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

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Questions and Answers for Financial Advisers

Regular Premium Review (Version 2)



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Review

1. Why are you conducting reviews?

Prudential International has made a commitment to carry out reviews on regular premium products at the end of the initial 10 year period and every five years thereafter. This is specified in the contract conditions.

The information in this document only applies to contracts written under contract conditions G227/SAE35/5-97 & G228/SAE36/5-97 and all subsequent releases.

2. What is the review?

The review is an individual examination of each plan to assess whether the level of future premiums is sufficient to maintain the chosen level of cover for the relevant duration.

The level of premium is assessed using assumptions that our Actuarial team considers appropriate, in particular in relation to expected future returns. The review also takes into account charges that are taken from the plan, 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 level of future premium is sufficient, then it is unlikely that your client will need to take any further action at this point in time.

If the review assessment indicates that the level of future premiums is unlikely to sustain the chosen level of cover, we will provide your client with a range of options based on current review assumptions. We'd expect this to be the more likely outcome, given changes economic conditions leading to the expected future returns reducing over time and the rise in the cost of Critical Illness Cover.

Depending on the results of the review, we'll offer the following options to your client:

- To make an additional investment to sustain the existing level of cover throughout life as determined by the review or;
- To make an additional investment to help sustain the existing level of cover for the next five years as determined by the review or;
- To reduce their level of cover so it is sustainable throughout life as determined by the review or;
- To reduce their level of cover to help sustain the plan for the next five years as determined by the review or;
- To take no further action, in which case the cover may expire at the age specified in the review or within a specified number of months.

Your client may request to pay different premium amounts or different levels of benefit than those presented in the review by contacting our Plan Review Helpline on **0808 234 2200.**

Your client should be aware that a number of charges, including the charge for Critical Illness Cover and Life Cover where appropriate, will continue to be deducted from the plan. If at any time there are insufficient funds in the plan 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, should they choose to do so. In the meantime, we'll continue to review your client's plan at regular intervals.

Important – for plans 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, will, in our view, 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. We're unable to give tax advice and cannot accept liability for any loss suffered by any person as a result of action taken or refrained from on the basis of the above material.

4. My client has different types of cover. How are these reviewed?

Plans with different types of cover are reviewed on a different basis (see question 12 on page 6). The bases are as follows:

Standard Cover

If your client selected Standard Cover, their regular premium was calculated to provide their chosen level of cover throughout the lifetime of the life/lives assured. This means that the plan is reviewed to assess whether the level of future premiums is sufficient to maintain cover for the lifetime of the life/lives assured.

Maximum Cover

If your client selected Maximum Cover, their original regular premium was calculated to provide cover for 10 years. The plan will be reviewed to help your client continue their level of cover for five years.

Non-specific Cover

If your client selected a non-specific level of cover, their regular premium was expected to support cover for at least 10 years (Maximum Cover), but less than the lifetime of the life assured (Standard Cover). The plan will be reviewed to help your client continue their level of cover for 10 years following the review date.

Selected Cover Term

If your client selected this option, their regular premium was calculated to provide cover for the selected term. The purpose of the review is to assess the level of premium required to maintain the level of cover until the end of the selected cover term. If the selected term has expired at the review date, the plan will be reviewed to help your client continue their level of cover for a further five years.

Premium Payment Term

If your client selected Premium Payment Term, their regular premium was calculated to provide cover for the lifetime of the life assured. The premium was calculated to be paid for only a specified period of time.

The plan is reviewed on the same basis as a standard cover plan.

If your client's premium payment term has expired and their plan is unsustainable, the increased premium will be based on a new premium payment term for five years.

5. My client's plan is on premium holiday/paid up/ in waiver claim, will it be reviewed?

If your client has a regular premium plan that is on premium holiday, the plan will not be reviewed at this time. They'll get a letter letting them know that their plan is due for review and will be reviewed on the plan anniversary following on from when their premium holiday ceases.

If your client has a regular premium plan that is paid up or in waiver claim, they'll get a letter outlining their projected surrender values at this time. Your client will not need to take any further action.

If your client's plan is currently in waiver claim, their plan will be due for review on the first plan anniversary when their waiver claim ceases.

In all cases you'll get a copy of any letters we send to your client.

Adviser information and issues

6. What are the benefits of the review?

The review provides benefits to both you and your client. It gives you an opportunity to contact your client and assess how their needs are being met. It also gives your client an up to date picture of their level of cover and the premiums required to sustain this, based on the current review assumptions. This is particularly important if your client's plan has Critical Illness Cover or has been in force during any investment downturns, for example from 2000 to 2003, or 2008. It is also important as our expectations of future returns have changed with changing economic conditions.

7. Will commission be paid?

In line with FCA rules following the implementation of the Retail Distribution Review (RDR), no commission will be paid on any business resulting from a review. If you want to charge for your advice regarding the review, including any additional investments, you should arrange this directly with your client. Adviser charges can't be met from these products.

For contracts with an automatic indexation option selected, we'll continue to calculate and credit commission on the contract's current basis until such time as an additional investment is made or a premium increase is paid as a result of a review carried out on the contract. Following either of these events all future indexation premiums will not generate commission.

Any commission generated before 31 December 2012 will continue and will not be affected by this change.

8. What review information will you send me about my client's plan?

A week in advance of our contacting your client, you'll have received:

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

The Review Option Form is sent to your client where the outcome of the review is that the plan is unsustainable on the review basis. This form lists the options now being provided to your client, as detailed in their review letter and outlined in question 3 (on page 3).

This form is used by your client to indicate their preferred course of action and should be returned to us in the Freepost envelope provided.

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

The client information pack will contain the following:

- A letter letting your client know that a review has been completed together with the outcome of the review and, where appropriate, the options that are now available to them and a Review Option Form (where applicable).
- If the review outcome indicates that the level of cover is unsustainable, your client will be asked to complete the review option form included and return it to us.
- A Freepost envelope will also be provided for your client's convenience.

Note: A copy of the Client Information Pack will be sent to each Policyholder/ Trustee/ Assignee. Where there is more than one Policyholder/Trustee/Assignee, each of them will need to sign and return a review option form. Each form must indicate the same course of action.

10. What happens when my client selects one of the options provided?

When we receive your client's signed Review Option Form indicating a chosen course of action, we'll process it and make any necessary amendments to the plan.
A confirmation document will then be sent.

11. What happens if my client does not respond?

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 also 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 plan. A default notice will be sent to your client.

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 plan. If at any time there are insufficient funds in the plan 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, should they choose to do so. In the meantime, we'll continue to review your client's plan at least every five years, at which point we'll write to you and your client again, with appropriate options if required.

Client information and issues

12. Why is my client's plan no longer going to provide cover?

When your client purchased their Regular Premium Plan, we calculated their premium to support their chosen level of cover. This was based on certain assumptions that vary with each type of cover. These assumptions included expected returns, critical illness rates (where applicable) and monthly protection benefit charges. The following factors may have contributed to the premium no longer supporting the level of cover on the plan:

Investment performance to date

The assumed return at the time your client's plan was taken out was higher than the actual return achieved to date in funds linked to your client's plan and the value of the plan is lower than we would have expected it to be at this point.

Expected future investment performance

As economic conditions have changed, expected future returns have been revised downwards in line. This does not impact plans written on maximum cover, as outlined on page 4.

Change in Critical Illness Cover charges

The cost of providing Critical Illness Cover has proved higher than anticipated, and the charges for future cover may have increased since the plan was taken out. This will have had an impact on your client's premium if they have Critical Illness Cover.

Increases in age (Maximum Cover and Selected Cover Term where the term has expired only)

When cover is taken out or renewed, the premium depends on the client's age at that time. Premiums increase as the client ages and this has been taken into account.

Level of cover

Question 4, on page 4, provides more information on the different levels of cover available and how these are reviewed.

13. Will my client's plan receive reviews in the future?

We'll continue to review your client's plan at regular intervals. Subsequent reviews will be no longer than five years apart. The next scheduled review date will appear on your client's correspondence.

14. 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

15. What are the product features and related benefits of the Flexible Life Plan and Flexible Critical Illness Plan?

These were explained in the original product literature, which accompanied each sale. If you'd like a copy of the original product literature to discuss with your client, please contact us and we'll send you the appropriate literature.

16. Who should I contact if I have any further questions?

You can contact your Prudential Account Manager.

You can also contact the Prudential International Reviews Helpline for financial advisers on **0808 234 2200.**

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

Full written terms and conditions of Prudential International's products are available from Prudential International.

www.pru.co.uk/international

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