

Low-Cost
Endowment Plan
Policy Provisions
(October 1986)



SCOTTISH
PROVIDENT

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Introduction

The material in this booklet in black ordinary print comprises the "Low-Cost Endowment Plan Policy Provisions (October 1986)". These provisions form part of the policy.

Throughout this booklet you will find additional material in blue italics. The material does not form part of the policy but is included to indicate briefly what each provision deals with, to give you further information and to tell you what to do in various circumstances.

Policyholder information

We welcome you as a Scottish Provident policyholder and are confident you will find your policy a rewarding investment.

If you need further help or advice on your life insurance needs you may wish to consult the broker or other adviser who introduced you to Scottish Provident. Alternatively our experienced staff at our local branches will be pleased to assist you. (You will find the addresses of Scottish Provident's branch offices at the back of this booklet.)

Your policy has been designed so as to be acceptable to all the major building societies and banks as a means of repaying your mortgage, and you should still be able to use the policy to repay your mortgage even if you switch your mortgage to another lender. If you move house and require a new mortgage you will probably need an additional policy to top up this one. Scottish Provident will normally have a policy to suit your needs and as a "Low-Cost Endowment Plan" policyholder you may be eligible to effect the additional policy without a medical examination or other evidence of good health being required.

Notification of changes

If you change your address or the bank through which premiums are paid under the policy or if you need to stop paying premiums or to cancel the policy you should write to our Head Office, and we shall take the appropriate action.

In any correspondence please quote the policy number and your full name and address.

1. Construction

This provision deals principally with the definition of various terms which are used later in the provisions.

In these provisions:—

- (a) “the proposer” means the person (or persons) who effected the policy;
- (b) “the life assured” (or “the lives assured”) means the person (or persons) specified as such in the schedule to the policy;
- (c) “the titleholder” means the person (or persons) who is (or are) for the time being legally entitled to deal with the policy;
- (d) “the maturity date” means the date shown as such in the schedule to the policy;
- (e) “the basic endowment sum assured” means the amount shown as such in the schedule to the policy, subject to provision 7.7;
- (f) “the minimum death benefit” means the amount shown as such in the schedule to the policy, subject to provision 7.7;

Where appropriate, in the policy the masculine includes the feminine and vice versa and the singular includes the plural and vice versa.

The ‘titleholder’ is the owner of the policy. If, as is usual with this type of policy, the policy is assigned to or deposited with a building society or a bank as security for a loan, the titleholder will be the lender. Since the building society or bank will hold the policy as security, we automatically provide the proposer with copies of the policy and the policy provisions booklet. These copies are of no value other than as a source of information about the policy.

The titleholder’s permission is always required before we are able to act on instructions involving a material change to the policy, e.g., an instruction for encashment of the policy.

2. Premiums

This provision deals with various matters relating to premiums including what happens if you do not pay them.

2.1 Premiums payable

The premiums payable under the policy are as stated in the schedule to the policy.

No premiums will be due:—

- (a) after the date of death of the life assured or, if there are two or more lives assured, after the date of death of the first of them to die, or
- (b) on or after the maturity date.

Premiums may be paid only by a method acceptable to the Institution.

Where premiums are payable yearly or half-yearly we shall contact you shortly before the premium is due and ask you to send a cheque for the premium.

Monthly premiums are paid automatically by standing order.

2.2 Non-payment of premiums

One month of grace is allowed for the payment of premiums other than those due monthly which are payable when due. If a monthly premium has not been paid when due or if any other premium has not been paid within the period of grace, payment of premiums will be regarded as having been discontinued on the due date of that premium or on the day following the expiry of the period of grace respectively.

If at least two years' premiums have been paid when payment of premiums is discontinued, the policy will continue in full force for the period of twelve months beginning on the date of discontinuance. At any time within that period, payment of premiums may be resumed by the payment of all premiums which have fallen due but have not been paid, together with a surcharge determined by the Institution. If payment of premiums has not been resumed within that period, provision 2.3 will apply on the day after its expiry.

If two years' premiums have not been paid when payment of premiums is discontinued, provision 2.4 will apply at the date of discontinuance.

The titleholder may request that provision 2.3 or 2.4 apply before the date appropriate under the foregoing paragraphs (but not before the due date of the first unpaid premium or with retrospective effect).

2.3 Policy made paid-up for reduced benefits

When this provision applies, the basic endowment sum assured and minimum death benefit shown in the schedule to the policy will be reduced to amounts determined by the Institution, unless these amounts would be less than the minimum amounts required by the Institution according to its practice at the time, in which case provision 2.4 will apply. No further premiums will be due under the policy.

2.4 Cancellation

When this provision applies, the policy will be cancelled and the Institution will pay to the titleholder the cash value (if any) of the policy, as determined by the Institution.

In view of the expenses incurred by Scottish Provident in setting up the policy, any cash sum payable on cancellation in the early years of the policy may be small in relation to premiums paid.

3. Death benefit

This provision deals with what happens on the death of the life assured (or on the death of the first of the lives assured to die if there are two or more lives assured).

3.1 When payable

A death benefit will become payable under the policy:—

- (a) if there is one life assured, on his death, or
- (b) if there are two or more lives assured, on the death of the first of them to die,

provided the policy is then in force.

If this provision applies, we should be told as soon as possible and the policy should be returned to us by the titleholder. Any other requirements (which will depend on the circumstances) will be advised at the time.

3.2 Amount

Subject to provisions 3.3, 3.4 and 7.7 and to any statement in the schedule to the policy, the death benefit will be equal to the greater of:—

- (a) the basic endowment sum assured increased by any bonuses, and
- (b) the minimum death benefit,

less any premiums due but not paid under the policy and any surcharge on such premiums determined by the Institution.

3.3 Suicide

If the death giving rise to the death benefit was due to suicide within one year of the effective date of the policy, the death benefit will be subject to the deduction (if any) described in provision 3.5. This provision will not, however, affect the interests of any third party proved to the satisfaction of the Institution to have been acquired for value.

3.4 Basis of the contract

The policy has been granted on the basis of statements made on the proposal for it. If any of these statements proves to have been untrue in a material respect, the death benefit will be subject to the deduction (if any) described in provision 3.5.

3.5 Deduction

The deduction described in this provision, if it is to be made in accordance with provision 3.3 or 3.4 or any statement in the schedule to the policy, will be equal to the difference (if any) between the death benefit without the deduction and the amount (if any) which would have been paid under provision 5 if the appropriate election had been made at the date of the death giving rise to the death benefit.

When the death benefit has to be restricted, the amount payable is the same as the encashment value under provision 5.

3.6 Payment

The death benefit will be payable to the titleholder or his legal personal representatives. The policy will be cancelled on payment being made.

4. Maturity

This provision provides for a cash sum to be payable at the maturity date. Under the legislation in force at the effective date of the policy, this cash sum will normally be free of tax.

If the policy is in force on the maturity date and a death benefit has not become payable under provision 3 before that date, a cash sum will be payable to the titleholder. Subject to provision 7.7, the cash sum will be equal to the basic endowment sum assured increased by any bonuses, less any premiums due but not paid under the policy and any surcharge on such premiums determined by the Institution. The policy will be cancelled on the maturity date.

The schedule to the policy contains a statement "Maturity value assumption" of the conditions under which the cash sum payable at the maturity date will be at least equal to the minimum death benefit. If the policy has been used as security for a mortgage loan equal to the amount of the minimum death benefit and the conditions described in that statement have been met, then the cash sum will be sufficient to repay the mortgage. If bonuses are more than the amount required, you will be able to repay your mortgage with cash to spare. If bonuses are less than the amount required, the cash sum will not be sufficient to repay the mortgage and you will need to make up the balance yourself. Further information on bonuses is given after provision 7.6.

The cash sum will be payable to the titleholder. If this is a building society or a bank they will normally deduct the amount of the mortgage loan from the cash sum and pay you any balance.

5. Encashment

This provides for encashment of the policy.

At any date before the maturity date, the titleholder may elect that the policy be cancelled. If he does so, the Institution will pay to him the cash value (if any) of the policy, as determined by the Institution.

In view of the expenses incurred by Scottish Provident in setting up the policy, any cash sum payable on encashment in the early years of the policy may be small in relation to premiums paid.

6. Options

This provision allows you, subject to certain conditions and exclusions, to postpone the maturity date of the policy or to effect additional assurance.

6.1 Options

If the policy was effected to repay a mortgage on the proposer's main residence and he increases the amount of that mortgage with or without extending its term or replaces it by a mortgage on a different main residence purchased by him, he will have the following options without medical examination or other evidence of health being required, subject to provision 6.2:—

- (a) He may postpone the maturity date by a number of complete years.
- (b) He may effect an additional endowment assurance on the life of the life assured (or the lives assured).

If he exercises option (a), the amount of the basic endowment sum assured, the amount of premiums payable and the period during which they are to be payable will be changed in a manner determined by the Institution.

6.2 Conditions

The options in provision 6.1 are subject to the following conditions:—

- (a) The proposer must complete an application in a form satisfactory to the Institution before the expiry of 31 days after the alteration or replacement of the mortgage.
- (b) The Institution will be entitled to require evidence of the mortgage agreement satisfactory to it.
- (c) Neither the maturity date of the policy if it is to be postponed nor the maturity date of the policy evidencing any additional assurance effected can be later than the life assured's 70th birthday or, if there are two or more lives assured, the 70th birthday of the oldest of them, or later than the repayment date of the altered or replacement mortgage.
- (d) The options may be exercised only if the policy or the policy evidencing any additional assurance effected would be a qualifying policy as defined in Schedule 1 of the Income and Corporation Taxes Act 1970 in the case of a policy governed by the law of England and Wales, Scotland or Northern Ireland, or Schedule 1 of the Finance Act 1973 in the case of a policy governed by the law of the Republic of Ireland.

- (e) The options may not be exercised within 5 years of the maturity date.
- (f) The options may not be exercised if the life assured or, if there are two or more lives assured, the oldest of them has attained the age of 55 years.
- (g) The options may be exercised only if the policy is in force, provision 2.3 has not applied to it and all premiums due to date under it have been paid.

Option (b) in provision 6.1 is subject to the following additional conditions:—

- (h) Apart from medical requirements, the additional assurance will be available on the terms and conditions on which endowment assurances are granted by the Institution at the time.
- (j) The amount of the additional assurance must not exceed the smallest of:—
 - (i) the amount by which the mortgage is increased, or the difference between the new and old mortgages, as appropriate,
 - (ii) the minimum death benefit, and
 - (iii) the excess (if any) of £50,000 over the minimum death benefit.
- (k) The option may be exercised more than once provided the total of the additional assurances does not exceed the greater of (ii) and (iii) in paragraph (j) of this provision.

If you wish to postpone the maturity date of your policy or to effect an additional assurance you should contact your local Scottish Provident branch for assistance.

7. General

This deals with various miscellaneous points indicated by the sub-headings.

7.1 Payment subject to proofs

Payment of any benefit under the policy will be made to the appropriate person subject to the Institution's receiving such proofs as it may require of the happening of any event on which the benefit is payable, of legal entitlement and of the date of birth of the life assured or, if there are two or more lives assured, of all the lives assured.

7.2 Change of titleholder

Notices of assignment may be given to the Institution at its principal places of business in London, Edinburgh, Belfast and Dublin.

It is important for the titleholder to retain with the policy any deeds of assignment and reassignment or other deeds transmitting title to the policy as these are part of the proof of his legal entitlement and he will be required to produce them before any benefits under the policy are paid to him.

7.3 Payment by cheque

Payment of any amount of money by cheque drawn in favour of the person entitled to receive it, or of any other person authorised by that person with the approval of the Institution, will be an absolute discharge to the Institution for that amount. The Institution will not in any way be responsible for seeing to the application of that amount.

7.4 Late payment of death or maturity benefit

If a cash sum becomes payable under provision 3 or 4 and payment is made more than two calendar months after the date of death or the maturity date respectively, the cash sum will be increased, unless the amount of the increase would be less than the minimum amount fixed by the Institution for this purpose. The amount of any increase will be calculated using a rate of interest determined by the Institution in respect of the period from the date two calendar months after the date of death or the maturity date, as appropriate, to the date of payment.

7.5 Source of benefits

Any benefits under the policy are payable out of the Common Fund of the Institution.

7.6 With-profits

The policy will share in the surplus of the Institution's Common Fund.

The Common Fund is the major Scottish Provident fund into which premiums from policies like your "Low-Cost Endowment Plan" are paid and out of which claims, maturity values and expenses are paid. The fund is invested in stocks and shares, property, etc. Each 31st December, the profitability and performance of the fund over the year are assessed by Scottish Provident's actuary and profits are distributed amongst the with-profits policies in the form of a percentage bonus. Once bonus has been added it is a permanent addition to the policy and cannot be removed.

An additional bonus called "claims bonus" is also payable on policies maturing at the date of issue of this policy. Such bonuses reflect any especially favourable investment conditions over the period that a policy has been in force; they can and do fluctuate. There is no guarantee that claims bonuses will be payable in future (or, if they are, at what level they will be paid) since investment conditions change unpredictably.

7.7 Wrong date of birth

If the date of birth of the life assured or, if there are two or more lives assured, the date of birth of any of them has been wrongly stated to the Institution, the Institution will be entitled to adjust the benefits under the policy in such manner as it considers appropriate.

7.8 Legislation

If the policy or the Institution should be affected by legislation or other circumstances beyond the Institution's control, the Institution may change these provisions in such reasonable manner as it thinks necessary, subject to the prior approval of the Board of Inland Revenue in the case of a policy governed by the law of England and Wales, Scotland or Northern Ireland.

7.9 Proper law

The law by which the policy is governed and the jurisdiction to which the Institution is subject in respect of the policy are those of England and Wales, Scotland, Northern Ireland or the Republic of Ireland depending on whether benefits are stated in the schedule to the policy to be payable in London, Edinburgh, Belfast or Dublin respectively.

7.10 Laws of the Institution

This policy is subject to the Laws of the Institution.

The Scottish Provident Institution

Incorporated in Great Britain by Act of Parliament (Registered No. Z5).

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