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Questions and answers for Financial Advisers

Long Term Care Bond Review



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Reviews

1. Why are you conducting reviews?

Prudential International is conducting reviews to assess whether the value of the Long Term Care Bond (the bond) will be sufficient to sustain the chosen level of long term care cover throughout life, using assumptions that our Actuarial team considers appropriate.

2. What is the review?

The review is an individual examination of each bond based on its fund value and current circumstances at the time of the review. The fund value is then projected forward and used to determine whether it will be sufficient to sustain the current basis of long term care cover throughout the life of the insured individual, using assumptions that our Actuarial team considers appropriate. The review also takes into account charges and costs that are taken from the bond including those for the cost of the long term care cover.

3. What review options are available to my clients?

If the review indicates that the fund value of a bond is likely to sustain the chosen level of cover, it is unlikely that your client will need to take any further action at that point in time. We will write to them and advise them of this.

If the review assessment indicates that the value of the bond is unlikely to sustain the level of long term care cover, we will provide your client with a range of options based on current review assumptions.

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

- To take no action at this time. The review letter will inform your client that the current level of cover will be maintained in full until the age specified, based on the review assumptions, at which point it may stop. If a claim were made in advance of this age, the claim, once accepted, would be paid based on the bond conditions.
- To make an additional investment to increase the value of the bond to a level that should support the chosen level of cover throughout the insured individual's life, based on the review assumptions.

This means that the chosen level of cover should be available at any age should your client need to make a claim.

- To reduce the level of long term care cover to a level that should be sustainable throughout the insured individual's life, based on the review assumptions.

This means that the revised level of cover should be available to your client at any age should they need to make a claim. As before, once a claim is accepted, it will be paid based on the bond conditions.

Your client is under no obligation to make changes to the bond as a result of this review. However, you should be aware that a number of charges, including the charge for the long term care cover, will continue to be deducted from the bond. These charges will reduce the value of the bond. If at any time there are insufficient funds in the bond to pay these charges, the bond will stop immediately. The review indicates the age at which this may happen.

We will continue to review your client's bond at least every five years, at which point we will write to you again, with appropriate options if required.

In all cases you will receive a copy of any correspondence we send to your client.

Adviser information and issues

4. What are the benefits of this review?

This 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 clients an up to date picture of their investment and level of cover and provides an indication as to how long that cover is likely to be sustained. This is particularly important if your client's bond has been invested during any market downturns. You can then discuss with your client what action, if any, they might want to take.

5. What information will my client receive on the bond 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.
- A document detailing the results of the review and the options open to them (where applicable).
- If the review outcome indicates that the level of long term care cover is unsustainable, your client will be asked to complete the options form included and return it to us.
- A Freepost envelope will also be provided for your client's convenience.

Note: Where there is more than one policyholder, we will send a copy of the correspondence to each of them. All policyholders must sign and return an options form and each form must indicate the same course of action.

6. What review information will you send me about my client's bond?

A week before we contact your client, we will send you:

- 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.
- A copy of the document to be sent to your client detailing the results of the review and the options open to them (where applicable).
- A copy of the options form (where applicable).
- A Question and Answer booklet.

The document detailing the results of the review and the options form are sent to your client where the outcome of the review is that the bond is unsustainable on the review basis.

The document detailing the results of the review lists the options now being provided to your client. The options form is used by your client to indicate their preferred course of action and should be returned to us in the Freepost envelope provided.

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

When we receive a signed options form with a chosen course of action, we will process it and make any necessary amendments to the bond. We will then send a confirmation document.

8. What happens if my client does not respond?

If we don't receive a response or signed options form within two weeks of contacting your client, we'll send you the following:

- A letter notifying you of any client who has not responded to our initial correspondence.
- A copy of the reminder letter. We'll send this to your client at the same time as we send it to you.

If we don't receive a response from your clients within the timescale provided in the review letter, the default option of "take no action" will apply and no changes will be made to the bond. We'll then send a further letter to your client confirming that no action is being taken.

9. My client's review letter states that cover is sustainable to an advanced age. Why then has the bond been deemed unsustainable?

The age quoted in the letter refers to the age up to which cover is now expected to be sustained, and at which the value of the bond is expected to become zero. This age is not the age to which the policy was initially expected to sustain cover.



Client information and issues

10. My client has made a withdrawal from their bond. Is this reflected in the review?

Yes, the value of the bond we use in the review calculations takes into account any historic withdrawal(s) from the bond. Future regular withdrawal(s) are assumed to continue in line with existing instructions.

11. Why has the value of my client's bond reduced?

When your client purchased their bond, an assumption was made about the expected future growth in investment returns throughout the life of the policy. The assumed growth rate used is likely to have been higher than the actual growth achieved to date in investments linked to their bond. Therefore the value of their bond may be lower than we would have expected it to be at this point.

As economic conditions have changed, expected future growth rates may have been revised downwards, compared with when your client's bond commenced. The effect of this on your client's bond review is that their investment fund is now generally expected to grow at a lower rate in the future than previously projected.

12. Will my client's bond receive reviews in the future?

Yes. Prudential International will continue to review your client's bond at least every five years.

Clients aged 80 or older will have their bond reviewed every two years.

Bonds under trust issued from January 1999 onwards (under contract conditions SAE/LTC/005 or PRUINT/LTC/005) – important note

Trustees of interest in possession trusts established before 22 March 2006 should be aware that paying in an additional investment following a two yearly review may 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 such change 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.

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

13. Will my client receive any other regular information about their bond?

Yes. To help your clients monitor the progress of their bond, we will send them a yearly statement, on the bond anniversary, showing the value of the bond, and projected values where relevant.

14. What will happen to my client's bond if they do not act on the options in the review letter?

Their bond will continue as is. The current level and type of cover will be maintained as long as there are sufficient funds to meet charges. Your clients are not under any obligation to make changes to their bond as a result of the review. However, it should be noted that the bond and the long term care cover provided will end if, at any time, there are insufficient funds in the bond to meet charges.

It is important that your client lets us know their preferred course of action on the review options presented. Your client should complete and return the options form within the specified time, in the Freepost envelope provided.

Prudential International will continue to review your client's bond at regular intervals, as outlined in Question 12 on page 6.

Note: Where there is more than one policyholder, we will send a copy of the correspondence to each of them. All policyholders must sign and return an options form and each form must indicate the same course of action.

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

You can contact your Prudential Account Manager.

Alternatively, there is a Prudential International Long Term Care Bond Review Helpline. The helpline number is **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 on request.

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