (who's now in her mid 60s), found out she had colon cancer. Fortunately, her Life Care policy with Fidelity Life paid out a lump-sum payment as a result.

15 months later Lorraine received a second cancer diagnosis, and made a second claim on her Life Care policy and within a month we paid her another lump-sum.

Just over a year after the second claim was settled, Lorraine's doctor gave her the devastating news that her cancer had spread and was terminal. This meant that Lorraine was entitled to a further lump-sum benefit under her Life Care policy, when she needed it most.\*\*

*\*Names and personal details changed to protect privacy*

*\*\*This information is indicative only, and is provided as an example to illustrate the benefits available under Life Care from Fidelity Life. Talk to your independent financial adviser about your options and what's right for you.*

### What's Life Care?

Life Care is a cost-effective critical illness insurance designed to provide continued protection for separate illnesses, in conjunction with Life Cover. Under the benefit you are eligible for up to five Life Care claims, with 20% of the total sum insured payable per claim. It covers 43 illnesses and conditions.

There's also a range of additional options available to add to Life Care, including the Total & Permanent Disability benefit, which gives protection against the impact of a long-term disability with a lump sum payment.

### Why you need it

Upon the diagnosis of a critical illness, lump-sum payments can play a vital role to help meet financial requirements such as medical fees, mortgage repayments and unexpected expenses.

Lots of people recover well enough to live many good quality years of life after a serious health-related incident.

Many insurance policies provide a lump sum payment after the first diagnosis of a specified illness, but usually the benefit expires. However, the Fidelity Life Care benefit is different because it speeds up the payment of Life Cover benefits. If you die and the maximum of five claims have not been paid the balance of the sum as assured will be paid as part of the death benefit.

*This policy summary 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.*

## Continued stability in 35<sup>th</sup> year

Fidelity Life's 35<sup>th</sup> year in business has been marked by a record \$15.5 million profit.



Shareholder's Funds increased 16% from \$73 million at 30 June 2007 to \$88 million at 30 June 2008, remaining comfortably above 25% of policy liabilities.

For the 12th year in succession, international ratings agency, A.M.Best reaffirmed our A- (Excellent) credit rating.

The amount by which our capital was above the minimum solvency level required by the New Zealand Society of Actuaries Professional Standard No 5 rose by 33% from \$9.2 million to \$12.2 million.

"Despite turbulent international and local investment markets, and added cost pressures, Fidelity Life increased profits and continued significant investment for future initiatives," says Ian Braddock, Fidelity Life's Chairman.



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Quarterly update

# The unexpected does happen

You just never know when the unexpected will strike.

Dave\* and Anne\* had a full financial needs analysis conducted with their financial adviser at the beginning of June. The analysis highlighted that although they were doing extremely well financially, with both earning excellent salaries and their home nearly paid off, their financial plan would be derailed if they were unable to work or suffered a major event.

Their financial adviser recommended they transfer this risk by adding appropriate trauma, total permanent disability and income protection insurance to their existing life covers which would cover a range of risks and scenarios that could severely affect their lifestyle.

## The recommended insurance cover included:

- ▶ **Life Insurance:** Lump sum payment if either of them died, which would be enough to pay for their children's education and clear any outstanding debts.
- ▶ **Trauma and Total and permanent disability cover:** A specified lump sum would be paid if either of them suffered a trauma event or became totally and permanently incapacitated – and therefore unable to earn a living – through injury or illness.
- ▶ **Income Protection:** A plan that would pay a monthly income should they be sick or disabled, in this case to age 65.



Five weeks later Dave had a stroke. Unfortunately even though they agreed with the final report and wanted to take out the suggested covers, they had procrastinated and had not put the insurance in place. It was now too late.

Now not only can Dave not work but Anne's work is also severely affected as she has to travel a long distance to hospital to be with her husband.

If they had purchased the insurance cover that their independent financial adviser had recommended to them weeks earlier, they would have had a lump sum trauma payment immediately, then a regular income under the Income Protection cover.\*\*

We just never know when life events will happen to upset everything and threaten our financial security. It really does pay to have appropriate insurance in place.

Did you know that two in five men and one in four women between the ages of 30 and 64 will suffer a serious illness (according to General Cologne Life Re in 2002) and one in eight people will have a stroke in their lifetime? (Stroke Foundation of NZ 2007) Are you sure that you will be the 'other three men or three women' or one of the 'other seven'?

Contact your financial adviser now to talk about your circumstances.

\* Names and personal details changed to protect privacy.

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## Did you know?

### Accidents & Injuries

In New Zealand, accidents or injuries were given as a cause of disability for about 166,000 adults and the most common type of accident or injury causing disability was one that occurred at work.

Source: Department of Statistics Household Disability Survey, 2006

### What's a financial risk analysis?

Your independent financial adviser can talk you through a financial risk analysis, to help you identify where the risks are associated with your lifestyle and financial position.

The obvious risk that springs to mind is death. But have you thought about other areas of your life that you need to insure?

- ▶ **Do you run your own business?** Have you thought about what would happen to it if you were to get sick so you were unable to work for a long time?
- ▶ **What about your children?** How would they complete their education if you were unable to provide for it?
- ▶ **Mortgage?** Could you keep paying your mortgage if you were laid off or were in an accident that rendered you unable to work?

Talk to your independent financial adviser if you are unsure about your risk and how you are covered.



## Get Focus by email

We would like to give you the opportunity to receive your Fidelity Focus by email. Please email [focus@fidelitylife.co.nz](mailto:focus@fidelitylife.co.nz) with your name and policy number and we'll put you on the list. If you ever want to remove yourself from this mailing list at some stage in the future, send an email to [focus@fidelitylife.co.nz](mailto:focus@fidelitylife.co.nz) with your full name and policy number, plus 'Focus by email' as the subject line of your message. This also means that you won't receive a printed copy of Focus in the mail and Fidelity Life will need to print less newsletters.

Email [focus@fidelitylife.co.nz](mailto:focus@fidelitylife.co.nz) with your feedback or questions.

## ECONOMIC SUMMARY

We live in turbulent times! By the time you read this, market and economic conditions could be very different.

What a quarter it's been, in a particularly volatile year. The US is plunging deeper into the worst financial crisis in decades, and the effects are being felt across the globe, not only in Europe but now in Asia.

The worst financial crisis in the USA since the great depression of the 1930s has seen major banks and insurance companies in trouble, a share market slump and Wall Street in a tail spin. On September 7, the US government announced they were taking control of the two largest mortgage guarantee companies, known as Fannie Mae and Freddie Mac. Their outstanding debt and mortgage backed securities amount to about US\$7 trillion (about half of the entire US mortgage market). Washington Mutual was sold to JP Morgan Chase in an emergency sale, the largest bank failure in American history. In succeeding weeks, America's fourth largest Investment bank, the 158-year-old Lehman Brothers collapsed, as did Wachovia, the fourth-biggest commercial bank, while the huge AIG insurance company was effectively nationalised by the US government.

To date, the crisis has been a financial rather than an economic one. Companies are still reporting profits, consumers are still spending, and emerging markets are still growing. However, the fact that loans are harder to get will have an effect on both consumers and businesses, so most economists are forecasting a drop in economic activity and growth over the next year or so. And there are hopes that the massive US\$700 billion rescue package for the US financial system, to remove "toxic loans", will help provide liquidity and confidence.

Here in New Zealand, Treasury's pre-election report indicated that the economic outlook is at its most pessimistic for over a decade. And a slowing economy means less tax revenues for governments. Following years of surpluses, Treasury is now forecasting multi-billion dollar deficits in the next 10 years. Its forecasts point to government debt rising to over 24 per cent of GDP from its current level of 18%. Over a longer period it could get as high as 30 per cent of GDP.

The impact of tightened credit and slowing economic activity, has resulted in sharemarkets in New Zealand and around the world falling sharply in recent weeks.

Following a 3.3% drop in the September quarter, the New Zealand sharemarket has dropped a further 9.1% in the first two weeks of October. Stock markets slumped worldwide, some marking record one-day losses, on fears the global financial crisis will worsen and hit the wider economy despite bank bailouts in the US and Europe.

### What does this mean for investments?

Worldwide, expected growth projections are being revised downwards. A number of countries are either in recession or forecast to get there in the next quarter. However, the world as a whole will still grow: according to the Economist Intelligence Unit, in 2009 the US should still grow 1.3%, Japan and the euro area 0.9%, and Australia 2.6%. Emerging markets' rapid growth will still be strong, with China forecast to grow 8.5% and India 7.1%, and this growth will help support overall expansion.

In the short term, shares are likely to remain volatile, and there could be further falls as the credit squeeze works its way through the markets. From a longer term perspective, they will undoubtedly look cheap, but between now and then lies a lot of volatility.

For those with cash, a long-term perspective and nerve, it's as though markets had a giant sign reading "Sale - 30% off Everything!" And there are signs already of bargain-hunters. Companies with sound markets, good balance sheets and relatively lower exposure to debt should fare better.

As for other investment sectors, fixed interest and mortgage investments are a more stable haven, as – of course – is cash. Listed property is suffering, a corollary of the drops in sharemarkets as a whole rather than because of any problem with the underlying assets themselves.

*Continued on page 4 →*

*This commentary is provided by Fidelity Life, based on the following references: Reserve Bank of New Zealand Monetary Policy Statement [www.rbnz.govt.nz](http://www.rbnz.govt.nz), HUGOvision, inflation now on the rise around the world, Tom Taylor, National Australia Bank, 1 June 2008, Economist magazine. It is Fidelity Life's views only and does not represent the view of the references.*

## PORTFOLIO PERFORMANCE

Average return (after tax, after manager's fees)

For the period ended 30 September 2008

Portfolio	Past quarter	Past year	Last 3 yrs % p.a.	Last 5 yrs % p.a.	Last 10 yrs % p.a.	Morningstar ranking one year % p.a.
<b>DIVERSIFIED</b>						
Conservative	0.09%	-1.22%	3.30%	4.38%	4.22%	4/7
Balanced	-1.23%	-7.91%	2.06%	4.13%	3.63%	10/52
Growth	-2.64%	-14.59%	0.75%	4.00%	3.61%	8/19
Aggressive	-3.41%	-14.97%	2.11%	5.55%	n.a.	3/34
<b>SECTOR</b>						
Mortgage	1.46%	5.62%	5.47%	5.13%	4.66%	5/10
NZ Fixed Interest	2.06%	4.28%	3.47%	3.68%	3.88%	16/25
Options	3.15%	15.41%	11.70%	n.a.	n.a.	1/33
Property	1.17%	0.55%	4.39%	3.14%	3.88%	1/8
NZ/Australian shares	-3.05%	-23.08%	-2.26%	4.72%	7.03%	14/24
International Investment	-4.82%	-22.21%	-1.27%	2.60%	-0.59%	22/34

Notes for Fidelity Life Plans: 1. Past performance is not necessarily an indicator of future performance. 2. The returns shown do not allow for front-end, renewal, withdrawal or alteration fees. 3. There are no withdrawal fees on Life Bonds. On Power Saver/Super Plans there is an alteration fee of \$60 if there is more than one withdrawal in a financial year. For other plans the fee on withdrawal is 5% reduced by 1% p.a. in the four years prior to the maturity date plus an alteration fee of \$60. 4. The current rate of tax for life insurance companies is 30%. The rate of taxation may change. 5. Both the Options and Aggressive Portfolios invest in options contracts in a leveraged manner. 6. An investment statement is available for Fidelity Life Products detailed in Focus. Please contact your adviser or us (contact details on the back page) for a free copy.

### Cash and mortgages

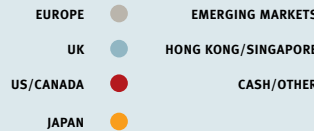
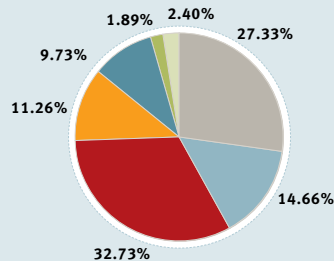
The Reserve Bank now sees inflation under control, so it can not only relax its monetary stance but also look to bolster a flagging economy. It cut the Official Cash Rate by 0.50% in September, larger than forecast and by a record 1% on 23 October. This was in line with moves by other central banks in the the last month. In normal circumstances these drops would result in cheaper interest rates, but our banks derive a third of their funding from overseas and this money is still very costly because of the credit crunch. As a result, mortgage rates are holding steady.

### NZ Property

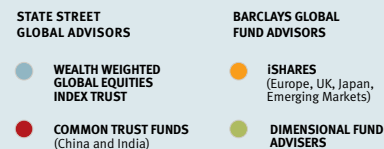
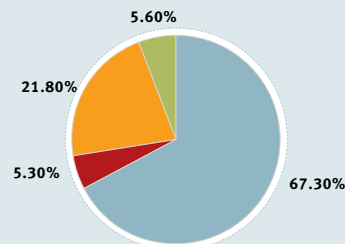
New Zealand house prices fell by almost 3% and the number of sales dropped to a 26-year low in August. Treasury's pre-election report, released on 7 October, says that house prices are expected to hit bottom in March, and could fall to as much as 25 per cent.

### International Investment Portfolio

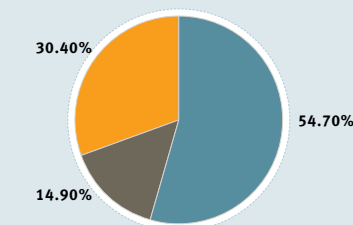
#### Country Split



#### Asset Split

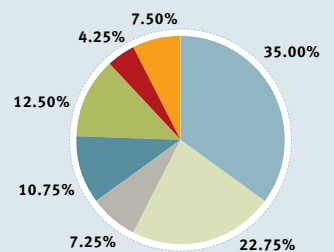


### Aggressive Portfolio

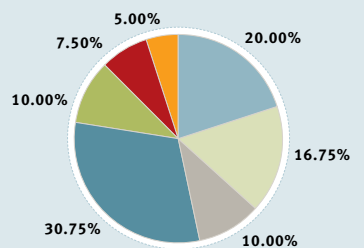


### Asset Split

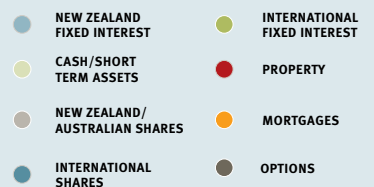
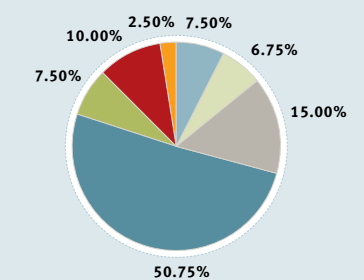
#### Conservative Portfolio



#### Balanced Portfolio



#### Growth Portfolio



#### DID YOU KNOW?

This product is printed on paper with fibre sourced from sustainable resources – Fidelity Life preserving our environment.

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