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With-Profit *Endowment Plan*
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Policy Provisions
(July 1994)

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The real life company

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Introduction

The material in Sections 1 to 7 in this booklet in ordinary print comprises the "With-profits Endowment Plan Policy Provisions (July 1994)" and these provisions form part of the policy.

The material in the informal notes in blue italics does not form part of the policy provisions but is included to give you further information and guidance on what to do in various circumstances.

Policyholder information

If you need further help or advice on your investment and life insurance needs you may wish to consult the financial adviser who introduced you to Scottish Provident. Alternatively, our experienced staff at your local Scottish Provident Regional Sales Office will be pleased to assist you.

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.

I. Construction

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

These provisions apply to any policy effected with The Scottish Provident Institution ("the Institution") which is expressed to be subject to them. In relation to such a policy, 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 effective date of the policy" means the date shown as such in the schedule to the policy;
- (e) "the maturity date" means the date shown as such in the schedule to the policy;
- (f) "the sum assured" means the amount shown as such in the schedule to the policy, subject to provisions 2.3 and 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 the policy is assigned to a third party, or held under a trust, the titleholder will be the assignee(s) or trustee(s) respectively. If the policy is assigned to a building society or a bank as security for a loan, the titleholder will be the lender. As policies such as these are often used as a means of repaying a loan and lenders will require to hold the original policy as security, we automatically provide the proposer with copies of the policy and the policy provisions booklet for him to keep for reference. 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 a death benefit has become payable under the policy, 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 we shall contact you shortly before the premium is due and ask you to send a cheque for the amount of the premium.

Monthly premiums are paid automatically by direct debit or 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 payment of premiums is discontinued, the policy will continue in full force for a period which begins on the date of discontinuance and ends on:

- (a) the first anniversary of the date of discontinuance, if at least two years' premiums have been paid when premium payment is discontinued, or
- (b) if two years' premiums have not been paid but a terminal illness claim in respect of the life assured (or either of the lives assured) under the policy is being considered by the Institution, the sooner of the 30th day following rejection of the claim or the first anniversary of 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 and no such terminal illness claim as above is under consideration when payment of premiums is discontinued, provision 2.4 will apply at the date of discontinuance.

The titleholder may request that provision 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 sum assured will be reduced to an amount determined by the Institution, unless this amount would be less than the minimum amount 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 or terminal illness of the life assured (or on the death or terminal illness of the first of the lives assured to die or become ill 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 2.3, 3.3, 3.5 and 7.7 and to any statement in the schedule to the policy, the death benefit will be the sum assured increased by any bonuses applying at the date of death 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 a claim to the death benefit was due to suicide within one year of the effective date of the policy, the policy will become invalid and no benefits will be payable. 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 Pre-payment on terminal illness before age 75

A death benefit will become payable under the policy in the event that a terminal illness is suffered by:

- (a) the life assured, if there is only one, or
- (b) if there are two or more lives assured, the first of them to suffer a terminal illness,

provided the policy is then in force and provided the Institution receives the claim in respect of such illness before the attainment of age 75 by the life assured in respect of whom the claim is made.

"Terminal illness" means that, in the opinion of the medical specialist involved and subject to the agreement of our chief medical officer, the expectation of life is less than 12 months.

The amount payable will be equal to the amount which would have been payable under provision 3.2 had death occurred on the date the Institution admits the claim.

Any claim in respect of terminal illness is subject to the following:

No claims will be admitted where the life assured unreasonably fails to seek or follow medical advice in relation to the illness.

Claims must be notified to the Institution as soon as possible or at least within 12 weeks following commencement of any period of terminal illness.

The claimant must furnish at his own expense, all certificates, information or other evidence the Institution may require in support of the claim and the life assured must submit to medical examination (by a doctor of the Institution's choosing) as often as the Institution may require. Such medical costs incurred in the United Kingdom, or the geographical limits set out below will be refunded on admission of the claim.

No benefits shall be payable if the life assured (or either of the lives assured) is resident outside the European Union, Switzerland, Norway, Finland, the Channel Islands, the Isle of Man, North America, Australia or New Zealand for more than 12 consecutive weeks unless the Institution shall have agreed otherwise in writing and on such terms as the Institution may require.

If the life (or either of the lives) assured is resident outside of the defined geographical limits set out above at the time they become eligible to claim the benefit, then any payment shall be made only after the diagnosis has been supported by medical evidence from a registered practitioner in the United Kingdom and such other evidence as the Institution deems to be appropriate.

3.5 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 3.6.

3.6 Deduction

The deduction described in this provision, if it is to be made in accordance with provision 3.5 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 or admittance of a terminal illness claim 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.

3.7 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 provisions 2.3 and 7.7, the cash sum will be equal to the 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 cash sum will be payable to the titleholder. If the policy has been assigned to a building society or bank as security for a loan, the cash sum will be payable to the building society or bank and they will deduct the amount of the loan 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

If you effected the policy as a means of repaying a mortgage 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 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 15 of the Income and Corporation Taxes Act 1988. Any additional assurance must be for a term of at least ten years.
- (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, all premiums due to date under it have been paid and no terminal illness claim is under consideration.
- (h) Option (b) in provision 6.1 is subject to the following additional conditions:
 - (1) 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.
 - (2) 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 sum assured, and
 - (iii) the excess (if any) of £50,000 over the sum assured.
 - (3) The total amount of assurance under all policies effected with the Institution on the life of the life assured (or the lives assured) for mortgage purposes which carry options to effect further policies in relation to a mortgage together with all additional policies effected as a result of exercising such options must not exceed £50,000.
 - (4) The option may be exercised more than once provided that:
 - (i) the total amount of the additional assurances effected under the option does not exceed the sum assured under the policy; and
 - (ii) the total amount of the assurance under the policy and any additional policies effected as a result of exercising options thereunder together with any other policies effected with the Institution on the life of the life assured (or the lives assured) which carry options to effect further policies in relation to a mortgage and any additional policies effected as a result of exercising such options, does not exceed £50,000.
 - (5) The frequency and due dates of payment of the premium under any additional policy must be the same as for the original policy.
 - (6) The option is not available under any policy which itself was effected as a result of such an option.

For a postponement of the maturity date, in practice the effect of Condition (d) will normally be that it is necessary that any extension to the term be for a minimum of 10 years. A shorter period may be possible if the policy has not been changed for over 10 years and the annual premiums will not be higher than any level previously payable in any given 12 months.

If you wish to postpone the maturity date of your policy or to effect an additional assurance you should contact your local Scottish Provident Regional Sales Office or the financial adviser who recommended that you effect this policy.

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 and Belfast.

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, it will be increased with interest from the date of death or the maturity date or the date the Institution admits a terminal illness claim, respectively, to the date of settlement unless the amount of increase is less than a minimum amount. The rate of interest and the minimum amount will be fixed by the Institution according to its practice at the time.

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 benefits under most of Scottish Provident's policies, including With-profits Endowment Plan policies, are paid out of its Common Fund. Each year an actuarial investigation is carried out and profits are distributed among with-profits policies in the form of declared bonuses, which are normally expressed as an addition to the with-profits benefits (including any existing declared bonuses). Once declared bonus has been added it becomes a permanent addition to the benefits and cannot be taken away.

An additional "terminal bonus" may also be paid. Terminal bonus reflects any especially favourable investment conditions over the period that a policy has been in force. Although terminal bonus is currently paid for many policies, there is no guarantee that it will be paid in future, or if it is at what level, since it depends on future investment conditions which cannot be foreseen.

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.

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 or Northern Ireland depending on whether benefits are stated in the schedule to the policy to be payable in London, Edinburgh or Belfast respectively.

7.10 Laws of the Institution

This policy is subject to the Laws of the Institution.