



CAPRICORN
MUTUAL

RULES OF CAPRICORN MUTUAL LIMITED

These Rules are dated 16 June 2011 issued by:

Capricorn Mutual Limited

ABN 24 104 601 194

AFS Licensee No 230038

34 Welshpool Rd Welshpool WA 6106

Postal: PO Box 656 Welshpool DC WA 6896

Email: info@capricornmutual.com

Australia: 1800 007 022

New Zealand: 0800 555 303



RULES OF CAPRICORN MUTUAL LIMITED

TABLE OF CONTENTS

PART I INTRODUCTION	4
RULE 1 DEFINITIONS AND INTERPRETATIONS.....	4
RULE 2 CONSTITUTION	5
PART II ENTRY	6
RULE 3 MEMBERSHIP.....	6
RULE 4 ENTRY	6
PART III PROTECTIONS	7
RULE 5 DISCRETIONARY NATURE OF PROTECTIONS	7
RULE 6 PROTECTION OFFERED.....	8
RULE 7 PERIOD OF PROTECTION	9
RULE 8 APPLICATION OF CONTRIBUTIONS.....	10
RULE 9 CONTRIBUTIONS.....	11
RULE 10 SUMS DUE TO MUTUAL	12
RULE 11 RELEASE	12
RULE 12 RECOVERY OF CONTRIBUTIONS	13
PART IV EXCLUSIONS, LIMITATIONS AND WARRANTIES	13
RULE 13 RISKS SPECIFICALLY EXCLUDED.....	13
RULE 14 LIMITS OF DISCRETIONARY PROTECTION.....	13
PART V CLAIMS	13
RULE 15 OBLIGATIONS OF MEMBERS IN RESPECT OF CLAIMS.....	13
RULE 16 POWERS OF MUTUAL RELATING TO THE HANDLING AND SETTLEMENT OF CLAIMS.....	14
RULE 17 POWERS OF THE BOARD RELATING TO RECOVERIES FROM MUTUAL	14
PART VI CESSATION OF PROTECTION	15
RULE 18 CESSATION OF PROTECTION	15
RULE 19 EFFECT OF CESSATION OF PROTECTION.....	16
RULE 20 CONTRIBUTIONS DUE ON CESSATION OF PROTECTION	16
RULE 21 REINSTATEMENT OF PROTECTION	17
PART VII OPERATION OF MUTUAL	17
RULE 22 CLOSING OF FINANCIAL YEAR.....	17
RULE 23 INSURANCE ARRANGED ON MEMBERS' BEHALF.....	18
RULE 24 RESERVES	18
RULE 25 INVESTMENT	18
PART VIII GENERAL TERMS AND CONDITIONS	19
RULE 26 DELAY AND WAIVER	19
RULE 27 ASSIGNMENT	19
RULE 28 DELEGATION OF POWERS.....	20
RULE 29 DISPUTES.....	20
RULE 30 NOTICES	21
RULE 31 GOVERNING LAW.....	21

RULES OF CAPRICORN MUTUAL LIMITED

PART I INTRODUCTION

RULE 1 DEFINITIONS AND INTERPRETATIONS

Definitions 1(1)

In these Rules the following words and expressions have the following meanings:

“Board”	means the Board of Directors of Mutual.
“Capricorn Society”	means Capricorn Society Limited (ACN 008 347 313).
“Certificate of Membership”	means a document which evidences a Member’s membership of Mutual.
“Claim”	means a notice, demand, action, proceeding, litigation, damage, loss, cost, expense or liability incurred by a Member and/or Member’s Representative.
“Closed Financial Year”	means a Financial Year of Mutual, which the Board shall have declared to be closed in accordance with Rule 22.
“Contribution”	means any monies payable to Mutual by a Member pursuant to Rule 9.
“Entry”	means the admission of a Member to Mutual.
“Financial Year”	means 1st July in one year to 30th June of the following year, or as determined by the Board of Mutual from time to time.
“Managers”	means the managers appointed by the Board, currently Capricorn Mutual Management Pty Ltd (ACN 129 143 479).
“Member”	means a person, corporation, organisation or entity that has been admitted to membership of Mutual in accordance with the Constitution.
“Member’s Representative”	means the individual(s), corporation, organisation and/or entity nominated by a Member and accepted by Mutual to exercise the privileges of a Member on the Member’s behalf in relation to Protections offered by Mutual.
“Membership Year”	means the period of twelve months shown on the Certificate of Membership issued to a Member during which time the Member is eligible to apply for Protection.
“Mutual”	means Capricorn Mutual Limited (ACN 104 601 194).
“Period of Protection”	means in respect of each Member and/or Member’s Representative, the period defined in Rule 7 and, if issued, as stated in the Schedule of Protection of that Member and/or Member’s Representative, during which time the Member and/or Member’s Representative has the specified Protection from Mutual.

RULES OF CAPRICORN MUTUAL LIMITED

“Product Disclosure Statement”	means a product disclosure statement issued by Mutual in accordance with the requirements of Chapter 7 of the Corporations Act 2001 (Cth).
“Protection”	means the membership benefits for personal and business risks which are offered to Members and/or Member’s Representatives by Mutual on a discretionary basis and which if accepted by Mutual in accordance with Rule 5(3), are set out in the Schedule of Protection.
“the Rules”	means these Rules as amended from time to time.
“Schedule of Protection”	means a statement (including any addendum or replacement to it) issued by Mutual in its discretion in accordance with Rule 5 which evidences the scope and extent of the discretionary Protections granted to a Member and/or Member’s Representative.
“Subscription”	means the amount payable by a Member to join Mutual pursuant to Rule 4.

Interpretation 1(2)

- (a) Any capitalised words in these Rules not defined will have the meaning defined in the Constitution.
- (b) The expression “writing” will include printing, typewriting, lithography, email, facsimile and any other mode or modes of representing or reproducing works in a visible form.
- (c) The expression “cease” or “cessation” will mean “discontinue” or “come to an end” or “discontinuance”, “termination” or “ending” respectively.
- (d) The expression “delay” will mean “a refraining from something” and “waiver” will mean “the giving up of rights and/or interest, whether intentionally or not”.
- (e) The expression “discretion” will mean “a power or right of making a decision or of acting according to choice”.
- (f) The expression “protected risk” will mean “a right to have a claim considered by the Board for compensation for damage or loss suffered”.
- (g) The expression “without prejudice” will mean “without damaging, giving up, affecting a legal right or interest”.
- (h) Words importing persons shall include individuals, partnerships, corporations and mutuals.
- (i) The singular includes the plural and vice versa, and a gender includes other genders.
- (j) Subject to any delegations permitted under the Constitution and these Rules, any reference to the discretion of the Board and to any action to be taken as the Board thinks fit will be construed as a discretion to be exercised and action to be taken in the sole and absolute discretion of the Board.

RULE 2 CONSTITUTION

These Rules are to be read in conjunction with the Constitution and, if one is issued, the Schedule of Protection. The Rules can be changed in accordance with the Constitution. In the event of any inconsistency between the Constitution and these Rules, the Constitution prevails.

RULES OF CAPRICORN MUTUAL LIMITED

PART II ENTRY AND CONTRIBUTIONS

RULE 3 MEMBERSHIP

Terms and conditions applicable to being accepted as a Member are as follows:

Date of Membership 3(1)

The Certificate of Membership shall indicate the date on which the Member's membership of Mutual commenced. The commencement date will be the date agreed by the Member and Mutual.

Acceptance 3(2)

Subject to the Constitution, acceptance of any person or entity or the refusal of membership to any person or entity is in the Board's absolute discretion.

Payment 3(3)

Membership of Mutual is only valid when a Member has been accepted as a Member of Mutual and the Member has paid the Subscription in full or made arrangements to pay the Subscription in full which have been agreed in writing to the satisfaction of Mutual.

RULE 4 ENTRY

Warranty 4(1)

All particulars and information given in the course of applying for membership of Mutual and the terms on which membership is granted is deemed to form part of the terms of Entry between a Member and Mutual. It is a condition precedent to Entry that all required particulars and other information are true, correct and complete to the best of the Member's knowledge or would, with reasonable diligence, have been ascertained by that Member.

Certificate of Membership 4(2)

Mutual will issue a Certificate of Membership to each Member admitted to membership of Mutual. The Certificate of Membership will state:

- (a) the name of the Member and any Member's Representative nominated by that Member;
- (b) the period of membership;
- (c) the membership number;
- (d) the amount payable for the Subscription; and
- (e) any other matter or information considered appropriate by Mutual.

The Member's Certificate of Membership is conclusive evidence of the terms and conditions of Entry between the Member and Mutual.

Withdrawal of Entry 4(3)

A Member may not withdraw from membership of the Mutual at any time or in any manner except:

- (a) in accordance with the provisions of the Rules; or
- (b) with the consent of the Mutual.

RULES OF CAPRICORN MUTUAL LIMITED

PART III PROTECTIONS

RULE 5 DISCRETIONARY NATURE OF PROTECTIONS

Subject to the Constitution and the law, the Board has the ultimate discretion to grant or refuse a Member's and/or Member's Representative Claim for Protection in whole or in part.

Protections 5(1)

The Protections grant a Member and/or Member's Representative the right to request the Board to consider the Member's Claim for the Protection that is recorded on the Member's Schedule of Protection. Any decision of the Board to accept a Member's Claim for Protection is at the sole and absolute discretion of the Board. Any reference in these Rules or in any Schedule of Protection issued in accordance with these Rules to "protected risks" or to "protection", or any such similar expression must be read accordingly. It is a condition precedent to the granting of any Protection that all required particulars and other information that Mutual may reasonably require or that may be likely to be material to Mutual's decision to grant Protection is disclosed to Mutual and that the particulars and other information are true, correct and complete to the best of the Member's knowledge or would, with reasonable diligence, have been ascertained by that Member.

Payment 5(2)

A Member and/or Member's Representative is only eligible to make a Claim for Protection if the Contributions due for the Protection has been paid in full at the time the Claim first arises.

Schedule of Protection 5(3)

On receiving an application for Protection from a Member and/or Member's Representative, the Mutual may, in its absolute discretion, issue a Schedule of Protection which (subject to any special terms and conditions upon which the Protection is issued to the Member and/or Member's Representative) must state:

- (a) the name of the Member and/or the Member's Representative;
- (b) the Protections the Member and/or the Member's Representative is granted by Mutual and the terms and conditions that apply to those Protections;
- (c) the period of Protection granted to the Member and/or Member's Representative by Mutual;
- (d) any limitations to the Protections granted;
- (e) any excesses or deductibles applicable to the Protections;
- (f) the Contributions payable for the Protections and any special terms or conditions upon which those Contributions are to be received by Mutual; and
- (g) any other matter or information deemed appropriate by Mutual.

Variation subject to Rules 5(4)

The terms and conditions relating to the nature and extent of any Protections granted to a Member and/or the Member's Representative and the Contributions payable by the Member and/or the Member's Representative must be in accordance with the Constitution, the Rules, the Schedule of Protection and the Product Disclosure Statement. Any variation to the terms and conditions set out in the Product Disclosure Statement must appear on the Schedule of Protection.

RULES OF CAPRICORN MUTUAL LIMITED

Variation of Protection 5(5)

A Member and/or Member's Representative and Mutual may, by agreement in writing, vary the terms and conditions of the Protections. Upon such agreement, Mutual shall as soon as reasonably practicable issue a new Schedule of Protection stating the revised terms and conditions. If a Schedule of Protection has already been issued, the Member and/or the Member's Representative may be issued with an endorsement to the Schedule of Protection stating the variation and the date from which the variation will take effect.

Confirmation 5(6)

The Member's and/or Member's Representative Schedule of Protection is conclusive evidence of the terms and conditions of Protections between the Member and/or the Member's Representative and Mutual.

RULE 6 PROTECTION OFFERED

In accordance with these Rules and the Constitution, a Member and/or Member's Representative may seek Protection from Mutual in respect of any or all of the following risks:

Business

- (a) Business buildings;
- (b) Business contents;
- (c) Glass;
- (d) General property;
- (e) Burglary/theft;
- (f) Engineering;
- (g) Business interruption;
- (h) General Public and Products Liability;
- (i) Money;
- (j) Personal accident and illness;
- (k) Professional protection;
- (l) Motor vehicles (stock, business and customers);
- (m) Tax audit expenses; and
- (n) Legal expenses.

Personal

- (a) Home building;
- (b) Home contents; and
- (c) Private motor vehicles; and
- (d) Caravans.

Other

- (a) Such other Claims that the Board may determine from time to time; or

RULES OF CAPRICORN MUTUAL LIMITED

(b) Such other Claims incidental to the operation of a Capricorn Society member that the Board, in its sole discretion, may determine notwithstanding that such risks may be excluded by these Rules.

PROVIDED ALWAYS THAT in relation to the risks set out above no Claim shall be recoverable unless it is stated on the Schedule of Protection and has been incurred with the prior agreement of Mutual who will subsequently determine whether such Claim was reasonably incurred.

RULE 7 PERIOD OF PROTECTION

The period of time during which the Protections are in place is as follows:

Period of Protection 7(1)

The period of Protection will begin on the date and at the time stated in the issued Schedule of Protection. If a Member and/or Member's Representative notifies Mutual of a change to their personal or business circumstances, the Member and/or Member's Representative may be issued with an endorsement to the existing Schedule of Protection in accordance with Rule 5(4) or a new Schedule of Protection stating the date and start time for the new Schedule of Protection and the date and finish time on which the new Schedule of Protection expires.

If a new Schedule of Protection is issued, all Contributions paid or payable by a Member and/or Member's Representative during the Period of Protection stated on the Schedule of Protection will be accounted for in the books of account of Mutual as belonging to the Financial Year during which each period of Protection is deemed to commence in accordance with the provisions of this Rule.

New period of Protection 7(2)

Before the period of Protection stated in the Schedule of Protection expires, Mutual will give the Member and/or the Member's Representative a written notification of the basis on which it will consider applications for renewal of the Protection and the Contribution payable by the Member and/or the Member's Representative for that Protection to be extended.

The terms and conditions on which the renewed Protection is provided by Mutual will be set out in the Product Disclosure Statement and in the Schedule of Protection. In the event that the terms and conditions have changed the Member and/or Member's Representative will be provided with a new Product Disclosure Statement for consideration before the expiry of the existing period of Protection.

If a Member and/or the Member's Representative wishes to renew the Protection for a new period of Protection, the Member and/or the Member's Representative must apply to Mutual on or before the expiry date stated in the Schedule of Protection.

If Protection is granted to the Member and/or the Member's Representative by Mutual for the new period of Protection, the new period of Protection will start immediately on the expiry of the existing Protection and in accordance with the information and requests contained in the renewal quotation. Protection will be provided on the same terms and conditions set out in the Product Disclosure Statement and the new Schedule of Protection, unless:

- (a) the Member and/or the Member's Representative requests different Protections; and/or
- (b) the Member and/or the Member's Representative requests different terms and conditions, prior to the expiry of the existing Protections and Mutual agrees to such a request.

RULES OF CAPRICORN MUTUAL LIMITED

Cancellation of Protection by Mutual 7(3)

Mutual may at its discretion give notice in writing to a Member and/or the Member's Representative before the end of the period of Protection stated on the Schedule of Benefits that the Mutual will cease to offer a Protection to the Member and/or the Member's Representative. In this event the Protection will cease at the date and time shown on the Schedule of Protection.

Cancellation of Protection by a Member 7(4)

A Member and/or Member's Representative may not cancel a Protection during a period of Protection without the consent of Mutual and only on any terms and conditions that Mutual in its absolute discretion thinks fit.

RULE 8 APPLICATION OF CONTRIBUTIONS

Contributions to the Funds are to be made by the Member and are used in the manner set out below.

Use of Contributions

Use 8(1)

Each Member shall contribute by way of Contributions to the funds required to meet:

- (a) The claims and other expenses or outgoings (whether incurred, accrued or anticipated) which at the discretion of the Board properly fall upon the Mutual in respect of a Financial Year;
- (b) Such costs or expenses as the Board thinks fit which are incurred by the Mutual in entering into or arranging insurance contracts or reinsurance contracts in respect of the Protections provided to Members under these Rules and any Schedule of Protection issued under Rule 6(2) and/or insurance of the Mutual occurring in respect of any Financial Year; and
- (c) Such transfers to reserves, provisions or escrow accounts as the Board may deem it expedient to make, including transfers to reserves and provisions in respect of any deficiency which has occurred or which may be thought likely to occur in respect of any Financial Year.

Source 8(2)

Such Contributions shall be levied by means of Advance Contributions and Supplementary Contributions as defined in and governed by the provisions of Rule 9.

RULE 9 CONTRIBUTIONS

Mutual will determine the amount of the Contributions as follows:

Contributions 9(1)

A Member and/or Member's Representative Schedule of Protection will set out the Contribution for the Protection which Mutual will determine in its sole and absolute discretion. The Contribution may be reviewed and amended in accordance with the provisions of these Rules.

Additional Contributions 9(2)

The Board assesses its risk exposures each year and uses actuarial modelling to calculate the level of Contributions levied for Protections and closely monitors the model's predictions. The Board will use its best endeavours to ensure that it has adequate financial resources to discharge future liabilities, or make future payments for Protections but circumstances that are not reasonably foreseeable can significantly adversely impact on these models.

RULES OF CAPRICORN MUTUAL LIMITED

As a result, the Board may at any time during or after the end of each Financial Year (but not after the Board has determined the year to be a Closed Financial Year) make a call on Members for an additional contribution (the "Additional Contribution") in accordance with this Rule, only if the financial circumstances of Mutual, in the reasonable opinion of the Board, require additional funds to ensure the financial security or viability of Mutual. Any call for an Additional Contribution to be paid by a Member for any Financial Year will be calculated at the discretion of the Mutual. All Additional Contributions will be calculated on a pro rata basis based on the Contributions paid for Protections by the Member (less any return of Contributions) in the relevant Financial Year. The maximum amount payable by a Member in Additional Contributions for any Financial Year is limited to a maximum of 5% of the Contribution paid by the Member for the Protection in the relevant Financial Year ("Maximum Call").

Board's Discretion 9(3)

The Board can make a call in respect of any Financial Year that is not a Closed Financial Year.

RULE 10 SUMS DUE TO MUTUAL

The terms and conditions applicable to the payment of Contributions are as follows:

Time of Payment 10(1)

Contributions and/or Additional Contributions must be paid in such instalments and on such dates as the Board may specify.

Notification 10(2)

As soon as reasonably practicable after the determination of Contributions and/or Additional Contribution has been fixed, Mutual shall notify each Member and/or Member's Representative of:

- (a) the revised amount owed;
- (b) the date on which the Contribution is to be paid (or if the Mutual determines it can be paid by instalments, the amounts of such instalments and the respective dates on which they are payable);
and
- (c) the total amount payable by the Member and/or Member's Representative.

Set-off 10(3)

A Member shall not be entitled to set off the whole or any part of any amounts payable by Mutual to the Member or Member's Representative (whether under Protections or otherwise) against any Contributions or other sums of whatsoever nature due to Mutual.

Penalty for late payment 10(4)

Without prejudice to the rights of Mutual under Rule 20, if any amount payable for Contributions, or any other payment due from a Member and/or Member's Representative is not paid when it is due, Mutual may demand the Member and/or Member's Representative to pay interest on any amount not paid. Interest will be calculated at a rate determined by the Board and will be calculated from the date immediately following the Member and/or Member's Representative payment due date.

Effect of non-payment 10(5)

If any Contribution or other payment due from a Member and/or Member's Representative to Mutual is not paid by its due date and the Board determines that payment cannot be recovered, the sums required to made good any resulting shortfall or deficiency in the funds of Mutual shall be deemed to be expenses of Mutual for the purposes of applying Contributions under Rule 8.

RULES OF CAPRICORN MUTUAL LIMITED

RULE 11 RELEASE

Liability for Contribution 11(1)

If a Member's Certificate of Membership has expired and the Member and/or Member's Representative no longer holds any Protections, the Member may request that Mutual release the Member from any further liability for any Additional Contributions. Mutual may grant the Member's request on terms and conditions that the Board in its sole discretion determines.

No right to excess Contributions 11(2)

If a Member is released from any further liability under Rule 11(1), that Member will have no further liability to contribute in any way to Mutual nor shall that Member have any right to share in any return of Contributions.

RULE 12 RECOVERY OF CONTRIBUTIONS

Mutual may in its own name seek recovery of any monies payable by a Member and/or Member's Representative.

All monies from time to time due and payable by a Member and/or Member's Representative to Mutual may be recovered by action commenced in the name of Mutual.

RULES OF CAPRICORN MUTUAL LIMITED

PART IV EXCLUSIONS, LIMITATIONS AND WARRANTIES

RULE 13 RISKS SPECIFICALLY EXCLUDED

Except as otherwise provided in these Rules, there shall be no recovery from Mutual in respect of any Claim excluded in Protections set out in the Product Disclosure Statement or in the Schedule of Protection or any endorsement to the Schedule of Protection issued to a Member and/or Member's Representative.

In addition to the specific exclusions set out in the Protections in the Product Disclosure Statement the following risks are specifically excluded:

- (a) **Other ventures** - Activities carried out by a Member other than in the name of the Member unless previously disclosed and agreed in writing by Mutual; and
- (b) **Pre-existing circumstances** - Any circumstances not notified to Mutual before the start of a Protection which the Member and/or the Member's Representative knew or ought reasonably to have known might give rise to a Claim arising from the Protections provided under these Rules and, if issued, any Schedule of Protection.

RULE 14 LIMITS OF DISCRETIONARY PROTECTION

The Protections granted to a Member and/or Member's Representative is limited to the amount stated in the Schedule of Protection issued for the relevant Protection under Rule 5(3). The excess or deductible payable by a Member and/or Member's Representative for a Protection will be the amount stated in any Schedule of Protection issued under Rule 5(3).

RULES OF CAPRICORN MUTUAL LIMITED

PART V CLAIMS

RULE 15 OBLIGATIONS OF MEMBERS IN RESPECT OF CLAIMS

Claims 15(1)

A Member and/or Member's Representatives right to have a Claim for a protected loss considered is subject to the Member and/or Member's Representative notifying Mutual of any Claim or intention to make a Claim. A Member and/or Member's Representative must give Mutual notice of any Claim made against the Member and/or Member's Representatives (including the receipt of notice of intention to make a Claim) and notify Mutual of any protected losses or potential protected losses incurred or suffered by the Member and/or Member's Representatives which may fall within these Rules.

Circumstances 15(2)

Every Member and/or Member's Representative is required to give prompt notice to Mutual of any circumstances which may reasonably be expected to give rise to a Claim under these Rules and shall provide Mutual, as soon as reasonably practicable, with all documents or information requested by Mutual in this regard. Mutual may reject a notice provided by a Member and/or Member's Representative if the circumstances notified may not reasonably be expected to give rise to a Claim.

Mitigation of Loss 15(3)

When circumstances arise which may give rise to a Claim under these Rules, a Member and/or Member's Representative must take all reasonable steps at the time to mitigate the Claim. A Member and/or Member's Representative is required to take any action reasonably requested of them by Mutual to mitigate the Claim.

Information 15(4)

Every Member and/or Member's Representative must at all times promptly notify Mutual of any information, documents or reports in the Member's and/or Member's Representative possession or knowledge relevant to any Claim or circumstances referred to under Rule 15(1) and 15(2). Further, the Member and/or Member's Representative shall, whenever so requested, give Mutual (or its nominated representatives) free access to such information, documents or reports with liberty to inspect and copy the same.

RULE 16 POWERS OF MUTUAL RELATING TO THE HANDLING AND SETTLEMENT OF CLAIMS

Mutual has the right to control or direct the conduct of any Claim in respect of which the Member and/or Member's Representative may be granted Protection under these Rules and any Schedule of Protection. Mutual may require the Member and/or Member's Representative to settle, compromise or otherwise dispose of such Claim in such manner and upon such terms as Mutual, in its sole and absolute discretion sees fit.

RULES OF CAPRICORN MUTUAL LIMITED

RULE 17 POWERS OF THE BOARD RELATING TO RECOVERIES FROM MUTUAL

Board meetings 17(1)

The Board will meet to consider Claims for Protection as and when it deems appropriate. The Board may at its discretion decide to authorise payment of Claims considered by it in accordance with the Constitutions and these Rules. The Board may from time to time authorise the Managers or other authorised representatives to effect payment of Claims within the terms of any delegations issued by the Board or under the Constitution. In such circumstances a decision made under delegated authority of the Manager will be deemed to be the decision of the Board. No director of Mutual may participate in or be present at a meeting of the Board or relevant Board committee while it is considering any Claim in which that director has a material interest.

Claims 17(2)

The Board may authorise a payment from Mutual's funds to any Member and/or Member's Representative (or former Member and/or Member's Representative) as whole or part payment of a Claim for Protection where the Protection is recorded on the Member's and/or Member's Representative or (former Member and/or Member's Representative) Schedule of Protection. The Board may determine the extent or limit of any payment for a Claim for Protection and advise the Member and/or Member's Representative (or former Member and/or Member's Representative) in writing of its decision without having to provide any reason for its determination. In every case a Claim for Protection may be granted or withheld by the Board in its sole and absolute discretion.

Rejection of Claims 17(3)

Without prejudice to any other provisions of these Rules, the Board may reject a Claim or accept a Claim but reduce the sum payable by Mutual in respect of the Claim if:

- (a) in the opinion of the Board, the Member and/or Member's Representative making the Claim has not taken reasonable steps to mitigate the Claim; or
- (b) the Claim has been settled, or any liability has been admitted, by or on behalf of the Member and/or Member's Representative without the prior consent in writing of Mutual and there has, in the sole opinion of the Board been prejudice to it by such action; or
- (c) the Member and/or Member's Representative has failed to comply with any of the Member's obligations under these Rules, the Constitution or a directive made at any time by Mutual or the Managers in connection with the handling or settlement of the Claim.

Interest 17(4)

In no circumstances will a Member and/or Member's Representative be entitled to be paid interest on any Claim for Protection made against Mutual.

RULES OF CAPRICORN MUTUAL LIMITED

PART VI CESSATION OF PROTECTION

RULE 18 CESSATION OF PROTECTION

Subject to Rule 19, Member and/or Member's Representative right to have a Claim for Protection considered and accepted by Mutual will immediately expire if:

- (a) a Member and/or Member's Representative fails to pay any sum of money due to Mutual after Mutual has served the Member and/or Member's Representative with a notice requiring payment of the money by a specified date and the Member and/or Member's Representative fails to pay in full the amount on or before the date specified in such notice; or
- (b) the period of Protection of the Member and/or Member's Representative has expired in accordance with Rule 12; or
- (c) where the Member is not an individual, if:
 - (i) the Member commits an act of insolvency;
 - (ii) a liquidator is appointed in connection with the winding up of the Member; or
 - (iii) an order is made by a court for the winding up or deregistration of the Member.
- (d) where the Member is an individual, if the Member:
 - (i) is declared bankrupt or insolvent or commits an act of bankruptcy;
 - (ii) dies; or
 - (iii) becomes mentally incapacitated or whose person or estate is liable to be dealt with in any way under the laws relating to mental health.

RULE 19 EFFECT OF CESSATION OF PROTECTION

For failure to pay 19(1)

If a Member and/or Members Representatives right to have a Claim for Protection considered has ceased by virtue of Rule 18(a), Mutual shall not be liable to consider any Claim made by the Member and/or Member's Representative irrespective of whether or not the notification of the Claim or circumstances giving rise to such Claim was given before or after the cessation of Protection. .

For any other Reasons 19(2)

If the Member and/or Members Representatives right to have a Claim for Protection considered has expired for any other reason other than by virtue of Rule 18(a), the Board will continue to give consideration to a Claim for Protection made by the Member and/or Members Representatives under these Rules if the Claim for Protection is made before the date on which the Protection expires.

RULE 20 CONTRIBUTIONS DUE ON CESSATION OF PROTECTION

A Member's obligation to make Contributions when a Member's right of Protection has expired will be as follows:

Contribution on cessation 20(1)

RULES OF CAPRICORN MUTUAL LIMITED

Except in the case of a Member released from liability under Rule 11, a Member whose membership of Mutual has ended for any reason will remain liable to pay to Mutual all Contributions and Additional Contributions for the Financial Year in which the Protection expires. The Member and/or Member Representative will remain liable for Contributions and Additional Contributions for any previous Financial Years which have not been closed in accordance with Rule 22 at the date the Protection expires and which, under Rule 9, such Member would have been liable to pay had the membership not ceased.

PROVIDED ALWAYS THAT a Member and/or Member's Representative will be liable for Contributions for the Financial Year pro rated only for the period beginning with the date of Protection and ending with the happening of the event that caused the cessation of Protection if:

- (a) such cessation arises by virtue of Rule 18(a), in which case the Member and/or Member's Representatives liability to pay Contributions shall include the sum specified in the notice given under Rule 19(a); or
- (a) such cessation arises upon the happening of any of the events specified under Rule 19(b) - (d).

RULE 21 REINSTATEMENT OF PROTECTION

If a Member and/or Member's Representative right to Claim for Protection has ceased by virtue of Rule 18(a), then, in the event that the Member and/or Member's Representative offers unconditionally to pay to Mutual all outstanding amounts together with interest due under Rule 10(4), the Board may in its absolute and sole discretion reinstate the Member and/or Member's Representative Protections for such period or periods as the Board may determine.

RULES OF CAPRICORN MUTUAL LIMITED

PART VII OPERATION OF MUTUAL

RULE 22 CLOSING OF FINANCIAL YEARS

Closing 22(1)

The end of a Financial Year closes as at 11.59pm 30 June each year.

Disposal of excess funds 22(2)

If, prior to the close of a Financial Year, in the reasonable opinion of the Board the Contributions and other receipts (including transfers from reserves and provisions) in respect of the Financial Year shall exceed the Claims accepted or anticipated to be accepted, expenses and other outgoings (whether incurred, accrued or anticipated) falling upon Mutual for that Financial Year together with all transfers to reserves and provisions made out of the Contributions in respect of such Financial Year, then the excess may at the discretion of the Board be disposed of in whole or in part as follows:

- (a) to establish reserves which in the sole opinion of the Board are prudent and adequate in the context of the business (actual or anticipated);
- (b) by way of a return in whole or in part to Members who paid such Contributions in proportion to their respective Contributions. No return shall be made in respect of a Member's Entry which has been subject to release under Rule 11 or where the Protection expired by reason of the application of Rule 18(a).

Closed Financial Year 22(3)

If in respect of any Closed Financial Year the Board forms the view that at any time the Claims and other outgoings (whether incurred, accrued or anticipated) falling upon Mutual for that Financial Year, together with all transfers to reserves and provisions, are not equal to the Contributions and other receipts (including transfers from reserves and provisions) in respect of that Financial Year, then any credit shall be transferred to the general reserve of Mutual and any deficit shall be treated as an expense of Mutual and may be made up either by a transfer from the general reserve of Mutual or by Contributions under Rule 6.

RULE 23 INSURANCE ARRANGED ON MEMBERS' BEHALF

Mutual may establish a wholly owned subsidiary insurance company or companies in New Zealand or elsewhere, which subsidiary shall insure the risks of the provider of discretionary protection to Mutual and the Members in whole or any part of the risks arising in respect of Protections provided to a Member and/or Member's Representative .

RULE 24 RESERVES

Mutual may establish and maintain such reserve funds as the Board may think fit, whether by way of a general reserve or by way of separate reserves for such contingencies or purposes as the Board in its sole and absolute discretion deem appropriate.

RULES OF CAPRICORN MUTUAL LIMITED

RULE 25 INVESTMENT

Investment Management 25(1)

The funds of Mutual may be invested by the Board or on the delegated authority of the Board as permitted under the Constitution and these Rules, including by an investment manager appointed by the Board. The Board may from time to time specify conditions for the investment of the funds of Mutual as it deems appropriate in its sole and absolute discretion.

Investment medium 25(2)

Without limiting the Board's overriding discretion, such investments may be made by the purchase of such stocks, shares, bonds, debentures or other securities, currencies, commodities or other real or personal property, or by deposits in such accounts as the Board deems appropriate, or by such other method, whether producing income or not, as the Board deems appropriate.

Pooling of funds 25(3)

Unless the Board otherwise decides the funds standing to the credit of all Financial Years, and of any reserves or accounts, shall be pooled and invested as one fund.

Gains and losses 25(4)

When funds are pooled any dividends, interest or accruals of interest and any other realised investment gains or losses, arising on the pooled funds, shall be credited or debited, as the case may be, to the Financial Year in which such gains or losses arise.

(a) Any such gains may be used to meet:

- (i) the Claims and other outgoings (whether incurred, accrued or anticipated) which in the opinion of the Board necessarily and properly fall due on Mutual in respect of the Financial Year;
- (ii) such transfers to reserves or provisions as the Board may deem expedient to make, including transfers to reserves and provisions in respect of any deficiency which has occurred or which may be likely to occur in respect of any Closed Financial year, as it deems appropriate.

(b) Any such losses shall be treated as expenses of Mutual and may be made up either by a transfer from the reserves of Mutual or by Contributions payable under Rule 8 (Application of Contributions).

RULES OF CAPRICORN MUTUAL LIMITED

PART VIII GENERAL TERMS AND CONDITIONS

RULE 26 DELAY AND WAIVER

No admission 26(1)

No act, omission, delay or conduct of Mutual of any type, whether by it or through its officers, servants, managers, agents or otherwise, will constitute any admission or promise that Mutual will release any of its rights under these Rules.

Waiver by Mutual 26(2)

In spite of any neglect, non-compliance or breach of any of these Rules by a Member, the Board may in its sole discretion waive any of Mutual's rights arising from the Member's conduct and may pay in full or in part any Claim which it deems appropriate.

The Board will at all times and without notice be entitled to insist on the strict application of these Rules.

RULE 27 ASSIGNMENT AND SUBROGATION

Assignment 27(1)

No obligation of Mutual, and no interest under these Rules or under any contract between the Mutual and any Member, may be assigned without the prior written consent of Mutual. Mutual has the right, in its sole and absolute discretion, to give or refuse such consent without stating any reason or to give its consent on any such terms or conditions as it deems appropriate.

Subrogation 27(2)

Subject to Rule 27(3), whenever a payment from the funds of Mutual has been authorised by the Board under these Rules, the Member agrees to subrogate, assign or otherwise transfer any and all of its rights of recourse against third parties to Mutual. The Member authorises Mutual to use the Member's name in any proceedings relating to the payment.

Waiver of subrogation 27(3)

Mutual waives any rights, remedies or relief to which is entitled by subrogation against:

- (a) a Member, any Member's Representative or employee other than, in the case of an employee, the Claim arose from or related to the employee's dishonest, criminal, fraudulent or malicious act or omission; or
- (b) any company which is a subsidiary or holding company of the Member within the meaning of those terms in the Corporations Act.

RULE 28 DELEGATION OF POWERS

By Mutual 28(1)

Whenever any power, duty or discretion is stated in these Rules to be vested in Mutual, such power, duty or discretion is exercisable by the Board unless it has been delegated to any committee or sub-committee of the Board or to the Managers. Upon delegation the power, duty or discretion may be exercised by any person to whom it has been delegated solely in the manner in which it has been delegated.

RULES OF CAPRICORN MUTUAL LIMITED

By the Managers 28(2)

Whenever any power, duty or discretion is conferred or imposed upon the Managers by virtue of these Rules, such power, duty or discretion may, subject to any terms, conditions or restrictions contained in these Rules or otherwise specified by the Board, be exercised by any one or more of the Managers or by any employee of the Managers or other professionals appointed by the Board to whom the same has been delegated.

On behalf of Mutual 28(3)

Whenever the Board, the Managers or any other professional to whom it has been delegated exercises any power, duty or discretion, such power, duty or discretion shall be exercised on behalf of Mutual.

RULE 29 DISPUTES

Internal Dispute Resolution 29(1)

Any disputes other a dispute that arises out of or in connection with these Rules or a Schedule of Protection shall be managed initially through the following Internal Disputes Resolution (“IDR”) process.

If a Member is not satisfied with the outcome of the IDR process, the dispute shall be referred to the Board pursuant to Rule 29(2):

Adjudication by Board 29(2)

If any difference or dispute between any Member and Mutual relating to any Claim made by that Member shall arise out of or in connection with these Rules or a Schedule of Protection, such difference or dispute will, following the IDR process, be referred to and adjudicated by the Board regardless of whether the Board has already considered the matter before any such difference or dispute arose. An application to have the Board adjudicate a matter must be in writing. The Board will deliver its decision in writing.

Dispute Resolution 29(3)

Subject to Rule 29(2), a dispute or difference between a Member and Mutual may be referred to the Financial Ombudsman Service in Australia or the Arbitrator’s or Mediator’s Institute of New Zealand (as the case may be) and their decision will be binding.

Sole remedy 29(4)

No Member is entitled to maintain any action, suit or other legal proceedings against Mutual unless it has proceeded in accordance with the process in this Rule 29. In the case of a difference or a dispute, Mutual’s only obligation to a Member under these Rules and any Schedule of Protection issued will be to pay such sum as may be directed by the relevant authority identified in Rule 29(3).

RULES OF CAPRICORN MUTUAL LIMITED

RULE 30 NOTICES

To Mutual 30(1)

A notice required under these Rules to be served on Mutual may be served by post , facsimile or email addressed to the Mutual at Mutual's registered office.

To a Member 30(2)

A notice required or permitted under these Rules to be served on a Member and/or a Member's Representative may be served by post , facsimile or email to the details provided on the Certificate of Membership or the Schedule of Protection.

Receipt 30(3)

Any notice to Mutual sent by email is not deemed to be received unless and until Mutual acknowledges receipt by means of a return email to the sender's email address. Any notice to any Member is deemed to have been served if directed to the address or other contact detail of the Member advised by the Member to Mutual from time to time, and its non receipt by the Member shall in no way invalidate or affect any matter or proceeding to which it relates.

RULE 31 GOVERNING LAW

These Rules are governed by the law of Western Australia, Australia and each party irrevocably and unconditionally submits to the non exclusive jurisdiction of the courts of Western Australia, Australia.



Australia: 1800 007 022
New Zealand: 0800 555 303

Capricorn Mutual Limited
ABN 24 104 601 194
AFS Licensee No 230038
PO Box 656, Welshpool DC WA 6986