

Questions and Answers for Financial Advisers

Single Premium Review
Flexible Protection Bond and Personal Investment Bond

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› Review

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

As specified in the Bond Conditions, we have made a commitment to carry out reviews on the Flexible Protection Bond at the end of the initial 10-year period and every five years thereafter.

The purpose of the review is to determine that the fund value is sufficient to maintain the chosen level of cover and associated charges.

2. Why is Prudential International conducting reviews on the Personal Investment Bond?

While there was no indication in the Bond Conditions that Prudential International would conduct reviews on the Personal Investment Bond, it has been decided that it would be best practice to provide projected surrender values for bondholders who have life cover. This gives the client an indication of the cost of the life cover and the impact of this cost on their investment, based on the review assumptions.

As a result, these bonds will now go through a full review cycle. Bondholders will be sent a letter on their 10th bond anniversary and every subsequent 5th anniversary with projected surrender values. They will not be required to take any further action.

You should be aware that, as well as the charges for life cover benefits, other charges apply which are also deducted from the bond. If at any time there are insufficient funds in the bond to pay these charges, the bond and the life cover provided by it will cease immediately. If this situation arises, we will contact the client to give prior warning.

Flexible Protection Bond reviews

3. What is Prudential International's bond review?

We review each bond to assess whether the fund value is enough to maintain the chosen level of cover.

The fund value is assessed to determine whether it will be sufficient to sustain the current level of cover, using assumptions that the Appointed Actuary considers appropriate, particularly in relation to expected future returns. The review also takes into account charges that are taken from the bond, where appropriate, including monthly protection benefit charges, which allows for increases in the costs for critical illness cover.



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

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

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

These are:

- To make an additional investment to sustain the existing level of cover throughout life
- To make an additional investment to help sustain the existing level of cover for the next five years as determined by the review
- To reduce their level of cover to that which is sustainable throughout life as determined by the review
- To reduce their level of cover to help sustain the bond for the next five years as determined by the review
- 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 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 situation arises, we will contact your client in advance to allow them to take action should they choose to do so. In the meantime, irrespective of what choice the client has made, we will continue to review your client's bond at least every five years, at which point we will write to you and your client again, with appropriate options if required.

Important – for 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.

Prudential International Assurance will, in certain circumstances, 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 the view of Prudential International Assurance, 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 refrained from 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 will receive a copy of any correspondence issued to your client.

5. What are the benefits of these bond reviews?

This review provides benefits to both you and your client. It gives you an opportunity to contact your client and realistically assess how their needs are being met. For your client, it gives an up to date picture of the current value of their bond and their current level of cover.

In the case of Flexible Protection Bond, it also 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 wish to take.

6. Can you explain the review assumptions for me?

The review assumptions refer to the basis on which the review is calculated. The bases of these review calculations reflect the current best estimates of long term future investment returns and protection benefit and administration charges. As economic conditions and the cost of providing cover may change over time, the review basis may also change over time. If your client is invested in funds with a high cash deposit or fixed interest content, the future growth assumption assumed in our calculations is likely to overestimate your client's future fund performance.

A full explanation of the review assumptions is included within your client's review pack.

Flexible Protection Bond reviews

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

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

- A covering letter informing you 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).
- A Question and Answer booklet.

The review option form is issued to your client where the outcome is that the bond is unsustainable on the review basis.

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 option form to us in the Freepost envelope provided.

If no response or signed review option form has been received within four weeks of us contacting your client, a reminder letter will be sent to your client. You will receive a copy of this correspondence.

If the client does not 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.

Options are not provided for Personal Investment Bond reviews.

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

- We will send your client a letter informing them that a review has been completed, together with the outcome of the review and, where appropriate, the options that are now available to them.
- 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.

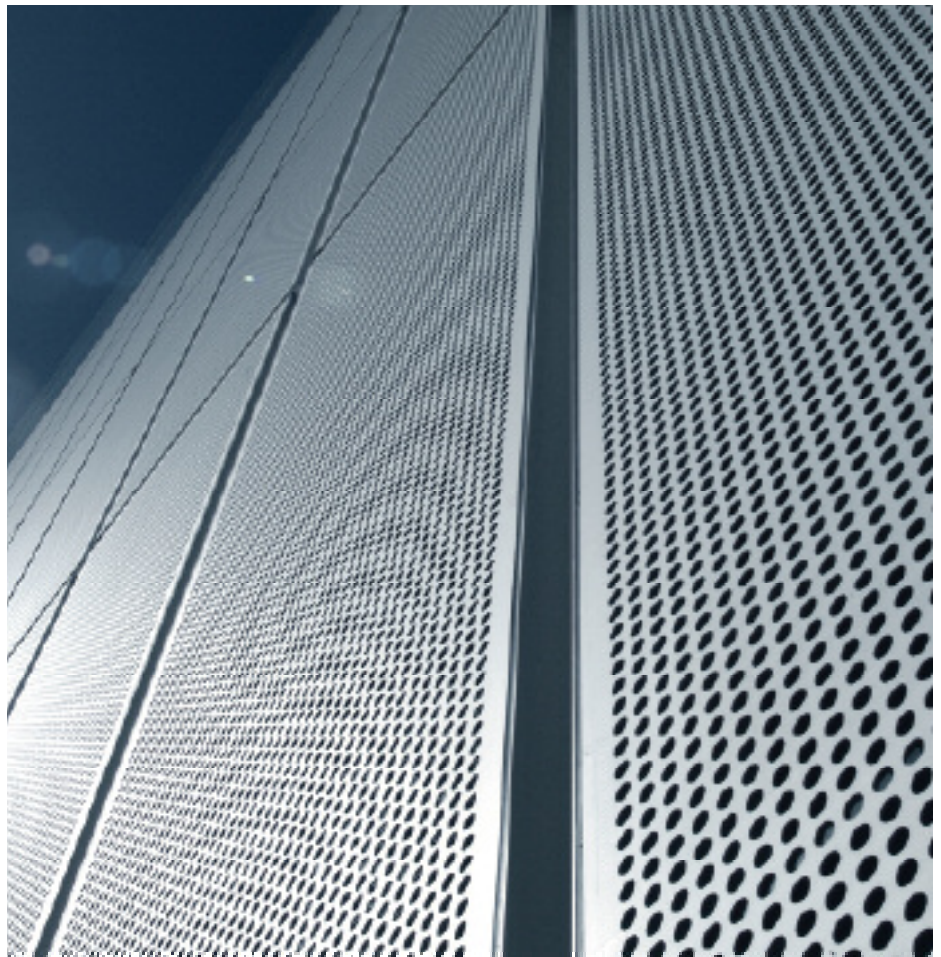
Note: A copy of the correspondence will be sent to each policyholder/trustee/assignee. Where there is more than one policyholder/trustee/assignee, it will be necessary for each of them to sign and return a review option form. Each form must indicate the same course of action.

9. What happens if my client does not respond?

The default option will be applied. If at that time there are insufficient funds in the bond to pay for its charges the cover will cease immediately. If this situation arises, we will contact your client in advance to allow them to take action should they choose to do so. In the meantime, we will continue to review your client's bond at least every five years, at which point we will write to you and your client again, with appropriate options if required.

10. Will commission be paid?

As you may be aware, Prudential International did not pay commission on the review of Long Term Care Bonds, as recommended by the ABI. As the Flexible Protection Bond is a similar protection product, we again do not intend to pay commission to Financial Advisers on any additional payments arising from reviews.



› Client information and issues

Flexible Protection Bond reviews

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

When your client purchased their Flexible Protection Bond, their premium was calculated 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)

We would also like to bring to your attention that the cost of providing critical illness cover has proved higher than anticipated, and 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 the 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 request that an alteration be made. Your client should specify the amount of premium increase that they can afford, and a revised benefit amount will be calculated. This revised information will be posted to your client, and they must send in the Alterations Options form, indicating that they are choosing the revised premium and benefit amount. We must receive this 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 request that their level of cover be reduced by less than that stated by the review. Your client should specify the level of cover that they require and a revised additional investment will be calculated. This revised information will be posted to your client, and they must send in the Alterations Options form, indicating that they are choosing a reduction in cover. We must receive this form before the bond's review is completed.

14. Can I complete the review option form on behalf of my client?

No, unfortunately you cannot. We require the signature of all policyholders, trustees and assignees.

› General information

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

Yes. We will continue to review your client's bond 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.

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

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

<http://www.pru.co.uk/funds/>

<http://www.pruadviser.co.uk/content/ourfunds/45126/453866/245740/>

17. What are the product features and related benefits of the Flexible Protection Bond and Personal Investment Bond?

These were explained in the original product literature, which accompanied each sale. If you would like a copy of this, please contact us and we will be pleased to send you a copy.

18. What do you mean by whole of life/lifetime of the life assured?

Whole of life/lifetime of the life assured is defined to be the bond anniversary where the life assured is aged 99. Where there is more than one life assured this depends on the death basis. For a Joint Life First Death bond, this would be the bond anniversary when the older life assured is aged 99. For Joint Life Last Death, this is 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.

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

No – this is not an option. Under the Bond Conditions Flexible Protection Bond is a reviewable product and we are reviewing Personal Investment Bonds as a matter of best practice. All bonds will be reviewed in due course.

20. I have other clients with bonds and I want them all reviewed together. Is this possible?

No, this is not an option – all bonds will be reviewed when each bond reaches the appropriate anniversary.

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

No, this is not possible. The company position is to send all communications directly to the client. You will be copied in on all correspondence.

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

You can contact your Prudential Account Manager.

Alternatively, there is a dedicated Prudential International Reviews Helpline on 0800 068 9140. This is available Monday to Friday from 9am to 5.30pm.

Calls may be monitored or recorded for quality and security purposes.

23. What is the complaints process?

Your client can contact us at the number provided previously, or alternatively write to us at the address below.

We will send a written acknowledgement of the complaint within five business days of its receipt. If we are unable to resolve the complaint within four weeks of receipt, we will send your client a letter explaining why we are not in a position to resolve their complaint and an indication of when we will make further contact.

If the complaint still has not been resolved within eight weeks of original receipt we will send your client:

- › a letter explaining why we have still not resolved the complaint with an indication of when they will hear further details from us, and
- › details of their right to refer their complaint to the Irish Financial Services Ombudsman Bureau.

We genuinely want our customers to be happy with our service and hope we will be able to resolve any concerns. Should you or your client wish to give us feedback on any aspect of our service which you feel could be improved, please let us know.

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

The registered office of Prudential International is in Ireland at Montague House, Adelaide Road, Dublin 2.





www.pruadviser.co.uk/international

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