This is just for advisers – it's not for use with clients.

Pru
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Questions and Answers for Financial Advisers

Single Premium Review
Flexible Protection Bond



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Review

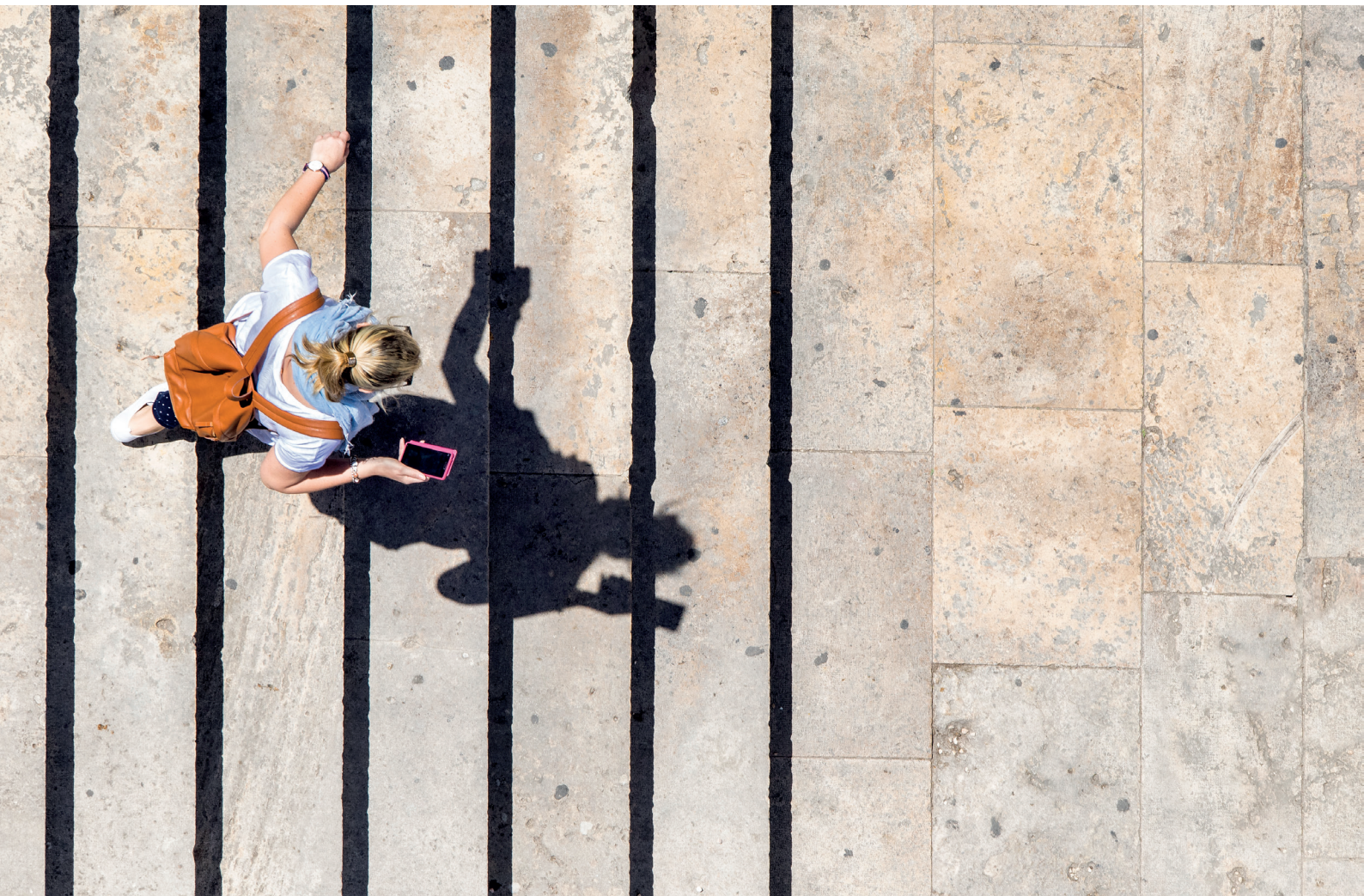
1. Why is Prudential International conducting reviews on the Flexible Protection Bond?

The purpose of the review is to make sure the fund value is sufficient to sustain the chosen level of cover and associated charges.

As explained in the Bond Conditions, we've made a commitment to carry out reviews on the Flexible Protection Bond at the end of the initial 10 year period and at least every five years after that.

2. What is Prudential International's bond review?

We assess the fund value to make sure it'll be sufficient to sustain the current level of cover. We use assumptions our Actuarial team considers appropriate, particularly in relation to expected future returns. The review also takes into account the charges taken from the bond, where appropriate, including monthly protection benefit charges, which allows for increases in the costs for critical illness cover.



3. What are the options for my client when they receive their review?

If the fund value can sustain the level of cover it's unlikely that your client will need to take any further action at the time of the review.

If the review shows that the fund value is unlikely to sustain the chosen level of cover, we'll let your client know their options based on current review assumptions.

These options are:

- Make an additional investment to sustain the existing level throughout life.
- Make an additional investment to help sustain the current level of cover for the next five years as determined by the review.
- Reduce their level of cover to a more sustainable level throughout life as determined by the review.
- Reduce their level of cover to help sustain the bond for the next five years as determined by the review.
- Take no further action, in which case the cover may expire within a specified number of months or the age specified in the review.

Your client should be aware that a number of charges, including the charge for critical illness cover where appropriate, will continue to be deducted from the bond. **If at any time there are insufficient funds in the bond to pay these charges the cover will cease immediately.** If this happens, we'll contact your client in advance to allow them to take action if they'd like to do so. In the meantime, irrespective of what choice the client has made, we'll continue to review your client's bond at least every five years, at which point we'll write to you and your client again, with appropriate options if required.

Important – for all bonds in trust

Where policies are held in trust the trustees should make themselves aware of any tax liabilities attaching to the trust and any consequent reporting requirements.

In certain circumstances, Prudential International will agree that the policy can be enhanced in situations not covered by the policy terms and conditions. Trustees of interest in possession trusts established before 22 March 2006 should be aware that alterations to the policy, other than those specifically permitted by the original policy terms and conditions, may, in the view of Prudential International, change the UK inheritance tax treatment of the trust and bring it within the relevant property regime. The trustees should take specialist tax advice before agreeing any alteration to the policy. Prudential International Assurance cannot and does not give tax advice and cannot accept liability for any loss suffered by any person as a result of action taken or not taken on the basis of the above material.

For bonds held under pre 22 March 2006 trusts, the trust may be impacted if a review takes place outside the contract conditions, including any timescales allowed within them.

Adviser information and issues

In all cases you'll receive a copy of any correspondence sent to your client.

4. What are the benefits of these bond reviews?

The review benefits both you and your client.

- It gives you an opportunity to contact your client and assess how their needs are being met.
- It gives your client an up to date picture of their current level of cover and bond value.
- It shows whether any additional premium is needed to sustain the current level of cover, based on the current review assumptions. This is particularly important given the downturn in market performance from 2000 to 2003, and in 2008, and the rise in critical illness rates, where relevant. This will allow you to discuss with your client what action, if any, they may want to take.

5. Can you explain the review assumptions for me?

We base review calculations on estimates of the future growth in investments linked to a client's bond, the level of protection benefit and the level of administration charges. The review basis may change over time to reflect changes in economic conditions and the cost of providing cover.

We include a full explanation of the review assumptions in your client's review pack.

6. How is the review growth rate assumption calculated?

The review growth rate is based on an estimate of the future growth of your clients individual funds selected. For each fund we use growth rate assumptions our Actuarial team considers appropriate. We also take into account the applicable charges for each fund. The growth rate used in the review is then based on a weighted growth rate of your clients individual funds selected.

7. Can the review growth rate assumption change over time?

Yes. We'll regularly review the growth rate assumption used in your clients bond review.

8. What information is Prudential International sending me about my client's bond review?

A week before we contact your client, you'll have received:

- A covering letter letting you know that a review has been carried out on your client's bond.
- A copy of the letter to be sent to your client detailing the outcome of their review and the options open to them, along with a Review Option Form (where applicable). See below for further information.
- A Question and Answer booklet.

We send a Review Option Form to your client if a review shows that the bond is unsustainable on assumptions we use at the time.

This form lists the options now being provided to your client, as detailed in their review letter. Your client should indicate their preferred course of action and return the Review Option Form to us in the Freepost envelope provided.

If we don't receive a response or signed Review Option Form within four weeks of contacting your client, we'll send them a reminder letter. You'll receive a copy of this correspondence.

If your client doesn't respond within six weeks of initial contact, the default option of "take no action" will be applied and no changes will be made to the bond. A default notice will be sent to your client.

9. What information will my client receive on the bond review?

- A letter telling them that we've review their bond.
- The result of the review and, if appropriate, the options open to them.
- If the review shows that the level of cover is unsustainable, we'll include a Review Option Form and ask your client to complete and return it to us.
- A Freepost envelope will also be provided for your client's convenience.

Note: We send a copy of the bond review to each policyholder/trustee/assignee.

If there's more than one policyholder/trustee/assignee it'll be necessary for each of them to sign and return a Review Option Form. Each form must indicate the same course of action.

10. What happens if my client doesn't respond?

The default option will be applied. Cover will stop immediately if at any time there's insufficient value in the bond to pay for its charges. If this happens, we'll contact your client in advance to allow them the opportunity to take action. In the meantime, we'll continue to review your client's bond at least every five years, at which point we'll write to you and your client. If appropriate we'll set out the available options.



Client information and issues

11. Why is my client's bond no longer going to provide cover throughout life?

When your client purchased their Flexible Protection Bond, we calculated their premium to support their chosen level of cover throughout life. This was based on certain assumptions including expected growth rates, critical illness rates (where applicable) and monthly protection benefit charges.

- **Investment performance to date**
  The assumed growth rate at the time your client's bond was taken out was higher than the actual growth achieved to date in funds linked to your client's bond and the value of the bond is lower than we would have expected it to be at this point.
- **Expected future investment performance**
  As a result of a downturn in market performance between 2000 and 2003, and in 2008, expected future growth rates have been revised downwards. The effect of this on your client's bond is that their investment fund is now expected to grow at a lower rate in future than previously projected.
- **Change in critical illness cover charges (if applicable)**
  The cost of providing critical illness cover has proved higher than anticipated, so the charges for future cover will be increased from the review date. This will contribute to any additional premium we have suggested if your client has critical illness cover.
- **Increases in age**
  Premiums and protection benefit charges increase as your client gets older. Where the review suggests that the bond can no longer support the chosen level of cover throughout life, for any of the above reasons, the additional premium suggested takes into account the increased protection costs due to the client's increased age.

12. My client can't afford to make the additional investment stated in your letter. Can they make an additional investment for a lower amount?

Yes – your client can specify the amount of premium increase that they can afford. We'll calculate a revised level of cover and send your client details of this and the revised additional investment in an Alterations Options Form. They must complete and return the Alterations Options Form before the bond's review is completed.

13. Can my client change their level of cover to something else (other than the reduction offered)?

Yes – your client can ask for the level of cover to be reduced by less than shown in the review. We'll calculate a revised additional investment and send your client details of this and the revised level of cover in an Alterations Options Form. They must complete and return the Alterations Options Form before the bond's review is completed.

14. How can my client request to pay a different additional investment or change their level of cover to a different amount than that suggested in the Review Options form?

If your client wishes to avail of this they can contact our Plan Review Team on 0808 234 2200.

15. Can I complete the Review Option Form on behalf of my client?

No – we require the signature of each legal owner of a bond, (in other words each policyholder, trustee or assignee, as appropriate).

General information

16. Will my client's bond be reviewed in the future?

Yes – we'll continue to review your client's bond at regular intervals. Future reviews will be no longer than five years apart.

The next scheduled review date will appear on your client's correspondence.

17. Can my client request an ad-hoc review?

Yes – your client may request an ad-hoc review. However an ad-hoc review cannot be carried out within 6 months, before or after, a scheduled review date.

Please note that:

- Only 1 ad-hoc review permitted in a 12-month period.
- The next review date after the ad-hoc review will be the next review date that had already been scheduled, and not 5 years from the ad-hoc review date.

18. Where can I find details of past fund performance?

Details of past fund performance for Prudential International funds can be found on:

www.pru.co.uk/funds
www.pruadviser.co.uk/funds

19. What are the product features and related benefits of the Flexible Protection Bond?

These were explained in the original product literature, which accompanied each sale. If you'd like a copy of this, please get in touch and we'll be pleased to send you a copy.

20. What do you mean by the benefit being sustainable "throughout life"?

The lifetime of the life assured is defined by the period of time until the bond anniversary where the life assured is aged 99.

Where there's more than one life assured this depends on the death basis:

- Joint Life First Death Bond – this would be the bond anniversary when the older life assured is aged 99.
- Joint Life Last Death Bond – this would be the bond anniversary when the younger life assured is aged 99.

At this point, based on the review assumptions, the fund value is expected to equal the sum assured on the bond.

21. Can I exclude my client's bond from the review process?

No – under the Bond Conditions the Flexible Protection Bond is a reviewable product. All bonds will be reviewed on their appropriate bond anniversary.

22. I have other clients with bonds, can I have them all reviewed together?

No – all bonds are individually reviewed on their appropriate bond anniversary.

23. Can you send all review communications directly to me and not my client?

No – our position is to send all communications directly to your client. You'll be copied in on all correspondence.

24. Who should I contact if I have further questions?

You can speak to your Prudential Account Manager.

There's also a dedicated Prudential International reviews helpline.

Call **0808 234 2200**

Monday to Friday 8.30am to 6pm.

We might record your call to make sure our service is up to standard.



www.pru.co.uk/international

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