



OFFICE OF FAIR TRADING

Report to the Office of Fair Trading

Core Terms Products

Volume 2 of 3

Permanent Health Insurance

Final Report - 24 February 1998

The findings of this research are made available as a basis for further discussion. The views expressed are those of the Consultants and do not necessarily represent the views of the Office of Fair Trading.

OFT230b

1. Introduction and Overview

1.1 Introduction

Consultants have been retained by the OFT (Office of Fair Trading) for the Phase 2 of the PMI Core Terms Project. The project brief included a review of PHI (permanent health insurance), CII (critical illness insurance) and LTCI (long term care insurance). This volume deals exclusively with PHI business.

1.2 Reliances and Limitations

This report has been based on PHI market experience and on the limited desk research carried out for the purposes of the project. The primary research inputs were the policy wordings obtained from selected PHI insurers. This report does not purport to represent a comprehensive current view of the individual consumer product offerings of all the PHI insurers in the UK.

The scope of the research and the report was restricted to a selection of individual consumer PHI products for the UK. Accordingly, we have not reviewed group PHI products.

1.3 Methodology

Our approach has been to review the literature obtained for the purposes of the project from a selection of the leading PHI insurers in the market, for individual consumer PHI business. We have then proceeded to build a generic PHI core terms product structure that could potentially be utilised by most PHI insurers in the UK. Although the core terms product structure took account of several actual PHI products, it is not based on any particular PHI product. Rather, it is an invention of the report authors, who made judgmental decisions on the more interesting product elements.

Our approach also tried to build the PHI core terms product structure from the viewpoint of an interested informed consumer who was a potential PHI customer. Our starting point was that such a consumer would wish to compare the product features of competing potentially interesting products. In order to facilitate such comparisons, it would be important to compare the policy definitions, general conditions and general exclusions applied by competing PHI insurers.

1.4 Executive Summary

The consultants were retained by the OFT for the PHI Core Terms project; the specification was contained in the consultants proposal and confirmed on 13 January 1998. The key deliverable was the preparation of a core terms PHI product template. The methodology was based on desk research. Although we reviewed the PHI products offered to individual consumers by several PHI insurers, we did not base the product template on any PHI product. Rather, it is a personal view based on an amalgam of several PHI products, overlaid with our (arbitrary) interpretation

of preferred product definitions and product design elements. Based on the work carried out for this study, our principal conclusions are set out below:

1. Most of the leading PHI insurers seem to have developed their own preferred policy definitions, general conditions and exclusions. Although some of the reasons are historical, we suspect that competitive market pressures have encouraged some insurers to make their products difficult to compare with those of their competitors.
2. We found the definitions of the disability and ADL conditions that would give rise to an eligible claim especially confusing, in so far as each insurer seems to have their views on disability matters. We would expect the lay reader to be even more confused, if they were to take the trouble to compare the disability and ADL definitions between the various insurers. We believe that the public would be better served by some standardisation of the technical definitions of disabilities and ADLs.
3. A by-product of this report is that some PHI insurers may be encouraged to review their policy wordings in the light of these PHI core terms products and moves towards a common set of policy definitions, conditions and exclusions, if only to help vulnerable consumers to understand exactly what is on offer and how it stacks up against the competition.
4. We have focused on the generic technical product design features, rather than on the commercial aspects that are subject to competitive market pressures.
5. Annex A contains the PHI Core Terms, which is a series of numbered product elements that can be used to specify a PHI product. There will not be an exact fit with actual PHI products, due to policy wording differences between the PHI insurers.
6. Our overall conclusion is that it is possible to introduce the notion of a PHI products 'standard', with the specific variations required by PHI insurers being noted as additions or subtractions to the standard PHI product. Furthermore, the existing PHI products can be measured against this standard, and interpreted by informed trade journalists and others, in the public interest. Given that most individual PHI consumers are planning for lifetime coverage, it is important that they are in a position to make informed choices of PHI suppliers. Our thesis is that these choices will be better informed if PHI insurers are required to justify their PHI products against a 'standard' product.

2. Benefits

2.1 Purpose of the Policy

The purpose of the **Policy** is to provide cover in the event of accident or sickness occurring during the **Period of Cover** which results in the **Incapacity** of an **Insured Person**. The **Benefits** available are payable to the **Policyholder** subject to the **Deferred Period**, the **Benefit** terms, exclusions from cover and the conditions set out in the **Policy**.

2.2 Income Replacement Benefit

We will pay you **Income Replacement Benefit** if the **Life Assured** suffers a period of **Incapacity**. The **Benefit** payable is stated in the **Policy Schedule**.

2.3 Rehabilitation Income Replacement Benefit

We will pay you **Rehabilitation Income Replacement Benefit** if immediately following a **Benefit Period** the **Life Assured** either:

- a) enters into an occupation other than the occupation in which he/she was engaged prior to the onset of the accident or illness and that new occupation is less remunerative than the prior occupation; or
- b) returns to the occupation in which he/she was engaged prior to the onset of the accident or illness, but at a reduced level of activity and remuneration.

The **Benefit** payable is stated in the **Policy Schedule**.

2.4 Total Benefit

Eligibility for Total **Benefit** arises if immediately prior to **Incapacity** you were following a **Gainful Occupation** and you are after the onset of **Incapacity** following any other **Occupation**. If your **Normal Occupation** falls within Classifications A or B stated in the **Policy Schedule** eligibility for Total **Benefit** will be as stated in the **Policy Schedule** endorsement.

The **Benefit** payable is stated in the **Policy Schedule**. Total **Benefit** will be payable until the first to occur of:

- (i) Termination of **Incapacity**; or
- (ii) Attainment of **Termination Age**; or
- (iii) Attainment of the **Insured Person's** normal pension age; or
- (iv) The **Insured Person's** death

2.5 Limited Benefit

Eligibility for Limited **Benefit** arises if immediately prior to **Incapacity you** were solely engaged in household duties or a **Part-time Occupation** or **you** were **Unemployed** and as a result of the **Incapacity you** are then unable to follow any **Occupation** and **you** are confined to **your** home or to a **Hospital**.

The **Benefit** payable shall not exceed £833 per month as adjusted by **Benefit** terms. Limited **Benefit** will be payable until the first to occur of:

- (i) Termination of **Incapacity**; or
- (ii) Attainment of **Termination Age**; or
- (iii) Attainment of the **Insured Person's** normal pension age; or
- (iv) The **Insured Person's** death

2.6 Proportionate Benefit

Eligibility for Proportionate **Benefit** arises if immediately prior to **Incapacity you** were following a **Gainful Occupation** and as a result of the **Incapacity you** follow a different **Occupation** with a reduction in **your Normal Earnings**. If your **Normal Occupation** falls within Classifications A or B stated in the **Policy Schedule** eligibility for Total **Benefit** will be as stated in the **Policy Schedule** endorsement. Proportionate **Benefit** is not payable if your **Normal Occupation** falls within Classification in the Policy Schedule.

The **Benefit** payable will be the percentage reduction of **your Normal Earnings** applied to the Total **Benefit**. For example, if **your Normal Earnings** are reduced by 70% you will receive 70% of the Total **Benefit**. Proportionate **Benefit** will be payable until the first to occur of:

- (i) Termination of **Incapacity**; or
- (ii) Attainment of **Termination Age**; or
- (iii) Attainment of the **your** normal pension age; or
- (iv) **Your** death

For the purpose of calculating the reduction in **Normal Earnings** under Proportionate **Benefit**, any net increase in the General Index of Retail Prices (or a replacement of that index which is acceptable to us) between the onset of **Incapacity** and the date when eligibility for Proportionate **Benefit** arises will be taken into account. Proportionate **Benefit** will not be reduced by increases in **Normal Earnings** during the period in which that **Benefit** is being paid provided that increases do not exceed the increase in the General Index of Retail Prices (or a replacement of that index which is acceptable to us).

2.7 Rehabilitation Benefit

Eligibility for Rehabilitation **Benefit** arises if immediately prior to **Incapacity you** were

following a **Gainful Occupation** and if immediately prior to the **Incapacity** you were following a **Gainful Occupation** and if following **Incapacity** you resume your **Normal Occupation** but the **Incapacity** restricts the scope of your duties and as a result there is a reduction in your **Normal Earnings**.

The **Benefit** payable will be the percentage reduction of your **Normal Earnings** applied to the Total **Benefit**. For example, if your **Normal Earnings** are reduced by 70% you will receive 70% of the Total **Benefit**. **Rehabilitation Benefit** will be payable for a period not exceeding twelve months in respect of any one claim but not later than the earliest to occur of:

- (i) Termination of **Incapacity**; or
- (ii) Attainment of **Termination Age**; or
- (iii) Attainment of the **Insured Person's** normal pension age; or
- (iv) The **Insured Person's** death

For the purpose of calculating the reduction in **Normal Earnings** under **Rehabilitation Benefit**, any net increase in the General Index of Retail Prices (or a replacement of that index which is acceptable to us) between the onset of **Incapacity** and the date when eligibility for **Rehabilitation Benefit** arises will be taken into account. **Rehabilitation Benefit** will not be reduced by increases in **Normal Earnings** during the period in which that **Benefit** is being paid provided that increases do not exceed the increase in the General Index of Retail Prices (or a replacement of that index which is acceptable to us).

2.8 Hospital Benefit

Eligibility for **Hospital Benefit** arises if your **Deferred Period** is four weeks and you have been required as a direct result of your **Incapacity** to spend at least seven consecutive days in a **Hospital** during your **Deferred Period** of four weeks and at the end of such **Deferred Period** you are also eligible for Total **Benefit**.

The **Benefit** is a single payment payable at the end of the **Deferred Period** and equivalent to one month's payment of Total **Benefit**.

2.9 Payment of Benefit on Death

If the **Life Assured** dies whilst this **Plan** is in force then unless we are paying you **Benefits** we will pay you a sum equivalent to the **Contributions** paid or payable in respect of that **Life Assured** during the first 12 months of the existence of the **Plan**.

Where at the time of the **Life Assured's** death we are paying you **Benefits** we will pay you a sum equivalent to 12 months **Income Replacement Benefit** immediately prior to the date of death.

On payment of the above **Benefit** on death the **Plan** will terminate and no further **Benefits** will be payable.

2.9 Automatic Increase Option (version 2)

If **your Schedule** refers to the Automatic Increase Option **we** will, on each anniversary of the **Commencement Date**, increase the amount of the **Income Replacement Benefit** stated in **your Schedule** (including any subsequent increases if appropriate) by the percentage previously agreed with **us** by reference to the **Index**.

You may reduce the amount of the annual increase or remove the option at any time. If **you** subsequently ask **us** to increase **your** annual percentage increase over and above the level previously agreed and set out in **your Schedule**, **we** may require **you** to provide **us** with such evidence of the **Life Assured's** continued good health and/or insurability as **we** reasonably require. **We** will also normally require a minimum of one month notification prior to the next anniversary of **your Commencement Date**.

Where the **Benefits** are increased under this option, **your Contributions** will also be increased to a level which, according to **our** calculations, is sufficient to sustain the increase in the **Benefits**. Any **Benefits** payable under this **Plan** during a **Benefit Period** will be increased on each anniversary of the **Commencement Date** in line with the **Index** (up to a maximum of 15% per year) irrespective of the Automatic Increase Option chosen. If the full amount of **your** elected Automatic Increase Option is not taken in one year this option will be cancelled.

2.10 Maternity Break Option

Unless **your Schedule** states that this option is not available, this option is available where the **Life Assured** decides to cease to be engaged in any employment or occupation for profit or reward, following the birth of her child, or ceases to be engaged in any employment or occupation for profit or reward, while pregnant with her child, and decides not to resume any such employment or occupation following the birth of her child.

Where you exercise this option, cover under the Maternity Break Option will commence at the end of the statutory maternity leave period whether or not full maternity leave has been taken. Where you exercise this option we will adjust the level of cover and **Contributions** payable under this **Plan** so that the **Benefits** payable under your **Schedule** should the **Life Assured** suffer a period of **Incapacity** will be equal to the **Maximum Income Replacement Benefit** payable to housewives.

Where the **Life Assured** returns to work the original level of **Benefits** payable (adjusted to take account of automatic increases where **you** have exercised this option) will be reinstated subject to you providing us with such evidence of the **Life Assured's** continued insurability as **we** reasonably require. **Your Contributions** will also be increased to a level which, according to our calculations, are sufficient to sustain the level of **Benefits** payable and which meets **our** minimum requirements for **Contributions**.

2.11 Promotional Increase Option

Unless **your Schedule** states that this option is not available, this option is available where the **Life Assured** is promoted within his/her employment or moves from one employer to another, but within the same occupation class and, as a result of either, receives an increase in his/her Earnings. Where this option is available **you** will be able to apply for an increase in **Benefits** of up to 25% within two months of the promotion or change of employment. You may exercise this option a maximum of two times under **your Plan** provided in each case the **Life Assured**:

- a) is aged under 50;
- b) can satisfactorily complete a Declaration of Continued Good Health;
- c) can provide, through his/her employer, satisfactory proof of the increase in Earnings; and
- d) continues to satisfy the conditions of Occupation Class 1.

Where the amount of your **Income Replacement Benefit** is subsequently increased under this option **your Contributions** will also be increased to a level which, according to our calculations, are sufficient to sustain the increase in the amount of **Benefits**. Increases under this option will be dealt with by the issue of a new **Plan**, on our terms and conditions in force at that time.

2.12 Unit Linking

The product is written as a unit linked contract, with notional investments in **Units** and the cancellation of **Units** to pay the risk charges and the management charges. The key features of the unit linking of the funds are set out below.

- a) The **Fund** is such fund (or funds) as is selected by us for the purpose of measuring investment experience. The **Fund** is maintained as a separately identifiable account by us for the purpose of calculating benefits under policies, which include this **Policy**. Should we consider that it has become impracticable or uneconomical to make the **Fund** available for further notional allocations or should legislation or the Inland Revenue regulations require it, we reserve the right to change the fund to which further notional allocations are made at any time without notice.
- b) A **Management Charge** will be deducted from each **Fund**. The rate of this charge at the **Commencement Date** of this **Policy** is one three hundred and sixty fifth ($1/365$) of 1% per day of each **Fund's** value. However, should we consider it necessary, for example in order to cover unexpected increases in costs, we reserve the right to vary this charge to a rate determined as being reasonable from time to time by us. **Fund** Valuations for the purpose of calculating the Management Charge will be made without adjustment for prospective liability to Capital Gains Tax or any other charge.
- c) Each **Fund** is divided into **Units** which may be grouped into units of different series. **Units** of a series are of equal value to all other units of the same series in the same Fund.

- d) The **Fund** will be valued at such intervals as we may determine.
- e) **Unit Values, Offer Prices and Bid Prices** of units of a fund will be determined simultaneously at these **Valuations**.
- f) Each **Fund** will be credited with the income, capital gains and other receipts of that **Fund**. When units are created in a **Fund** an amount equal to the value of those units will be credited to the **Fund**.
- g) Each **Fund** will be debited with duties and charges on the purchase and sale of **Fund** assets, expenses, costs, **Management Charges** and amounts determined by us in respect of actual or prospective taxes on income or capital gains. Each **Fund** will also be debited with amounts determined by us as fair and appropriate shares of any other taxes or levies made on us. When units in a **Fund** are cancelled their value will be debited to the **Fund**.
- h) The **Offer Unit Values** and the **Bid Unit Values** in respect of the **Fund** will be determined on the following bases:
 - i. The value of the quoted investments in the case of **Offer Unit Values** will be based on the lowest available market dealing offer prices and in the case of **Bid Unit Values** will be based on the highest available market dealing price.
 - ii. The valuation of property investments will have regard to any valuations prepared and certified by independent valuers appointed by us and will make due allowance for any variations since such valuations for all expenses including those of managing, maintaining and valuing properties.
 - iii. The valuation of any other investments will be determined having regard to such relevant factors as we consider appropriate.
- i) The **Offer Price** of units is the price at which the appropriate percentage, as shown on the **Policy Face**, of each Basic Premium will be notionally allocated to units by us. The **Offer Price** is determined by multiplying the **Offer Unit Value** by 100/95 to allow for an initial management charge and rounding up the result by not more than 1%.
- j) The **Bid Price** of units is the price at which notional cancellations of units will be made for the **Policy Charges** and **Cover Charges**. The **Bid Price** is determined by rounding down the **Bid Unit Value** by not more than 1%.

3. General Conditions

3.1 Actuarial Discretion

In carrying out any of the tasks which he/she has been set, the **Actuary**'s actions and decisions must be consistent with any relevant guidance published by the Institute of Actuaries in England and he/she must seek to ensure that the reasonable expectations of the **Company**'s planholders are preserved.

3.2 Alterations

Alterations to the **Plan Conditions** after their issue will be confirmed by separate endorsements which **you** should keep in a safe place together with the **Plan Conditions**. **You** should read any endorsements and the **Plan Conditions** together to ascertain the precise terms of the contract between **us**.

3.3 Assignment

The **Policyholder** shall not charge or assign any monies payable under this **Policy**.

3.4 Automatic Increases

The **Benefit** will increase automatically on the **Review Date** at the rate stated in the **Policy Schedule** or, if lower, in line with the General Index of Retail Prices as published three months prior to the month in which the **Review Date** occurs (or a replacement of that index which is acceptable to **us**) subject to the following:

- a). If **you** are eligible for **Benefit** at the **Anniversary Date**, the **Maximum Annual Amount Payable** rule that the total **Benefit** should not exceed 50% of your **Normal Earnings** will not apply to any increase in **Benefit**;
- b). Unless **you** are eligible for **Benefit** at the **Anniversary Date** no increases will be made during the five years preceding the year in which **you** attain the **Termination Age**;
- c). The premium will be revised on each **Review Date** to reflect the **Benefit**.

3.5 Benefits in respect of HIV

Incapacity caused by **HIV** will qualify for **Benefits** if the **Life Assured**'s occupation is one of those listed below and only if it is established that the infection was caused by an accidental injury either by a sharp instrument or by mucous membrane, exposure to blood or blood-stained body fluid, which occurred during the 12 months immediately before the date of diagnosis but after the **Commencement Date**, and that it happened while the **Life Assured** was following the normal duties of that occupation.

In addition to the above, it is a prerequisite to any claim for any **Benefit** that the following sequence of events took place:

- a) the accident was reported in accordance with the established occupational procedures for such an accident;
- b) within 5 days of the accident, the **Life Assured** underwent a blood test and this test indicated the absence of any **HIV** or antibodies to **HIV**; and
- c) the accident was followed up in accordance with the occupational procedures including a further blood test within 12 months, indicating a presence of **HIV** or of antibodies to such a virus.

The list of occupations covered by the above **HIV Benefits** are as follows:

- Hospital Doctors, Surgeons and Consultants
- Hospital Nurses, Hospital Laboratory Technicians
- General Practitioners and Practice Nurses, District Nurses, Midwives
- Dental Surgeons, Dental Nurses, Pharmacists
- Paramedics, Physiotherapists
- Members of the Prison Officers Association
- Ambulancemen and Ambulancewomen
- Policemen and Policewomen
- Firemen and Firewomen

Incapacity caused by **HIV** will also qualify for **Benefits** if the **Life Assured** was infected as a result of a blood transfusion carried out in the UK or Ireland after the commencement of the Plan. The diagnosis of **HIV** or antibodies to such a virus must be directly linked by pre-existing procedure to a blood transfusion carried out by a qualified medical professional within the UK or Ireland.

3.6 Cancellation

- a) This Policy will stand cancelled automatically upon non-payment of the premium, although we may at our discretion reinstate cover if the premium is subsequently paid within 14 days (if a monthly premium) or within 30 days (if an annual premium).
- b) Whilst we shall not cancel this Policy because of eligible claims made by any Insured Person, we may at any time (with retrospective effect where appropriate) terminate an Insured Person's cover or subject his/her cover to different terms in line with reasonable underwriting and insurance practice if he/she or the Policyholder has at any time:
 - i. Misled **us** by mis-statement, concealment or omission;
 - ii. Knowingly claimed **Benefit** for any purpose other than as are provided for under this **Policy**;
 - iii. Agreed to any attempt by a third party to obtain an unreasonable pecuniary advantage to **our** detriment;
 - iv. Otherwise failed to observe the terms and conditions of this **Policy** or failed to act

with utmost good faith.

3.7 Change of Risk (version 1)

- a) The **Policyholder** must inform **us**, as soon as reasonably possible, of any change of risk relating to an **Insured Person** including change of residence, **Occupation**, or immediately upon ceasing to be employed or upon retirement before the **Termination Age**.
- b) In line with reasonable underwriting practice, **we** reserve the right to cancel cover or take all or any of the following steps in relation to an **Insured Person** if there is a change of risk:
 - i. increase the premium
 - ii. reduce the **Termination Age**
 - iii. increase the **Deferred Period**
 - iv. reduce eligibility for **Benefit**
- c) If we do cancel this **Policy** for a change of risk **we** shall give 30 days notice sent by first class post or delivered by hand to the last known address of the **Policyholder**. If **we** do so, the **Policyholder** may be entitled to a proportionate refund of premium.

3.8 Change of Risk (version 2)

- a) The **Policyholder** must inform **us**, as soon as reasonably possible, of any change of risk relating to an **Insured Person** including change of residence, change of **Occupation**, ceasing to be employed; retirement before the **Termination Age**; each time **you** complete an aggregate 10 weeks' absence from **your** country of residence in any calendar year.
- b) In line with reasonable underwriting practice, **we** reserve the right to cancel cover following a change of risk:
- c) If **we** do cancel this **Policy** **we** shall give 30 days notice sent by first class post or delivered by hand to the last known address of the **Policyholder**. If **we** do so, the **Policyholder** may be entitled to a proportionate refund of premium

3.9 Compliance with Policy Terms

Our liability under this **Policy** will be conditional upon each **Insured Person** complying with its terms and conditions.

3.10 Contributions

Your first **Contribution** should be made to **us** on the **Commencement Date** and thereafter

Contributions should be made regularly at the frequency indicated in your **Schedule**. All **Contributions** must be paid in the manner required by the **Company**.

3.11 Contributions during a Benefit Period

If **your Contributions** are payable on a monthly basis under the **Plan** we will waive each **Contribution** falling due within the period of **Incapacity**. Where **your Contributions** are payable on an annual basis under the **Plan** we will waive such proportion of that **Contribution** which equates to the number of complete monthly **Contributions** which would have been waived if the **Plan** were written on a monthly basis. If **you** have paid the entire annual **Contribution** we will refund the relevant proportion and all further **Contributions** will be waived for as long as the **Incapacity** of the **Life Assured** continues. On the **Life Assured's** return to work any outstanding proportion of the annual **Contribution** will become due and payable at that time.

3.12 Entitlement

Entitlement to the **Benefit** commences only after the **Deferred Period** is completed with interruption whereupon, subject to this **Policy**, payment is made in respect of **Incapacity** continuing after the **Deferred Period**. **Benefit** will be paid monthly in arrears or at the termination of **Incapacity** if earlier. **Benefit** will be paid pro-rata for any periods of qualifying **Incapacity** of less than one month.

3.13 Exceptional Circumstances

We reserve the right to set aside or amend the **Plan Conditions** in the following circumstances:

- a) If it becomes impossible or unreasonable to follow them because of a change in legislation or regulations.
- b) If, in the opinion of the **Actuary**, circumstances have changed in a way that could not reasonably have been predicted at the **Commencement of the Plan**, and were it not to set aside or amend these **Plan Conditions**, the result would be unfair to our planholders.
- c) If the basis for taxing the **Company** changes, in which case we will only be entitled to make such changes as, in the opinion of the **Actuary**, balance fairly your interests and ours.

3.14 Foreign Residence or Travel (version 1)

Benefits will continue to be available if the **Life Assured** resides in or travels to Australia, Austria, Belgium, Canada, Channel Islands, Denmark, Finland, France, Germany, Great Britain, Greece, Gibraltar, Isle of Man, Italy, Luxembourg, the Netherlands, New Zealand, Northern Ireland, Norway, Portugal, Republic of Ireland, Spain, Sweden, Switzerland or the United States of America.

If during the **Benefits Period** the **Life Assured** resides in or travels to any country (other than those set out above) for a period or periods totalling more than 26 weeks no **Benefits** will be payable in respect of the period in excess of 26 weeks.

3.15 Foreign Residence or Travel (version 2)

The **Insured Person** may travel or temporarily reside in any part of the world, but **Benefit** payments will be restricted to a maximum period of six months throughout the period of **Incapacity** whilst the Insured Person is travelling or temporarily residing outside the European Community, Channel Islands, Isle of Man, USA and Canada.

3.16 Index Linking

The **Benefit** will be reviewed annually at the **Anniversary Date** in line with the General Index of Retail Prices (as published three months prior to the month in which the **Anniversary Date** occurs) or a replacement of that index which is acceptable to us subject to the following:

- a). if **you** are eligible for **Benefit** at the **Anniversary Date** any increase in **Benefit** will not exceed 12% of the **Benefit** in payment and the **Maximum Annual Amount Payable** rule that the total **Benefit** should not exceed 50% of your **Normal Earnings** will not apply to any increase in **Benefit**;
- b). unless **you** are eligible for **Benefit** at the **Anniversary Date** no increase will be made during the five years preceding the year in which **you** attain the **Termination Age**;
- c). a revised premium will be payable for any increase in **Benefit** which will be calculated using our then current rate for **your** age next birthday on the **Anniversary Date**;
- d). **we** reserve the right to cancel future index linking should the **you** notify **us** that **you** wish to decline an increase in **Benefit** on two consecutive occasions.

3.17 Jurisdiction

This **Policy** is governed by and shall be construed in accordance with the laws of, and shall be subject to the jurisdiction of the Courts of England and Wales. (See also **Law of Plan**).

3.18 Invalid Claims

If any claim under this **Policy** is in any respect invalid, then without affecting any other legal rights we may have, any **Benefit** paid in respect of that claim must be refunded and any **Benefit** otherwise payable in respect of that claim will be forfeited.

3.19 Law of Plan

This **Plan** is governed by the Law of England and Wales. (See also **Jurisdiction**).

3.20 Linked Claims

Where the Insured Person has been in receipt of **Benefit** and subsequently suffers **Incapacity** again from the same cause within six months of the cessation of that **Benefit** the **Deferred Period** is not re-applied.

3.21 Maximum Annual Amount Payable (version 1)

- a) When added to any other insurances and **Benefits** payable from whatever source including any continuation of salary or wages or any continuation of income from the **your** business as a consequence of **Incapacity** and any income from a pension fund but excluding the continuation of regular pension payments which were bring received prior to **Incapacity** and State Benefit, the annual amount of **Benefit** payable will be reduced so that the total shall not exceed 60% of **your Normal Earnings**.
- b) No premiums are returnable due to the operation of **a)** above.
- c) item **a)** above does not apply to Limited **Benefit**.

3.22 Maximum Annual Amount Payable (version 2)

- a) When added to any other insurances and **Benefits** payable from whatever source including any continuation of salary or wages or any continuation of income from the **your** business as a consequence of **Incapacity** and any income from a pension fund but excluding the continuation of regular pension payments which were bring received prior to **Incapacity** and State Benefit, the annual amount of **Benefit** payable will be reduced so that the total shall not exceed 50% of **your Normal Earnings**.
- b) No premiums are returnable due to the operation of **a)** above.
- c) **a)** above does not apply to Limited **Benefit**.

3.23 Medical Supervision

To be eligible for **Benefit** the **Insured Person** must be under the regular supervision and treatment of a **Medical Practitioner** in respect of **Incapacity**.

3.24 Mis-statement of Age

If the age of the **Life Assured** has been mis-stated on the **Application and Declaration Form**, the terms of the **Plan** will be adjusted in such a way as the **Actuary** reasonably decides is just and equitable to those which would have applied had the correct age been stated.

3.25 Non-payment of Contributions

You should ensure that all **Contributions** are paid on time. You should notify **us** if you are unable to make a payment for any reason. If a **Contribution** is not paid when due, then we may choose to terminate the **Plan** in which case our liability under the **Plan** and the **Plan** will cease from the date the last **Contribution** was payable. In the event of a claim we may deduct from the **Benefit** payable to you any outstanding **Contributions**.

3.26 Notice

Where any notice is required to be sent by **us** to the **Planholder**, such notice shall be in writing and sent to the last known address of the **Planholder** in the **Company's** records. Any communications **you** send to **us** should be in writing to address indicated in **your Schedule**. It will be assumed that any communications posted by **us** to **you** or by **you** to **us** will be received within three days of posting.

3.27 No Waiver

Nothing done or not done by **us** will amount to waiver or diminish **our** rights at any time.

3.28 Other Insurances/Benefits

The **Policyholder** must inform **us** as soon as reasonably possible of any other insurances or other **Benefits** in respect of accident or sickness being in effect with respect to the **Policyholder** or any **Insured Person**.

3.29 Payment in Sterling

All payments will be made in sterling at the rate ruling in London on the due date of payment.

3.30 Payment of Income Replacement Benefit

We will pay you **Income Replacement Benefit** if the **Life Assured** suffers a period of **Incapacity**. It is payable monthly in arrears, the first payment being made on the first day of the month following the expiry of the **Deferred Period** and the final payment being on the first day of the month following the **Income Replacement Benefit Termination Date**.

Following the **Deferred Period** which is stated in your **Schedule** the amount of each monthly payment of **Income Replacement Benefit** will be the lesser of:

- a) the **Initial Income Replacement Benefit** stated in your **Schedule** (including any subsequent increases if appropriate); and
- b) the **Maximum Income Replacement Benefit** allowable under these **Plan Conditions** which is based upon the level of the **Life Assured's Earnings** at the time of the claim less **State Incapacity Benefits** (whether claimed or not) and any other benefits or payment to which the **Life Assured** becomes entitled.

Where your **Schedule** states that two **Deferred Periods** apply, the amount of each monthly

payment of **Income Replacement Benefit** following the second **Deferred Period** will be the sum of the **Initial Income Replacement Benefit** and **Additional Income Replacement Benefit** stated in your **Schedule** subject to the **Maximum Income Replacement Benefit** described above.

On each anniversary of the **Commencement Date** during a **Benefit Period** we will increase the amount of your **Income Replacement Benefit** by reference to any increase in the Index (up to a maximum of 15% per annum)

The first and last payments will be proportionate amounts calculated by reference to the number of days between the expiry of the **Deferred Period** and the date of the first payment and the number of days between the date of the penultimate payment and the **Income Replacement Benefit Termination Date**. If the expiry of the **Deferred Period** and the **Income Replacement Benefit Termination Date** are within the same month, we will proportion your monthly **Income Replacement Benefit** payment for that month by reference to the number of days between the expiry of the **Deferred Period** and the **Income Replacement Benefit Termination Dates**.

If a period of **Incapacity** which results in the payment of **Income Replacement Benefit** or **Rehabilitation Income Replacement Benefit** is followed within 26 weeks by a further period of Incapacity and the further period of **Incapacity** arises from the same or a related medical condition we may waive the **Deferred Period** of the further period of **Incapacity**.

3.31 Payment of Rehabilitation Income Replacement Benefit

We will pay you **Rehabilitation Income Replacement Benefit** if immediately following a **Benefit Period** the **Life Assured** either:

- a) enters into an occupation other than the occupation in which he/she was engaged prior to the onset of the accident or illness and that new occupation is less remunerative than the prior occupation; or
- b) returns to the occupation in which he/she was engaged prior to the onset of the accident or illness, but at a reduced level of activity and remuneration.

The payment of **Rehabilitation Income Replacement Benefit** is conditional upon the **Life Assured** being totally unable, as a result of the accident or illness, to continue in his/her former occupation at his/her former level of activity. If the **Special Definition of Incapacity** applies, **Rehabilitation Income Replacement Benefit** will not be available in respect of a) above.

Rehabilitation Income Replacement Benefit is payable in the same manner as **Income Replacement Benefit** except that in respect of b) above **Rehabilitation Income Replacement Benefit** is only payable in respect of a maximum period of 52 weeks from the **Life Assured** returning to work. The amount of each monthly payment of **Rehabilitation Income Replacement Benefit** is calculated by multiplying the amount of **Income Replacement Benefit** previously payable by the following fraction:

$$\frac{(\text{Earnings (adjusted for changes in the Index during the Benefit Period)} - \text{new Earnings})}{\dots}$$

(**Earnings** (adjusted for changes in the **Index** during the **Benefit Period**))

3.32 Premium Review

We may review the premium payable under this **Policy** on the **Review Date** taking into account the actual and expected experience under individual permanent health insurance **Policies** issued by **us**.

- a) At least thirty days' written notice will be given any change in the premium payable under this Condition.
- b) A review may result in an increase or decrease in the premium payable.
- c) Non-payment of any increase in the premium arising from this condition within twenty-eight days will result in the **Benefit** being reduced pro-rata as from the date the increased premium fell due.

3.33 Premiums (version 1)

- a) The premium payable under this **Policy** is shown in the **Financial Statement**.
- b) This **Policy** shall not be subject to any alterations in premium rate except for those introduced at an **Anniversary Date** under **Index Linking** or those introduced following a **Change of Risk**.
- c) This **Policy** shall not be subject to any alterations in premium rate except for those introduced at an **Anniversary Date** under **Index Linking** or those introduced following a **Change of Risk** or those introduced at a **Review Date**.
- d) All premiums are payable in advance of any cover being provided under the **Policy**. Each monthly premium relates to one month's cover. Each annual premium relates to one year's cover.
- e) All premiums are due on the payment due date shown in the **Financial Statement**.

3.34 Premiums (version 2)

- a) The premium payable under the **Policy** at the **Commencement Date** is shown in the **Financial Statement**.
- b) We will review the premium payable under the **Policy** at the **Review Date** in line with reasonable underwriting practice, subject to the **Automatic Increases**.
- c) All premiums are payable in advance of any cover being provided under the **Policy**. Each monthly premium relates to one month's cover. Each annual premium relates to one year's cover.

- a) All premiums are due on the payment due date shown in the **Financial Statement**. This **Policy** will stand cancelled automatically upon non-payment of the premium, although **we** may at **our** discretion reinstate cover if the premium is subsequently paid within 14 days (if a monthly premium) or within 30 days (if an annual premium).

3.35 Re-numbering of Plan

We reserve the right to re-number the **Plan** for administrative reasons. If **we** do so **we** will give **you** written notice of this.

3.36 Review of the Plan

On the **Review Date**, a **Review** of **your Plan** will be carried out to establish whether your **Contributions**, now and in the future, will cover the level of **Benefits** you have selected. The **Actuary** will make what assumptions he/she considers to be reasonable in the circumstances regarding, for example, the expected level of claims, the expected level of inflation on our administration expenses and any other relevant factors.

We may carry out a **Review** at any time where we believe that circumstances have changed in a way which could not have reasonably been predicted at the commencement of the **Plan** with the result that the current level of **Contributions** is such that they are unlikely to be sufficient to provide for the **Benefits**.

If, following a **Review**, it is determined that the amount of your **Benefits** should be reduced in order to be supported by your current level of **Contributions**, you will have the option, within three months of the reduction, to restore your **Benefits** to the previous level for increased **Contributions**, without any evidence of continued good health or continued insurability. Any corresponding increase in the level of your **Contributions** will apply on the terms appropriate to new plans at that time. It may be that following a **Review** **your Benefits** may be increased without the need to increase your **Contributions**.

3.37 Reviving your Plan

If **your Plan** terminates as a result of non-payment of **Contributions**, **we** may, if you so request, reinstate **your Plan** in full, subject to the following conditions:

- a) **You** must pay any outstanding **Contributions**;
- b) **You** must establish such arrangement for future payment of **Contributions** that is satisfactory to **us**; and
- c) **You** must comply with all other reasonable requirements requested by us in order to satisfy ourselves that the **Life Assured's** continued insurability.

3.38 Termination

Cover under this **Plan** will terminate on the **Expiry Date** or, if you fail to make your **Contributions** when they are due. On termination the **Plan** will cease with no value.

3.39 Time Limits (version 1)

- a) Total **Benefit**, Limited **Benefit** and Proportionate **Benefit** will be payable until the first to occur of:
- i. termination of **Incapacity**; or
 - ii. attainment of **Termination Age**; or
 - iii. attainment of the **your** normal pension age; or
 - iv. **your** death.
- b) Rehabilitation **Benefit** will be payable for a period not exceeding twelve months in respect of any one claim but not later than the earliest to occur of:
- i. termination of **Incapacity**; or
 - ii. attainment of **Termination Age**; or
 - iii. attainment of the **your** normal pension age; or
 - iv. **your** death.

3.40 Time Limits (version 2)

- a) **Benefit** will be payable until the first to occur of:
- i. termination of **Incapacity** (or where you are eligible for Proportionate Benefit after returning to your Normal Occupation, the earliest date when the Incapacity no longer restricts the scope of your duties); or
 - ii. attainment of **Termination Age**; or
 - iii. attainment of the **your** normal pension age; or
 - iv. **your** death.
- b) **Benefit** will be payable for a maximum aggregate period not 5 years in respect of **Incapacity** due wholly or partly to one accident or type of sickness or related condition.
- c) Subject to **Change of Risk** while **you** are outside the UK, Channel Islands and the Isle of Man, **Benefit** will be payable for a maximum aggregate period of 6 months in respect of **Incapacity** due wholly or partly to one accident or type of sickness.

3.41 Waiver of Premium

During any period for which a **Benefit** payment is being paid to the **Insured** any premium falling due in respect of the **Insured Person** to whom the **Benefit** payments relate will be waived. Any revisions to the premium which would otherwise have been made under this **Policy** during such period will become effective at such time (if appropriate) as the premium payments recommence.

4. General Exclusions

General exclusions apply to **Benefits** in respect of the **Incapacity** of the **Life Assured**, if it arises directly or indirectly from:

4.1 Abuse of Drugs or Alcohol

The consequences of the taking of alcohol or drugs, other than drugs as directed by a registered **Medical Practitioner**.

4.2 Criminal Acts

The consequences of participation in any criminal act.

4.3 Disclaimer

We may refuse to provide you with **Benefits** where **you** have deliberately or negligently withheld or given **us** incomplete or untruthful information in **your Application and Declaration Form** or during the lifetime of **your Plan** or if you break the terms of **your Plan**.

4.4 HIV/AIDS (version 1)

Unless the **Incapacity** arises from one the specific **HIV** exemptions, **we** will not accept a claim for **Benefits** if the **Incapacity** is due, directly or indirectly, to or arises, directly or indirectly, from any **AIDS** or infection by any **HIV**, or other similar, or related, condition or syndrome.

4.5 HIV/AIDS (version 2)

Incapacity, due to any cause, of an **Insured Person** found at any time to be infected by a Human Immunodeficiency Virus (**HIV**) or whose medical condition at any time indicates the development of Acquired Immune Deficiency Syndrome (**AIDS**).

4.6 Intoxicating Liquor or Drugs

Incapacity due wholly or partly to the **Insured Person's** wilful or reckless exposure to the effects of drugs or intoxicating liquor, other than drugs (not including drugs taken for the treatment of drug addiction) taken in accordance with the treatment prescribed and directed by a **Medical Practitioner**.

4.7 ME (myalgic encephalomyelitis)

Incapacity due wholly or partly to chronic fatigue syndrome (myalgic encephalomyelitis or 'ME').

4.8 Medical Advice

The unreasonable failure of the **Life Assured** to seek or follow medical advice or treatment.

4.9 Mental Illness

Incapacity due wholly or partly to mental illness or emotional or behavioural conditions.

4.10 Pre-existing Conditions

Incapacity otherwise covered by this **Policy** and due wholly or partly to any illness or injury or any related condition which existed or was foreseeable prior to or which recurs after the **Commencement Date** until 5 consecutive years have elapsed after the **Commencement Date** during which **you** have had no treatment, advice or prescription from, or any consultation with a **Medical Practitioner** in respect of that illness or injury or any related condition.

4.11 Pregnancy and Childbirth (version 1)

Incapacity attributable to pregnancy or childbirth or complications arising therefrom (unless **Incapacity** extends beyond a date 13 weeks after the conclusion of such pregnancy, in which case **Incapacity** shall be deemed to have commenced 13 weeks after the conclusion of the pregnancy).

4.12 Pregnancy and Childbirth (version 2)

Incapacity due wholly or partly to pregnancy, childbirth or any consequence thereof until thirteen consecutive weeks' Incapacity plus the **Deferred Period** have elapsed after the end of the pregnancy.

4.13 Repetitive Strain Injury

Incapacity due wholly or partly to work-related upper limb disorder or to any repetitive strain injury or 'RSI'.

4.14 Self-inflicted injury

Self-inflicted injury, **whilst sane or insane**.

4.15 War and Similar Risks (version 1)

Civil commotion, riot, insurrection, war (whether declared or undeclared) or any act incident to war or service in the armed forces of any country at war.

4.16 War and Similar Risks (version 2)

Incapacity due wholly or partly due to a consequence of war invasion, act of foreign enemy, hostilities (whether war be declared or not) civil war, rebellion, revolution, insurrection or military or usurped power.

5. Claims Settlement

(a) Claims Procedure (version 1)

- 5.1 In the event that **you** should need to make a claim under your **Plan**, **you** should notify **us** within two weeks after the **Incapacity** arose, if the first or only **Deferred Period** is 4 or 13 weeks, and within eight weeks after the **Incapacity** arose where other **Deferred Periods** apply.
- 5.2 The **Life Assured** will be required to give any necessary consent to our obtaining access to his/her medical records and may be required to be examined by a medical examiner nominated by us. We will not be responsible for any expense incurred in providing us with any information pursuant to this provision (including travel expenses to the place of appointment with the medical examiner), except that any fees paid to the medical examiner or to any doctor for information requested by us will be our responsibility.
- 5.3 **We** may also arrange for a Disability Counsellor to visit the **Life Assured** in his/her own home, to gain a better understanding of their circumstances, and to discuss **Benefits** and make any other enquiries that he/she reasonably considers appropriate in connection with the claim.
- 5.4 We reserve the right to refuse to accept medical evidence unless such evidence is supplied by a registered medical practitioner within the United Kingdom, Western Europe or such other country as we may determine.
- 5.5 The **Life Assured** will be required to provide us with a copy of the Certificate of Pay from their employer (currently known as the “P60”) or, if self-employed, any Notice of Assessment (whether agreed or not) and the related certified accounts together, where requested with a copy of his/her Certificate of Employee Benefits (currently known as the “P11D”) and/or his/her dividend statements. We may require further information from the **Life Assured**’s employer which we consider relevant to the claim, including a copy of his/her job description. In exceptional circumstances if the **Life Assured** is unable to provide us with this information, for example, following a business start-up then we may accept such information that is reasonably available, or alternatively we may restrict the level of **Benefit** accordingly.
- 5.6 Satisfactory proof of age of the **Life Assured** will have to be provided before any **Benefit** will be paid.
- 5.7 In the event of a claim for **Benefit** payable on the death of the **Life Assured** you will need to provide us with such other documents and information as **we** may reasonably require to satisfy ourselves of the claim. This will include the death certificate, grant of representation (unless the nomination of beneficiary has been completed on your **Application and Declaration Form**), proof of age and your **Schedule**.

- 5.8 We may decline or postpone **your** claim if the event or illness giving rise to the claim fails to satisfy the definition of **Incapacity** or if one of the exclusions applies. We will not be required to accept any claim if the **Life Assured** fails to undergo any examination or tests that are reasonably required by us.
- 5.9 If you do not notify us of the claim within the time limits specified above or we reasonably consider that the completion of the claim form, the provision of any information or a medical examination that have been unreasonably withheld or delayed, we may treat the period of **Incapacity** as having commenced once we receive this information.
- 5.10 We will reconsider your claim if we have previously declined or postponed it where further evidence becomes available.
- 5.11 At regular intervals throughout a period of **Incapacity** we will re-assess your claim taking account of any changes in the **Life Assured**'s circumstances. We may also require further information, completion of a further claim form, a further medical examination or tests or a further visit by a Disability Counsellor. If we are of the reasonable opinion that satisfaction of these further requirements has been unreasonably withheld or delayed, we may withhold **Benefits** until the **Life Assured** provides us with such further information or until these requirements are met. No **Benefits** will be payable in respect of that period.

(b) Claims Procedure (version 2)

- 5.12 Notification of a claim for **Benefit** must be given to **us** in writing as soon as reasonably possible after a period of **Incapacity** has lasted for two months (or for the duration of the **Deferred Period** if shorter than two months).
- 5.13 Claim forms and any other documentation issued by **us** must be completed and returned to **us** as soon as reasonably possible.
- 5.14 All certificates including proof of age, information and evidence required by **us** shall be provided at the **Insured Person's** expense and shall be in such form and of such nature as **we** may reasonably prescribe. In particular the **Insured Person** will sign any consent forms provided by **us** to allow **us** access to any of their relevant medical records held by a **Medical Practitioner**.
- 5.15 As often as **we** reasonably require the **Insured Person** will provide such information as we may request and submit (on our behalf and at our expense) to medical examination or tests (including blood tests) by a medical examiner appointed by us in respect of any alleged accident or sickness and the **Insured Person** shall sign any necessary consent forms provided by us to allow us access to the results of any relevant medical examinations and/or tests.

5.16 The **Insured Person** shall take whatever reasonable steps are necessary to assist their recovery including allowing access by disability councillors and/or advisers appointed for our purpose and the **Insured Person** shall sign any necessary consent forms.

5.17 Claims may only be made in respect of **Incapacity** during a **Period of Cover**.

(c) **Claims Procedure** (version 3)

5.18 Notification of a claim for **Benefit** must be given to **us** in writing as soon as reasonably possible after a period of **Incapacity** has lasted for two months.

5.19 Claim forms and any other documentation issued by **us** must be completed and returned to **us** as soon as reasonably possible.

5.20 All certificates including proof of age, information and evidence required by **us** shall be provided at the **Insured Person's** expense and shall be in such form and of such nature as **we** may reasonably prescribe. In particular the **Insured Person** will sign any consent forms provided by **us** to allow **us** access to any of their relevant medical records held by a **Medical Practitioner**.

5.21 As often as **we** reasonably require the **Insured Person** will provide such information as we may request and submit (on our behalf and at our expense) to medical examination or tests (including blood tests) by a medical examiner appointed by us in respect of any alleged accident or sickness and the **Insured Person** shall sign any necessary consent forms provided by us to allow us access to the results of any relevant medical examinations and/or tests.

5.22 The **Insured Person** shall take whatever reasonable steps are necessary to assist their recovery including allowing access by disability councillors and/or advisers appointed for our purpose and the **Insured Person** shall sign any necessary consent forms.

5.23 Claims may only be made in respect of **Incapacity** during a **Period of Cover**.

(d) **Claims – Rights of Insurer**

5.24 The **Policyholder** must without delay give us or procure that the relevant **Insured Person** gives **us** without delay written notification of any claim or right of action against any party arising out of any circumstances which gave rise to a claim under this **Policy** and must continue to keep **us** fully informed in writing and take all steps **we** reasonably require in making a claim upon that other party.

5.25 **We** shall be entitled to prosecute in any **Insured Person's** name for **our** own benefit any claim for indemnity or damages or otherwise which relates to any **Benefits** and costs paid

or payable under this **Policy**. **We** shall have full discretion in the conduct of any such proceedings and in the settlement of any such claim but **we** shall have not responsibility for any claim for uninsured losses, in respect of which the **Policyholder** and each **Insured Person** should ensure that independent legal advice is taken.

6. Redress

Telephone Helpline

We are confident that you will be more than happy with your **Policy**. However, if you decide you are not completely satisfied with this Policy please telephone us (on 0800) to talk through your concerns.

Free Trial Period

If you do not wish to accept this Policy, please tell us in writing within 28 days of receipt of our confirmation of your cover. Provided that you have not made a claim, we will refund in full any premiums paid.

Complaints Process – Stage 1

If you have any cause for complaint relating to how we have sold or administered your Policy, or if you are dissatisfied with the way in which your claim has been handled, then please write to us at the address below. Please also quote your policy number when possible.

Contact, Insurer, Address, Telephone Number

Complaints Process – Stage 2

We anticipate that most problems will be resolved at Stage 1. However, should the matter not be resolved to your satisfaction, you may refer your case to us at the address below.

Contact, Insurer, Address, Telephone Number

If the dispute cannot be resolved your complaint at Stage 2, the Insurers offer their preferred methods of dispute resolution. In each case, the plaintiff can decide to take legal action against the Insurer, although the likelihood of success may be influenced by the recommendations from the selected method of dispute resolution. The typical methods of dispute resolution are summarised below.

Complaints Process – Stage 3 – Method A

If we cannot resolve your complaint at Stage 2, you can then refer it to the Chartered Institute of Arbitrators, who provide a personal insurance arbitration scheme. It is a long-established and effective method of resolving disputes, by means of independent arbitration. The arbitration service is paid for by the **Insurer**. You can contact the Chartered Institute of Arbitrators at:

Contact, Chartered Institute of Arbitrators, Address, Telephone Number

This procedure does not affect any right of action that you may have against us.

Complaints Process – Stage 3 – Method B

If we cannot resolve your complaint at Stage 2, you can then refer it to the Association of British Insurers. You can contact either the Consumer Information Department in London, or else one of the Regional Offices of the ABI.

Contact, Consumer Information Dept., ABI, Address, Telephone Number

This procedure does not affect any right of action that you may have against us.

Complaints Process – Stage 3 – Method C

If we cannot resolve your complaint at Stage 2, you can then refer it to the Insurance Ombudsman. Please do not contact the Insurance Ombudsman until you have followed the complaints procedure above as he will not consider the complaint until our complaints procedure has been exhausted.

Contact, Insurance Ombudsman, Address, Telephone Number

We are bound by the Insurance Ombudsman's decision, but you are not. This procedure does not affect any right of action that you may have against us.

7. Glossary of Definitions

1. Activities of Daily Living (version 1)

These are:

1. **Shopping** the ability to get to and from the nearest shops and carry a small bag of shopping.
2. **Cooking** the ability to prepare or cook a basic meal.
3. **Childcare** the ability to supervise a child under the age of 5 by feeding, washing and dressing the child.
4. **Handling money** the ability to recognise money and its transactional value and to handle basic household finances.
5. **Taking medicine** the ability to take routine medication prescribed by a recognised medical practitioner.
6. **Housework** the ability to carry out light indoor household duties, such as dusting, washing dishes, use of a vacuum cleaner and bed making.

2. Activities of Daily Living (version 2)

These are:

1. **Shopping** the ability to get to and from the nearest shops and carry a small bag of shopping.
2. **Cooking** the ability to prepare or cook a basic meal.
3. **Child minding** the ability to supervise a child under the age of 5 by feeding, washing and dressing the child.
4. **Handling money** the ability to recognise money and its transactional value and to handle basic household finances.
5. **Taking medicine** the ability to take routine medication prescribed by a recognised medical practitioner.
6. **Housework** the ability to carry out light indoor household tasks such as dusting, washing dishes and bed making.

3. **Activities of Daily Living** (version 3)

These are:

1. **Mobility** moving indoors from room to room on a level surface.
2. **Washing** washing in the bath or shower (including getting in or out of the bath or shower) or satisfactorily by other conventional means.
3. **Dressing** putting on, taking off, securing and unfastening all necessary garments and, as appropriate, any braces, artificial limbs or other surgical appliances.
4. **Feeding** feeding one's self once food has been prepared and made available.
5. **Toileting** using the lavatory or commode or otherwise managing bowel and bladder function through the use of protective undergarments or surgical appliances if appropriate.
6. **Transferring** moving from a bed to an upright chair or wheelchair and vice versa.

4. **Activities of Daily Living** (version 4)

These are:

1. **Dressing or undressing** without the assistance of another person.
2. **Washing or bathing** without the assistance of another person.
3. **Eating** without the assistance of another person.
4. **Preparing food** without the assistance of another person.
5. **Climbing stairs** without the assistance of another person.
6. **Shopping** without the assistance of another person.

5. **Actuary**

The actuary appointed by the *Company* in accordance with Section 19 of the Insurance Companies Act 1982.

6. AIDS

Acquired Immunodeficiency Syndrome (as defined from time to time by the World Health Organisation or any successor to such organisation) which the **Insured Person** (or **Life Assured** or **Life Insured**) is at any time found by medical history, examination or testing to have developed.

7. Anniversary Date

The annual anniversary of the **Commencement Date**.

8. Application

The **Application** accepted by **us** for the provision of cover under this **Policy**.

9. Application and Declaration Form

The **Company's** standard **application and declaration form** containing the information provided by the **Planholder** in connection with the **Plan**.

10. Benefit (version 1)

The monthly **Benefit** stated in the **Policy Schedule** or, where appropriate, a proportion of the monthly **Benefit** calculated in accordance with the terms of this **Policy**.

11. Benefits (version 2)

The **Benefits** that are available under the **Plan** paid in accordance with the **Plan Conditions**.

12. Benefit Period

Any period of **Incapacity**, but excluding any **Deferred Period** and excluding any period after the **Income Replacement Benefit Termination Date**.

13. Bid Price

The **Bid Price** of **Units** is the price at which **Units** normally will be cancelled by **Us**. The **Bid Price** is determined by rounding down the **Bid Unit Value** by not more than 1%. Any such rounding down adjustment will accrue to **Us**.

14. Bid Unit Values

The value of quoted investments in **Bid Unit Values** is based on the highest available market dealing price. The value of property investments will have regard to any valuations prepared and certified by independent valuers appointed by **Us** and will make due allowance for any variations

since such valuations and for all expenses including those of managing, maintaining and valuing the properties. The valuation of any other investments will be determined having regard to such relevant factors as **We** consider appropriate.

15. Commencement Date (version 1)

The date shown in the **Policy Schedule** on which cover under this **Policy** commences.

16. Commencement Date (version 2)

The date on which the **Plan** commences and the first **Contribution** is due, as specified in **your Schedule**.

17. Company

The name of the underwriter of the contract of insurance. Also known as **We** or **Us**.

18. Confinement

Confinement means confinement as an in-patient at the direction of a registered Medical Practitioner for the sole purpose of curing or relieving an acute illness or injury.

19. Contributions

Contributions are payments specified in the **Schedule** (or any increased or decreased **Contributions** following a **Review**) which you are required to pay at regular intervals throughout the term of the **Plan**.

20. Cover

The amount of the **Death Benefit** and of the **Disability Benefits** and any **Crisis Benefit** for the time being in force.

21. Cover Charges

The cost of the **Cover** and the cost of the **Waiver of Premium Benefit** will be recovered within a monthly **Cover Charge**. The amount of the **Cover Charge** each month will be the amount of the **Cover** multiplied by a factor determined from time to time by us based on the probability of the incidence and duration of a claim, having regard to

- a) The type of **Cover** provided and
- b) The sex of the **Life Assured** and
- c) The age of the **Life Assured** at the **Policy Anniversary** which coincides with or precedes the calculation (or, in the first **Policy** year, the **Commencement Date**) and

- d) The occupation of the *Life Assured* and
- e) The *Deferred Period* and
- f) Such other factors relevant to the disability risk as were determined by *Us* or before the *Commencement Date* and subsequently.

22. Crisis Benefit

Crisis Benefit will only apply if so stated on the *Policy Schedule* (or *Policy Face*).

Subject to the excluded causes and *Residence* Requirements and to the *Disability and Crisis Benefits Provisions*, entitlement to *Crisis Benefit* arises upon the *Insured Person* (or *Life Assured*) being confined to *Hospital* for seven consecutive days or more within the *Deferred Period*. *Crisis Benefit* will be at the level of *Disability Benefit* which would, but for the *Deferred Period*, have been payable at that time (and will also be limited by any continuing income in accordance with the *Limitation of Disability and Crisis Benefits Provisions*) and entitlement will accrue on a daily basis from the date of the *Confinement* until the earlier of the termination of the disability, the *Termination Date* and the expiry of the *Deferred Period*.

23. Deferred Period (version 1)

The number of consecutive weeks of *Incapacity* shown in the *Policy Schedule* in respect of which no *Benefit* is payable under this *Policy* and which must pass before the *Insured Person* becomes eligible, subject to the terms of this *Policy*, to receive *Benefit*.

24. Deferred Period (version 2)

The period of *Incapacity* of the duration specified in the *Schedule* commencing on the first day of *Incapacity* and expiring at the end of the *Deferred Period*. If the *Schedule* states that you have two *Deferred Periods* the second *Deferred Period* means the period of *Incapacity* of the duration specified in the *Schedule* commencing on the first day of *Incapacity* and expiring at the end of the second *Deferred Period*.

25. Disability and Crisis Benefits Provisions

- a). Payment of Benefits under the Disability Benefit Provisions in respect of any month or part thereof will be conditional upon the Policyholder producing such information and evidence as we may require to verify the claim, including:
 - (i) Notification of the Life Assured's disability being given to us at our Head Office in writing as soon as is reasonably practicable and no later than eight weeks after the onset of the disability (in order that we may properly consider the claim) and
 - (ii) The Policyholder furnishing at his or her expense a certificate on a form supplied by us and signed by the Life Assured and his or her medical attendant at the end

of the Deferred Period and at such other intervals thereafter as we may reasonably require and

- (iii) Satisfactory evidence of the age of the Life Assured and
 - (iv) The Life Assured undergoing such medical examination or tests as we may from time to time require at our expense and
 - (v) Satisfactory evidence of the Life Assured's Previous Average Monthly Earnings and of other benefits or continuing income as described in Clause 8.
- b). No claim will be considered when it is notified to us later than eight weeks after the onset of the disability unless we are satisfied that our ability to properly consider the claim and to verify the cause and commencement date of the disability has not been adversely affected. If, as a consequence of late notification, the commencement date of the disability cannot be verified, we reserve the right to treat the disability and the Deferred Period as commencing on the date the notification is received at our Head Office.
- c). If the Life Assured is disabled as defined in the Disability Definitions and Provisions within six months of the cessation of a previous period of payment of Disability Benefit or whilst a Rehabilitation Benefit is in course of payment and disability arises in the opinion of our Chief Medical Officer from the same or related causes
- (i) The Deferred Period will not apply and a Disability Benefit will be payable on commencement of disability and
 - (ii) If the Disability Benefit is an Increasing or Inflation-Proofed Benefit adjustments to the amount of Disability Benefit will be made as if the periods of disability had been continuous.

26. Disability Benefit

Entitlement to **Disability Benefit** arises during any period following the *Deferred Period* and prior to the *Termination Date* in which the *Insured Person* (or *Life Assured*) is disabled through sickness or injury contracted after the *Commencement Date*. Entitlement to **Disability Benefit** will not arise unless, in the opinion of our Chief Medical Officer, the disability is such that the *Insured Person* (or *Life Assured*) is capable of carrying out no part of his or her normal **Gainful Occupation** (or of every one of them if he or she was engaged in more than one immediately prior to the onset of the disability) and is not following any other **Gainful Occupation**.

27. Earnings (version 1)

Earnings for employed persons are calculated as gross earnings for PAYE assessment purposes (excluding benefits in kind) in the 12 months prior to **Incapacity**. **Earnings** for self-employed persons are net profit from trade, profession or vocation in the 12 months prior to **Incapacity** for the purposes of Schedule D Case I and Case II of the Income and Corporation Taxes Act 1988

(for any re-enactment or modification).

28. Earnings (version 2)

Earnings are the average monthly earned income for the **Insured Person** and in the 12 months prior to the **Deferred Period** which precedes the **Benefit Period** is calculated as follows:

- a) If the **Life Assured** (or **Insured Person**) is an employed person, **Earnings** from his/her employment will be the gross monthly earnings as shown on the Certificate of Pay provided by his/her employer (currently known as a “P60”) plus any retirement pension.
- b) If the **Life Assured** (or **Insured Person**) is an employed person who also receives some of his/her remuneration by way of employee benefits and/or dividends from their employer (i.e., they are shareholders), **Earnings** may also include the gross monthly **Earnings** as shown on the Certificate of Employee Benefits provided by his/her employer (currently known as the “P11D”) or the gross monthly **Earnings** as shown on their dividend statements provided:
 - i) P11D benefits may only be included provided they cease during the period of **Incapacity**; and
 - ii) Dividend payments may only be included provided they cease during the period of **Incapacity** and we receive independent confirmation from the employer’s accountant that payment of dividends is part of the **Life Assured’s** (or **Insured Person’s**) remuneration.
- c) If the **Life Assured** (or **Insured Person**) is engaged as a sole trader or a partner in any trade, profession or vocation, **Earnings** from that trade, profession or vocation will be his/her monthly personal earnings as assessed for Income Tax after deduction of allowable business expenses and, for any period for which a Notice of Assessment has been agreed with the Inland Revenue, plus any retirement pension, and will be taken as the total monthly amount chargeable to tax, as shown on the Inland Revenue Agreed Notice of Assessment.
- d) If a calculation of **Earnings** is required for a period for which the employer has not provided a Certificate of Pay or for which there is no agreed Notice of Assessment, then we will calculate the **Earnings** by making such adjustment as we reasonably consider appropriate to the figures shown on the most recent Certificate of Pay or Agreed Notice of Assessment available to us.

29. Eligible Earnings

Eligible Earnings are, at the end of a **Deferred Period**, 65% of average monthly **Earnings**, up to a maximum of £3,750 per month and 33⅓% of average monthly **Earnings** above this amount. We will reassess the **Life Assured’s** (or **Insured Person’s**) **Eligible Earnings** on each anniversary of the **Commencement Date** during a **Benefit Period** or between linked periods of

Incapacity to take account of changes in the **Index** (up to a maximum of 15% per annum).

30. Employed Salary

The **Insured Person's** gross earnings, salary or wage from the **Insured Person's** employment during the period of twelve months immediately preceding the onset of **Incapacity**, before deduction for income tax.

31. Expiry Date (version 1)

The age at which **Cover** and/or **Benefits** cease in respect of the **Life Assured** (or **Insured Person**, or **Life Insured**).

32. Expiry Date (version 2)

The expiry date of the **Plan** specified in your **Schedule**.

33. Financial Statement

The statement supplied by **us** setting out the premium payable and as revised from time to time in accordance with the terms of this **Policy**.

34. Full Benefit

The **Benefit** stated in the **Schedule** or subsequent endorsement detailing any increases in this **Benefit** in accordance with increases in the RPI.

35. Fund / The Fund (for notional investment unit allocations)

The Fund is such fund (or funds) as is selected by **us** for the purpose of measuring investment experience. **The Fund** is maintained as a separately identifiable account by **us** for the purpose of calculating benefits under policies, which include this **Policy**. Should **we** consider that it has become impracticable or uneconomical to make **The Fund** available for further notional allocations or should legislation or Inland Revenue regulations require it, **we** reserve the right to change the fund to which further notional allocations are made at any time without notice.

36. Gainful Occupation

Any occupation performed for reward or profit including the first three months' unemployment from such occupation but **Gainful Occupation** does not include a **Part-time Occupation**.

37. HIV (version 1)

Any Human Immunodeficiency Syndrome with which the **Life Insured** is at any time found to be infected.

38. HIV (version 2)

Human Immunodeficiency Virus, infection by which will be accepted as having occurred when a blood test indicates the presence of any **HIV** or any antibodies to **HIV**.

39. Hospital

A **Hospital** or nursing home registered as such by the relevant statutory body. It is a legally constituted institution which is licensed to carry out medical and surgical procedures and which is operated primarily for the care and treatment of sick and injured persons as in-patients

40. Incapacity (version 1)

A total **Incapacity** to perform the duties of the **Insured Person's Normal Occupation** resulting from accident or sickness.

41. Incapacity (version 2)

Incapacity means that, because of sickness or accident, the **Insured** is able to perform no part whatever of the duties of the ordinary occupation stated in the **Schedule** and is not following any other gainful occupation. If at the onset of sickness or on an accident happening the **Insured** is following no occupation, incapacity will mean that the **Insured** is confined to the home, a **hospital** or nursing home by reason of sickness or accident.

42. Incapacity (version 3)

The **Insured Person** (or **Life Insured**) is unable to carry out the **Material and Substantial Duties** of his **Occupation** because of illness or injury.

43. Incapacity (version 4)

The **Life Assured** (or **Insured Person**) will be regarded as incapacitated if in the reasonable opinion of the **Company** he/she is totally unable, by reason of accident or illness, to perform the occupation or occupations in which he/she was engaged immediately prior to that accident or the start of that illness and is not following any other occupation for profit or reward;

44. Income Replacement Benefit

The **Benefit** payable if the **Life Assured** (or **Insured Person**) suffers a period of **Incapacity**.

45. Income Replacement Benefit Termination Date

This means the earliest of the following dates:

- a) the date on which the **Incapacity** ceases;
- b) the **Expiry Date**; or

- c) the date of death of the *Life Assured* (or *Insured Person*).

46. Increasing Disability Benefit

If the *Disability Benefit* is shown on the *Policy Face* as being an increasing benefit then any *Disability Benefit* in payment will commence at the amount shown on the *Policy Face* or as amended at a review, but whilst in payment will be adjusted on each Policy Anniversary in the manner stated below for an *Inflation-Proofed Disability Benefit*. At the termination of the disability, the level of *Disability Benefit* for subsequent periods of disability will revert to the amount in force at the commencement of the disability.

47. Index

The Average Earnings Index published by the Department of Employment and increases to *Benefits* by reference to the *Index* will mean by reference to published data under the “whole economy” heading of the *Index* between the month 16 months prior to the anniversary of the *Commencement Date* and the month 4 months prior to the anniversary of that date.

48. Index Linking

The *Benefit* will be reviewed annually at the *Anniversary Date* in line with the General Index of Retail Prices (as published three months prior to the month in which the *Anniversary Date* occurs) or a replacement of that index which is acceptable to *us* subject to the following:

- a) If *you* are eligible for *Benefit* at the *Anniversary Date* any increase in *Benefit* will not exceed 12% of the *Benefit* in payment;
- b) When added to any other insurances and *Benefits* payable from whatever source including any continuation of salary or wages or any continuation of income from *your* business as a consequence of *Incapacity* and any income from a pension fund but excluding the continuation of regular pension payments which were being received prior to *Incapacity* and State *Benefits*, the annual amount of *Benefit* payable will be reduced so that the total shall not exceed 60% of *your Normal Earnings*.
- c) Unless *you* are eligible for *Benefit* at the *Anniversary Date* no increase will be made during the five years preceding the year in which *you* attain the *Termination Age*;
- d) A revised premium will be payable for any increase in *Benefit* which will be calculated using *our* then current rate for *your* age next birthday on the *Anniversary Date*;
- e) *We* reserve the right to cancel future index-linking should *you* notify *us* that *you* wish to decline an increase in *Benefit* on two consecutive occasions.

49. Inflation Proofed (version 1)

If the *Disability Benefit* is expressed on the *Policy Schedule* as being *Inflation Proofed* then, at the time of any alteration to the amount of such *Benefit*, the *Basic* and *Additional Premiums* will simultaneously be adjusted to amounts determined by us having regard to the altered portion of the *Benefit* and then current tables maintained by us for this purpose, as appropriate to the then age and occupation of the *Life Assured*.

50. Inflation Proofed (version 2)

If the *Disability Benefit* is shown on the *Policy Face* as being **Inflation Proofed**, the amount of such *Benefit* in force at each *Policy Anniversary* will be adjusted by reference to changes in the previous year in The Index, provided that whilst any benefit is in payment no adjustment will increase the *Benefit* by more than 10% over any one year. For the purpose of determining the adjustment, reference will be made to changes in The Index over the year ending on the last day of the Calendar month five months prior to the month in which the *Policy Anniversary* occurs.

51. Initial Income Replacement Benefit

The *Income Replacement Benefit* payable following the initial *Deferred Period*.

52. Insured

A person named as an *Insured* in the *Schedule*. Also known as the *You*, the *Insured Person*, the *Life Assured* or the *Life Insured*.

53. Insured Person

A person named as an *Insured Person* in the *Policy Schedule*. Also known as the *You*, the *Insured*, the *Life Assured* or the *Life Insured*.

54. Life Assured

The person named as such on the *Policy Schedule* (or *Schedule*, or *Policy Face*). Also known as the *You*, the *Insured Person*, or the *Life Insured*.

55. Life Insured

The person whose *Earnings* are protected under the *Plan*. Also known as *You*, the *Insured Person*, or the *Life Assured*.

56. Limitation of Disability and Crisis Benefits

- a). If when entitlement begins to accrue the total of
 - (i) The *Disability or Crisis Benefit*, as appropriate, and

- (ii) The monthly rate of benefits payable under any other insurances against disability by sickness or accident and
- (iii) The monthly equivalent or any continuing salary, commission, pension or other income derived by the *Life Assured* from employment (including any ongoing share of the profits or dividend distributions from any business in which the Life Assured has any participation, whether as a shareholder, director or otherwise) and
- (iv) The monthly equivalent of any State Benefit payable as income in respect of the *Life Assured's* disability (excluding benefit for dependants)

Exceeds the amount specified in sub-Clause (b) below, the benefit payable under his Policy will be reduced by the amount of the excess. However, if this Policy has been effected by an employer in respect of one of its employees, such excess may be reduced by such amounts as may be agreed from time to time between the employer and ourselves. The above calculation will be repeated on each *Policy Anniversary* during the continuation of entitlement and will be adjusted as determined by us by reference to changes in *The Index*.

- b). The proportions referred to in sub-Clause (a) will be 60% of total *Previous Monthly Average* Earnings up to £3,333 or such increased amount as we may from time to time in our absolute discretion determine and 20% of such earnings in excess of this amount.
- c). No part of any Cover Charge will be reversed if the amount of the Disability Benefit is restricted as a result of the operation of this Clause.

57. Management Charge

A *Management Charge* will be deducted from each *Fund*. The rate of this charge at the *Commencement Date* of this *Policy* is one 365th of 1% per day of each *Fund's* value. However, should *we* consider it necessary, for example in order to cover unexpected increases in costs, *we* reserve the right to vary this charge to a rate determined as being reasonable from time to time by *us*. *Fund Valuations* for the purpose of calculating the *Management Charge* will be made without adjustment for prospective liability to Capital Gains Tax or any other charge.

58. Market Rate of Pay

This is the rate of pay calculated from a national survey of occupations and salaries and takes into account regional variations.

59. Material and Substantial Duties

The duties which are normally required for the performance of the *Life Insured's Occupation* and which cannot reasonably be omitted or modified.

60. Maximum Income Replacement Benefit

The **Eligible Earnings** less the total monthly equivalent of:

- a) any State Incapacity Benefits, to which the *Life Assured* (or *Insured Person*) is entitled from the Department of Social Security or other branch or agency of the government;
- b) any income benefits to which, in our reasonable opinion, the *Life Assured* (or *Insured Person*) is entitled to receive from any other insurance against *Incapacity* caused by accident or illness; or
- c) any continuing salary, fees, wages or commissions or any early retirement pension resulting from any office or employment or any trade, profession or vocation.

If the person entitled to benefit from the *Plan* at any time is the employer of the *Life Assured* (or *Insured Person*), that person may request us, in calculating the *Maximum Income Replacement Benefit*, to add to this benefit the monthly equivalent of any contributions which that person is paying towards any pension arrangement for the benefit of the *Life Assured* (or *Insured Person*), up to a maximum of 30% of *Earnings* but not more than an amount equal to payment made in the preceding 12 months and shall provide us with such evidence as we shall reasonably require of the amount of these contributions. Any payments made under this provision should be used for the sole purpose of continuing pension provision.

We will recalculate the *Maximum Income Replacement Benefit*, at each anniversary of the *Commencement Date* within a *Benefit Period* or between any linked periods of *Incapacity*, to take account of the increase (if any) in the *Eligible Earnings* on account of the *Index*, and may recalculate it, at any time, to take account of any changes in a), b) and c).

If at the time of the claim the *Insured Person* is not in *Gainful Employment*, has exercised the Maternity Break Option, or the *Schedule* states that the *Life Assured's* (or *Insured Person's*), occupation to be Housewife/Househusband, then the maximum level of *Benefit* will be further restricted (if necessary) to the current level of *Income Replacement Benefit* payable to Housewives/Househusbands (details of which are available from us on request).

61. Medical Practitioner

A *Medical Practitioner* registered with the General Medical Council in the UK, or in the case of *Benefit* paid for temporary overseas residence, the equivalent body in the relevant country.

62. Normal Earnings

Your (the *Insured Person's*) *Employed Salary* or *your Self-employed Earnings*.

63. Normal Occupation

The *Occupation* or *Occupations* stated in the *Policy Schedule*.

64. Occupation (version 1)

Any *Gainful Occupation* or *Part-time Occupation*.

65. Occupation (version 2)

The full time **Occupation** shown in the *Schedule*, or any other full-time occupation, by which *the Life Insured* was earning his living immediately prior to *Incapacity*.

66. Offer Price

The *Offer Price* of *Units* is the price at which *Premiums* normally will be attached to *Units* by *Us*. The *Offer Price* is determined by multiplying the *Offer Unit Value* by 100/95 to allow for an initial *Management Charge* and rounding up the result by not more than 1%. Such charge and any such rounding up adjustment will accrue to *Us*.

67. Offer Unit Values

The value of quoted investments in *Offer Unit Values* is based on the lowest available market dealing offer prices. The value of property investments will have regard to any valuations prepared and certified by independent valuers appointed by *Us* and will make due allowance for any variations since such valuations and for all expenses including those of managing, maintaining and valuing the properties. The valuation of any other investments will be determined having regard to such relevant factors as *We* consider appropriate.

68. Part-time Occupation

An *Occupation* performed for reward or profit and in which the *Insured Person* is engaged for at least six months prior to the onset of *Incapacity* and for an average of not more than twenty hours each week during those six months.

69. Period of Cover

Any period between the *Commencement Date* and cover ceasing for which a premium is paid in accordance with the terms of this *Policy*.

70. Permanent Total Incapacity

An *Incapacity* which also permanently prevents *you* performing the duties of any *Occupation*.

71. Plan

The insurance contract to which the *Plan Conditions* relate.

72. Plan Conditions

The terms and conditions relating to the *Plan* (including the *Schedule* and any endorsements to the *Schedule*) which have been issued by the *Company*.

73. Planholder

The person or persons named in the *Schedule* in whom legal ownership of the *Plan* is vested. Where two or more persons are named in the *Schedule*, legal ownership will vest automatically in the survivor(s) on the death of any of them.

74. Policy (version 1)

The *policy* specified in the *Schedule*.

75. Policy (version 2)

The *Policy* is *our* contract of insurance with the *Policyholder* providing the cover as detailed in the *Policy Document*. The *Application*, *Policy Schedule* and *Financial Statement* form part of the contract and must be read together with the *Policy Document* (as amended from time to time).

The purpose of this *Policy* is to provide cover in the event of accident or sickness occurring during the *Period of Cover* which results in *Incapacity* of an *Insured Person*.

76. Policy Anniversary

A *Policy Anniversary* is any anniversary of the *Commencement Date*.

77. Policy Charges

The cost of maintaining the *Policy* will be recovered within a *Policy Charge*. Normally this charge will be increased in line with inflation each year. However, we reserve the right to increase this charge by more than inflation at any time, should we consider it necessary for any reason whatsoever in order to cover the costs of maintaining the *Policy*.

78. Policy Face

The schedule giving (amongst others) details of the *Policyholder* and *Insured Persons* and endorsements (if any). Also known as the *Policy Schedule*.

79. Policyholder (version 1)

The person or company named as *Policyholder* in the *Policy Schedule*.

80. Policyholder (version 2)

The person or persons described as such in the *Schedule*.

81. Policyholder (version 3)

The person or company that effects the *Plan*, pays the *Premium* and receives the *Benefit* in respect of the *Insured Person* (or *Life Assured* or *Life Insured*) during a claim.

82. Policyholder (version 4)

The **Policyholder** is the person or persons holding legal title to the ownership of the **Policy**. Unless the **Policy Face** indicates that the **Policy** was issued to another person or other persons, the **Policyholder** is the **Life Assured** and any amounts payable under the **Policy** are payable to the **Life Assured** or to the **Life Assured's** successors in title.

83. Policy Schedule

The schedule giving (amongst others) details of the **Policyholder** and **Insured Persons** and endorsements (if any). Also known as the **Schedule** or the **Policy Face**.

84. Proportionate Benefit

A Proportionate Benefit will be payable if, after the **Disability Benefit** becomes payable, the **Life Assured** engages in a different **Gainful Occupation** at a lower income and is unable to follow his or her **Normal Gainful Occupation** as a consequence of the disability. The amount payable will be determined by reducing the **Disability Benefit**, as limited by the **Limitation of Disability and Crisis Benefits Provisions**), by that proportion which the **Life Assured's** reduced monthly income bears to the Previous Average Monthly Earnings. In determining the amount of reduced benefit payable we will then make such allowance for the effects of inflation on earnings and, if **Increasing or Inflation-proofed Disability Benefit** applies, for increases in **Disability Benefit** as in its absolute discretion it deems reasonable.

85. Rehabilitation Benefit

If, after the **Disability Benefit** becomes payable, the **Life Assured** resumes work in his or her **Normal Gainful Occupation** and continuously thereafter as a direct consequence of the disability:

- (i) is restricted in the scope of his or her occupational activities and
- (ii) suffers a reduction in income as compared with to the **Previous Average Monthly Earnings**
- (iii) requires regular supervision and treatment by a registered Medical Practitioner, a **Rehabilitation Benefit** will become payable. The amount payable will be determined on a similar basis to that used for the **Proportionate Benefit** but payment will be limited to a maximum period of twelve months.

86. Rehabilitation Income Replacement Benefit

The **Benefit** payable following a period of Incapacity if the Life Assured returns to work in an alternative occupation at a reduced level of remuneration or in the same occupation at a reduced level of activity or remuneration.

87. Review

The periodic assessment of your *Plan* carried out by the *Actuary* in accordance with the *Plan Conditions*.

88. Review Date (version 1)

The date on which a *Review* takes place. The first *Review Date* (unless otherwise decided in accordance with the *Plan Conditions*) shall be the earlier of the 5th anniversary of the *Commencement Date* and the *Expiry Date*. Subsequent Reviews shall take place every 5th year after the first *Review Date* except that during the final 5 years of the *Plan* we may *Review* your *Plan* annually.

89. Review Date (version 2)

Each anniversary of the *Commencement Date*.

90. Review Date (version 3)

The fifth *Anniversary Date* and every *Anniversary Date* thereafter.

91. Residence Requirement

Unless *we* agree otherwise in writing, the *Disability Benefit* and any *Crisis Benefit* will be cancelled if the *Insured Person* (or the *Life Assured*) remains outside of the countries of the European Union, Australia, Canada, the Channel Islands, the Isle of Man, New Zealand, Norway, Switzerland and the USA for more than 13 weeks in any 12 month period.

92. Revised Definition of Disability

If the definition of **Disability** is stated on the *Policy Face* to be 'Revised', the *Life Assured* will not be regarded as disabled after the *Disability Benefit* has been paid for 12 months if, in our opinion, he or she is able to perform any part of any occupation to which he or she may be suited by way of education, training, retraining or experience.

93. RPI

The United Kingdom General Index of Retail Prices. We will replace this Index with another suitable index if the **RPI** is significantly changes. Examples of a significant change would be if the government changes the current components of RPI, re-based it, or discontinues the current index.

94. Schedule (version 1)

The *schedule* giving (amongst others) details of *the Policyholder* and *Insured Persons* and

endorsements (if any). Also known as the ***Policy Schedule*** or the ***Policy Face***.

95. Schedule (version 2)

The ***Plan Schedule*** forming a part of the ***Plan Conditions*** which sets out the personal information relating to ***your Plan***.

96. Self-employed Earnings

The ***Insured Person's*** gross personal income from their business during the period of twelve months immediately preceding the onset of ***Incapacity***, less any amount allowable against income tax as expenses, before deduction for income tax.

97. Smoker

A person who has smoked cigarettes in the 12 months prior to the ***Start Date*** or intends to do so after the ***Start Date***.

98. Special Definition of Incapacity

The ***Life Assured*** (or ***Insured Person***) will be regarded as incapacitated if in the reasonable opinion of the ***Company*** he/she is totally unable, by reason of accident or illness to perform the occupation or occupations in which he/she was engaged immediately prior to that accident or the start of that illness; and

- a) during the period of 52 weeks from the onset of the accident or illness, is not engaged in any other occupation for profit or reward; or
- b) after the expiry of the 52 week period is unable to engage in any occupation for profit or reward to which he/she is suited by education, training or experience.

If at the commencement of a period of ***Incapacity*** caused by accident or sickness the ***Insured Person*** is not following any gainful occupation for profit or reward, has exercised the Maternity Break Option, or the ***Schedule*** states the ***Life Assured's*** (or ***Insured Person's***) occupation to be Housewife/Househusband, then ***Incapacity*** will be assessed as the total inability to perform four or more ***Activities of Daily Living*** even with the use of special equipment without assistance from another person for a period of three months, or the ***Deferred Period*** if longer.

99. Start Date

The date quoted in the ***Schedule*** on which cover starts.

100. Tabular Premium Rate

The listing published by us showing the cost of insurance purchased at given ages including adjustments to premiums paid by females, smokers, individuals in certain occupations and other similar factors relevant to underwriting. We may vary the ***Tabular Premium Rate*** at any time

to reflect the actual and expected costs of claims and expenses for our individual long term disability contracts.

101. Termination Age

The age shown in the *Policy Schedule*. Cover will cease when this age is attained.

102. Termination Date

The **Termination Date**, which is shown on the *Policy Face*, is the date on which the *Cover* under this *Policy* expires.

103. The Fund / Fund (for notional investment unit allocations)

The Fund is such fund (or funds) as is selected by *us* for the purpose of measuring investment experience. *The Fund* is maintained as a separately identifiable account by *us* for the purpose of calculating benefits under policies, which include this *Policy*. Should *we* consider that it has become impracticable or uneconomical to make *The Fund* available for further notional allocations or should legislation or Inland Revenue regulations require it, *we* reserve the right to change the fund to which further notional allocations are made at any time without notice.

104. The Index

The Index is the Index of Retail Prices or any other comparable index selected by *Us* in the event that the said index ceases to be published or that its basis of calculation is materially altered after the *Commencement Date*.

105. Total Premium

The *Total Premium* consists of the *Basic Premium* shown on the *Policy Face* plus any *Additional Premium* if shown on the *Policy Face*. Both the *Basic Premium* and any *Additional Premium* may vary from time to time in accordance with the terms stated in the *Policy Provisions* or as amended by an election made by the *Policyholder*.

106. Totally and Permanently Incapacitated

This is total and permanent *Incapacity* due to illness or injury resulting in the *Life Insured* being unable to work at any type of *Occupation*. This *Incapacity* must have continued for at least 26 weeks and we will require to be satisfied that the *Incapacity* will be total and permanent.

107. Total Premium

The *Total Premium* consists of the *Basic Premium* shown on the *Policy Face* plus any *Additional Premium* if shown on the *Policy Face*. Both the *Basic Premium* and any *Additional Premium* may vary from time to time in accordance with the terms stated in the *Policy Provisions* or as amended by an election made by the *Policyholder*.

108. Unemployed

A period of at least three months immediately prior to the onset of *Incapacity*, during which the *Insured Person* has ceased to follow their *Normal Occupation* and during which period the *Insured Person* has not been following any other *Occupation*.

109. Units (for notional investment unit allocations)

Each *Fund* is divided into *Units* which may be grouped into units of different series. *Units* of a series are of equal value to all other *Units* of the same series in the same *Fund*.

110. Valuations

The Fund will be valued at such intervals as *We* may determine. Unit Values, Offer Prices and Bid Prices of *Units* in a *Fund* will be determined simultaneously at these *Valuations*. Each *Fund* will be credited with the income, capital gains and other receipts of that *Fund*. When *Units* are created in a *Fund* an amount equal to the value of those *Units* will be credited to the *Fund*. Each *Fund* will be debited with duties and charges on the purchase and sale of *Fund* assets, expenses, costs, *Management Charges* and amounts determined by *Us* in respect of actual or prospective taxes on income or capital gains. Each *Fund* will also be debited with amounts determined by *Us* as fair and appropriate shares of any other taxes or levies made on *Us*. When *Units* in a *Fund* are cancelled their value will be debited to the *Fund*.

111. Waiver of Premium

During any period for which a *Benefit* payment is being paid to *you* any premium falling due in respect of the *Insured Person* to whom the *Benefit* payments relate will be waived. Any revisions to the premium which would otherwise have been made under this *Policy* during such period will become effective at such time (if appropriate) as the premium payments recommence.

112. We/Our/Us

..... on behalf of the underwriter, the Also known as the *Company*.

113. You/Your

A person named as an *Insured Person* in the *Policy Schedule*. Also known as the *Insured Person*, the *Life Assured* or the *Life Insured*.

Permanent Health Insurance – Mapping Template

This report section provides a PHI mapping template that can be used to measure the product design features of specific products.

The intention is to tick or mark the relevant items in each section.

PHI Mapping Template – Benefits

Company
Product

Item	Yes/No	Remarks
1	Yes	Remark 1
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PHI Mapping Template – General Conditions

Company
Product

Item	Yes/No	Remarks
1	Yes	
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PHI Mapping Template – General Exclusions

Company
Product

Item	Yes/No	Remarks
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PHI Mapping Template – Claims Settlement

Company
Product

Item	Yes/No	Remarks
1	Yes	
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PHI Mapping Template – Definitions (Page 1 of 3)

Company	
Product	

Item	Yes/No	Remarks
1	Yes	
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PHI Mapping Template – Definitions (Page 2 of 3)

Company	
Product	

Item	Yes/No	Remarks
49	Yes	
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PHI Mapping Template – Definitions (Page 3 of 3)

Company
Product

Item	Yes/No	Remarks
97	Yes	
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