

Scheme Rules

The ReddiFund Income Protection Plus Discretionary Trust Arrangement



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Discretionary Trust Scheme Rules

This sets out a Member's rights and obligations under the ReddiFund Income Protection Plus Discretionary Trust.

The Trust was established solely for the benefit of its Members and in some instances provides an alternative to conventional insurance.

| The Scheme Rules | |
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Part 1 - Interpretation

1. Structure of Scheme Rules

These Scheme Rules are divided into parts as follows

Part 1 Interpretation

Part 2 Scheme Membership Offer

Part 3 Commencement of Cover and Closure of Accounts for Fund Periods

Part 4 Membership Contributions

Part 5 Loss Protection

Part 6 Claims Procedures and Scheme Membership

Part 7 Member Default and Cancellation of Membership

2. Purpose of Scheme Rules

These Scheme Rules Form one of the three principal constituent documents of the Scheme. The other two are:

- 2.1. The Trust Deed which constitutes the Scheme and sets out its purpose and intent as well as its underlying legal structure and controls.
- 2.2. The Product Disclosure Statement (PDS).

The purpose of these Scheme Rules is to set out the administrative mechanisms by which the Scheme is administered so as to put the purpose and intent of the Trust Deed into effect.

3. Definitions

All defined terms of these Scheme Rules are to be interpreted in accordance with the definitions in the Trust Deed.

Part 2 - Scheme Membership Offer

4. Offer of the Scheme Membership (The PDS)

An offer of membership of the Scheme may be made to any Potential Member.

5. Details of Offer

An offer of membership must include:

- 5.1. a disclosure that the Fund is not insurance or a contract of indemnity;
- 5.2. details of the Scheme Cover and Insurance Cover offered by the Scheme to the Potential Member;
- 5.3. a copy of these Scheme Rules; and
- 5.4. advice as to the contribution payable for the Fund Period of Scheme membership.

6. Acceptance of Offer

A Potential Member becomes a Member when:

- 6.1. the Potential Member pays the Membership Contributions; and
- 6.2. the Broker forwards the Membership Contribution to the Trustee.

This must be completed within 30 days of the date of the offer (or such longer period as is determined by the Trustee) failing which, unless otherwise determined by the Trustee, the offer of membership lapses

7. Subsequent Fund Periods

The Trustee must determine in respect of each Member and advise the Member and the Promoter (by means of a PDS or supplementary PDS):

- 7.1. whether that Member will be offered renewed membership of the Scheme for the next Fund Period; and

7.2. if so, the terms of cover and the Membership Contribution payable by that Member in respect of that Fund Period.

8. Manner of Renewal

A Member who wishes to accept an offer of renewed membership of the Scheme for the next Fund Period must pay the Membership Contribution for that Fund Period within 30 days of the offer. If not, unless otherwise determined by the Trustee, the offer of renewed membership lapses.

9. General Membership Obligations

9.1. By its acceptance of any offer of membership (or renewed membership) a Member agrees that, at all times while they remain a Member of the Scheme:

- 9.1.1. subject to rule 6.3, the Trust Deed and these Scheme Rules as amended from time to time constitute a contract between the Trustee and the Member;
- 9.1.2. they will be bound by the Trust Deed and Scheme Rules and perform the obligations of a Member under the same accordingly;
- 9.1.3. they will make available to the Scheme all information and data which either of them reasonably require in order to determine the claims and risk management experience of the Member for the purpose of assessing Membership Contributions;
- 9.1.4. the Scheme shall be permitted (but not obligated) to carry out a risk management audit or otherwise inspect the Member's property and operations at any time; and
- 9.1.5. the Scheme may examine and audit the Member's books and records at any time (but only so far as they relate to membership of the Scheme or risks covered by the Scheme).

9.2. For avoidance of doubt, the contract mentioned in clause 6.1.1 is a contract between a Member and the Trustee only and that contract does not create, as between any Member and any other Member or Potential Members, any joint rights or obligations or any mutual rights or duties.

9.3. To the extent, if any, to which a provision of these Scheme Rules or the Trust Deed provides or implies:

- 9.3.1. in any way contrary to rule 6.2; or
- 9.3.2. that the Trustee is constituted a joint or mutual agent for Members or any of them.

That provision is, to that extent, inoperative and does not form part of the legal relationship between a Member and the Trustee.

10. Scheme Does Not Warrant Scheme Levels

Each Member acknowledges that neither the Scheme's rights to make inspections nor the making thereof nor any report thereon constitutes an agreement or the assumption of an obligation, on behalf of or for the benefit of the Member or others, to determine or warrant that such property or operations are safe.

Part 3 - Commencement of cover and closure of accounts for Fund Periods

11. Fund Period

The Fund Period is specified in definition section of the PDS.

12. Subsequent Fund Periods

Subsequent Fund Periods are advised to Members in a PDS issued at each anniversary.

13. Commencement of Cover

In respect of any Fund Period, cover for any Claim under the Scheme cover commences:

- 13.1. upon payment of the Potential Member's contribution for that Fund Period; or
- 13.2. at the Trustee's absolute discretion, at the start of the Fund Period.

14. Closure of Accounts for Fund Period

The Trustee must determine when the accounts for a Fund Period will be closed and the final results for the Fund Period determined and declared.

No Member has any entitlement to be paid any amount from a surplus in a Fund Period and any surplus will be dealt with in accordance with the Trust Deed.

Part 4 – Membership Contributions

15. Relevant Factors in Determination

The Membership Contributions determined for any Member and/or Potential Member in respect of any Fund Period will be determined having regard to such matters as the Trustee considers relevant to the Member's and/or Potential Member's level of risk including, without limitation:

- 15.1. the location, nature and scale of the Member's and/or Potential Member's activities (including changes from time to time in those matters).
- 15.2. the Member's and/or Potential Member's Claims history (both during and prior to its membership of the Scheme);
- 15.3. any other matters relating to any aspect of the Member's and/or Potential Member's business which create increased or reduced risks of Claims; and
- 15.4. matters relevant to the Member's and/or Potential Member's risk management practices which are known to the Trustee.

16. Time for Payment

All Membership Contributions (including any additional contribution mentioned in Part 7 of the Scheme Rules (Member's Default and Cancellation of Membership)) must be paid within 30 days of the date of the offer to the Members and/or Potential Members.

17. Overdue Payments

Without affecting any other Rule, if the amount of any contribution (including any additional contribution mentioned in Part 7 of the Scheme Rules) is not paid by the due date:

- 17.1. interest thereon may, if the Trustee so determines, accrue at the Commonwealth Bank of Australia Corporate Loan Reference rate plus 2% from day to day and compounding monthly until the amount is paid; and
- 17.2. the amount (and interest) may be recovered against the Member by the Trustee on behalf of the Scheme as a debt payable by the defaulting Member.

Part 5 - Loss Protection

18. Coverage

The Trustee is obliged to consider all Claims referred, whether or not the event would be covered under the Insurance Cover. If the Trustee's discretion is applied in favour of the Claimant, the Trustee will pay for expenses claimed up to the Scheme Cover Any One Event Limit, subject at all times to the Scheme Cover Aggregate Limit. Any expenses claimed which are greater than the Scheme Cover Aggregate Limit will be referred to the insurer. Claims against the Insurer are subject to the Insurance Policy terms and conditions.

19. Change to Scope of Protection

- 19.1. The Trustee may from Fund Period to Fund Period alter, add to, reduce or otherwise vary the scope of protection under the Scheme Cover and Insurance Cover.
- 19.2. Where the Trustee makes a change mentioned in rule 16.1, it must include a copy of the supplementary PDS or details of the change with every offer of renewed membership for the Fund Period in which the change takes effect.

20. Recourse to Scheme Assets Only

For the payment of any Claim against the Scheme Cover or the performance of any obligation of the Scheme hereunder, resort may be had solely to the Fund and any other assets and property of the Scheme and no Claim may be made or enforced by a Member against:

- 20.1. JGS in any capacity other than as Trustee of the Scheme;
- 20.2. the Promoter; or

20.3. any other Member

21. Payment of Claims

The amount of any Claim settlement approved by the Trustee during a Fund Period in respect of Claims made during the Fund Period will be met, subject to the individual Member's deductible (and subject always to the discretion of the Trustee):

- 21.1. to the extent that the amount does not exceed the amount payable from Scheme Cover, from the Fund;
- 21.2. to the extent that the amount exceeds the amount of the Scheme Cover;
- 21.3. to the limit of the Scheme Cover, from the Fund;
- 21.4. thereafter from the Insurance Cover, to the extent of that cover;
- 21.5. to the extent that the amount exceeds the amount of the Scheme Cover and the Insurance Cover:
- 21.6. to the limit of the Scheme Cover, from the Fund;
- 21.7. to the limit of the Insurance Cover, to the extent of that cover; and
- 21.8. the balance by the Claimant.

22. Reimbursable Deductible

If the Fund pays any individual Member's deductible, the Member must reimburse the Fund within 14 days of written notice from the Scheme.

Without affecting anything in the Scheme Rules, if the amount of the individual Member's deductible is not paid within that time, interest accrues thereon and the amount is recoverable in accordance with Rule 14 as though the deductible were an overdue contribution.

Part 6 - Claims Procedures and Scheme Membership

23. To Make a Claim on the Scheme Cover

Refer to Section 1 of your PDS for details of How to Make a Claim.

When a Claimant calls, Echelon will,

1. Advise if a Claim form is required;
2. Provide instructions to proceed or appoint an assessor, if required;
3. Advise of any additional information requirements or instructions;
4. Refer the Claim to the Broker if it relates to any conventional insurance placements.

24. Notice of Claims

Notice in writing (by email, fax or post (refer to Section 1 of your PDS for details) must be given as soon as possible to the Trustee:

Important Notice - applicable to the Scheme Cover only - NOT the Insurance Cover. In order that Claims will not be prejudiced due to late notification, the Claimant must notify the Trustee of any potential Claim, within the time period specified in Section 1 of your PDS under How To Make A Claim, otherwise the Trustee will not be able to consider the Claim.

- 24.1. of any occurrence, circumstance, Claim, or inquest, or knowledge of any occurrence or circumstance which may subsequently give rise to a Claim covered by the Scheme Cover, irrespective of the amount of such Claim; and
- 24.2. of any change materially varying any of the facts or circumstances existing at the commencement of cover by the Scheme Cover that shall come to the knowledge of the Member.

Such notice shall be given by the entity whose knowledge shall be deemed to include the knowledge of any person whose knowledge would in law be that of the Member.

25. Information to be Provided

A Member must provide to the Trustee and/or its representatives or other agent appointed by the Trustee with respect to a Claim or potential Claim all information requested by such party in the manner and format requested by such party.

26. Corporations Act/Privacy Act Notice

Due to the provisions of the Corporations Act (Cth) 2001 and/ or the Privacy Act (Cth) 1988, the Trustee has included a statement within the Acceptance Form whereby the Member acknowledges the Trustee's practice of declaring detailed Claims data of all the current Members of the Fund in its regular financial reports issued to all Members.

27. Grant or Refusal of Indemnity

The Trustee and/or its representatives must advise the Claimant as soon as practicable after receipt of a Claim as to whether the Trustee will accept the Claim.

28. Claim May be Refused

Without limiting the discretion of the Trustee, it will not cover the Claimant against any Claim (and may withdraw cover previously granted) where:

- 28.1. the Member has:
 - 28.1.1. breached or failed to comply with any condition or obligation in these Scheme Rules; or
 - 28.1.2. committed any other act or made any other omission which entitles the Trustee to cancel the membership of the Member under rule 36; and
- 28.2. the Scheme is prejudiced by that failure, act or omission.

29. Subrogation

The Member agrees that in the event of payment of any Claim by the Scheme Cover, the Scheme will be subrogated to the extent of such payment to all the rights of the Member against any person or other entity legally responsible for the Claim, and in such event, the Member must render to the Trustee or other agent appointed by the Trustee, all assistance, other than pecuniary, as is reasonably necessary to effect recovery.

30. Settlement of Claims

- 30.1. The Member must promptly take at its own expense all reasonable steps to prevent other Claims from arising out of the same or similar conditions which have given rise to a Claim, but such expense shall not be recoverable from the Scheme.
- 30.2. The Member must use its best endeavours to preserve any damaged or defective property which might prove necessary or useful by way of evidence in connection with any Claim and, except where some other course is required by rule 27.1 but only so far as may be reasonably practicable, the Member must not make an alteration or repair to any premises, machinery, fittings, appliances or plant without the consent of the Trustee and/or his representatives until the Trustee has had an opportunity of inspection.

The Trustee has full discretion in the conduct of any proceedings in connection with any Claim.

31. Members Litigation Responsibilities

In connection with any litigation conducted by the Trustee in the name of the Member, or any action taken by the Trustee in exercise of the Scheme's rights of subrogation:

- 31.1. if a personal appearance by a director, partner, employee, officer or agent of the Member is necessary at any conference, in any Court or elsewhere, the expense of such appearance must be paid by the Member; and
- 31.2. the Member must fully co-operate by supplying any information and assistance requested by the Trustee or an agent appointed by the Trustee with respect to the litigation or Claim.

32. Relinquish Control

The Trustee may at any time pay to the Claimant an amount not exceeding the Scheme Cover Any One Event and/or the Scheme Cover Aggregate Limit and shall then be under no further liability in connection with such Claim. A Claimant may lodge more than one Claim arising from any one event or cause. A

Claimant is entitled to submit invoices or receipts in respect of the Claim at any stage within the claim notification period (stated within Section 1 of the PDS) following expiry of the Fund Period and the Trustee shall consider the Claim provided that the total amount of such receipts or invoices does not exceed the Scheme Cover Any One Event and/or the Scheme Cover Aggregate Limit.

33. Reasonable Care

A Member must as far as reasonably practicable:

- 33.1. exercise reasonable care that only competent employees are employed and take reasonable measures to maintain all premises, fittings and plant in safe and sound condition; and
- 33.2. take all reasonable precautions to:
 - 33.2.1. prevent economic or financial loss, from occurring in the course of carrying on a Member's business; and
 - 33.2.2. comply and ensure that its employees, servants and agents comply with all statutory obligations, by laws or regulations imposed by any public authority for the safety of persons or property.

34. Contribution

When a loss paid under the Schedule is also recoverable under an insurance policy and the Scheme has paid more than its rateable share, the Scheme reserves its rights to seek contribution from the other party or insurer.

Part 7 – Member's default and cancellation of membership

35. Withdrawal

A Member may withdraw from membership of the Scheme at any time by giving 30 days' notice in writing to the Trustee.

36. Effect of Withdrawal

Unless otherwise determined by the Trustee, withdrawal by a Member does not:

- 36.1. entitle the Member to a refund of contributions (in full or in part) in respect of the unexpired part of the Fund Period;
- 36.2. vary or waive the obligations of the continuing Member to comply with the provisions of the Scheme Rules; or
- 36.3. affect the withdrawing Member's current or subsequent obligation to make further Membership Contributions for any Fund Period whilst the Member was a Member of the Scheme.

37. Notice to Show Cause why Membership Should Not be Cancelled

In the event that any Member (in these Scheme Rules referred to as "the defaulting Member"):

- 37.1. fails to comply with the reasonable directions of the Trustee as to the conduct of its operations so as to minimise risks;
- 37.2. fails to:
 - 37.2.1. make available to the Trustee all information and data which it reasonably requires in order to assess Membership Contributions;
 - 37.2.2. permit the Trustee to carry out a risk management audit or otherwise inspect the Member's property and operations; or
 - 37.2.3. permit the Trustee to examine and audit the Member's books and records (but only so far as they relate to membership of the Scheme or risks covered by the Scheme Cover);
- 37.3. fails to pay Membership Contributions due to the Scheme within 30 days of the offer; or
- 37.4. commits any other breach of the Scheme Rules which is not remedied within the time specified in a notice to the Member in that regard, the Trustee may by notice in writing to the defaulting Member require that Member to show cause within 14 days why its membership of the Scheme should not be cancelled.

38. Cancellation of Membership

The Trustee, after consulting with The Promoter, may cancel the membership of any Member by giving the Member written notice to that effect, where the Member:

- 38.1. fails to comply with the duty to the Trustee at clause 6.1.3,
- 38.2. has made a misrepresentation to the Scheme during negotiations for and before the commencement date of its membership (or subsequent renewal);
- 38.3. had made a fraudulent Claim to the Scheme or under any concurrent policy of insurance; or
- 38.4. fails to show sufficient cause to the contrary in response to a notice under rule 34.

39. Effective Date of Cancellation

A notice of cancellation takes effect at:

- 39.1. the time when a Policy of Insurance between the Member and an insurer, being a Policy of Insurance that is intended by the Member to replace its cover under the Scheme, is entered into; or
- 39.2. 4pm on the 30th business day after the day on which notice was given to the Member (or such later time as is specified in the notice) whichever first occurs.

40. Effect of Cancellation

Upon a notice of cancellation taking effect:

- 40.1. from that date the defaulting Member shall have no right to Claim against the Scheme Cover; and
- 40.2. such cancellation nevertheless does not otherwise affect entitlement to cover for any Claim already covered by the Trustee nor vary or waive the obligations of the defaulting Member to comply with the provisions of the Scheme Rules in respect of any Fund Period during which the defaulting Member was a Member of the Scheme.

41. Additional Membership Contribution to Cover Cost of Default

In the event that a Member is in default in payment of a Membership contribution or in any other way whereby the Fund suffers any financial loss or incurs additional expense the Trustee may as an alternative to cancellation require the defaulting Member to pay to the Fund an additional contribution in an amount to be determined by the Trustee to reimburse the Fund for the loss or additional expense.

42. Additional Membership Contribution for Additional Risks

In the event that a Member fails to comply with a direction of the Trustee and, in doing so, in the opinion of the Trustee exposes the Scheme to an increased, additional or readily avoidable risk, the Trustee may as an alternative to cancellation:

- 42.1. require the Member to pay an additional contribution to cover that risk;
- 42.2. exclude that risk from the Scheme Cover and the Insurance Cover applicable to that Member or Members associated with that Member; or
- 42.3. otherwise limit the exposure of the Scheme and the Insurer to such risk.

43. Set off Against Monies Due to a Member

In the event that the Member is otherwise entitled to a refund of Membership Contributions made to the Fund, any amount due to a defaulting Member will be set off against:

- 43.1. any Membership Contributions or other monies due but unpaid by the defaulting Member to the Scheme; and
- 43.2. any loss or expense incurred by the Scheme by through or in connection with the default by that defaulting Member or Members associated with that Member.

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