A GUIDE

The Policy Review explained

Checking in with your policy's progress

Countrywide Assured

The purpose of this guide

The purpose of this guide is to explain what's involved in a Policy Review and what it means for you.

You'll find key information and things to look out for, highlighted along the way with the help of icons – see the key below – and key words underlined, which feature on page 08 in the section 'Definition of key terms'. Details about your particular policy can be found in your policy review letter.

If you have any questions or need any help with understanding the figures in your policy review letter or the Policy Review itself, please call us using the number shown on the top of your letter, or visit our website **countrywideassured.co.uk**

Contents

Key:

A key to the icons used throughout this guide.

Important information

Warning

What is a Policy Review?

This is a built-in feature of your policy, designed to check it's on track to achieve your policy aims. These aims will vary depending on the type of whole of life policy you have with us. For example, it may provide you with a certain amount of life cover and other benefits, such as critical illness, permanent health insurance and accidental death benefit.

As its name suggests, whole of life policies can run for decades and once under way, are all too easy to forget. A Policy Review offers an opportunity to revisit your policy benefits to make sure they are relevant to your life as time passes. Decisions based on circumstances at one point may differ significantly ten or twenty years down the line. So part of this review involves checking your policy benefits are right for you and at a premium that suits your circumstances now and until the next review.

We'll always let you know the results of any review and any adjustments that may be needed, together with details of any options that may be available to you. For more on this, see page 06.

Generally, Policy Reviews take place either once a year or every five years. You'll find details of your next review in your policy review letter. Although any changes, such as increasing or reducing your policy benefits, will prompt a review.

Policy Reviews become increasingly important as the cost of life cover and your age both rise in parallel. The fact is the older we get, the higher the cost of life cover. It can often mean a significant jump in the policy premium. So it's important to seriously consider your benefits and your options.

Sally and James

In 1993, Sally (aged 31) and James (aged 32) were expecting their first child. They bought their first house in Norwich and life cover for £80,000.

Sally and James included a 'Cost of Living' option to make sure any pay out would keep up with inflation and allow for the potential arrival of more children. By 2018, their Policy Review stated that to maintain their present level of cover of £129,000, their monthly premiums would need to increase by £2.46 to £115.57.

The review offered an alternative: to consider their level of life cover and the need for the 'Cost of Living' option. Sally and James, now in their fifties with their mortgage paid-off, and their children living independently, decided to reduce their level of cover. They also got a quote to compare the cost of excluding the 'Cost of Living' option. After reviewing their options and finances, Sally and James decided to exclude this inflation-beating feature as they felt their savings would provide extra financial support, if needed.

This is a hypothetical case study created for illustrative purposes only.

Barry

In June 1986, Barry (aged 46) and his partner set-up home in Castle Douglas. Barry started a policy with £30,000 life cover, believing this would be enough for a 'just in case' necessity, to help his partner take care of any bills, debts, and funeral expenses.

In June 2019, now aged 79, not only did Barry's Policy Review arrive at a different address – he'd moved to Annan – but also Barry's partner had become his wife. The review stated that keeping his premium at £208.45 the life cover would reduce to £16,500 for the rest of his life. An alternative option was to keep his £30,000 life cover until the next Policy Review in five years' time by increasing his monthly premium to £244.98. Barry decided to increase his monthly premium, knowing that the premium would go up again at the next review.

You may be thinking why does Barry still need life cover at the grand age of 79? The answer is he has dependants who rely on him for financial support.

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Why is a Policy Review important?

Policy Reviews offer an opportunity to revisit your policy benefits. We recognise that circumstances change over time and your financial needs at the start of your policy may be different today

Managing the cost of your policy benefits

As with the cost of living, the cost of maintaining your policy benefits will also increase over time. The Policy Review helps make sure your premium can deliver the benefits you signed up for until your next review. It may also offer an opportunity to get a guaranteed rate for the rest of your life. The date of your next review is shown in your policy review letter.

A person's age is another factor in calculating the cost of providing policy benefits. The cost of providing life cover is linked to age, so as each year passes, this cost will increase. Your premiums pay for the cost of the life cover as well as other policy benefits. This is why you may see a rise in your premiums following your policy review.

The extent of this increase will depend on the type of whole of life policy you have with us.

Standard cover

A 'Standard cover' policy uses your premiums to cover costs while investing the rest in an investment fund. So the cost of providing your policy benefits over the years is covered by both your premiums and the growth from the fund, but investment growth is not guaranteed. Also, at age 65, the cost of providing benefits begins to rise sharply, which is why it may be necessary to increase the premium to maintain your current level of benefits.

In short, 'Standard cover' is designed to balance the premium amount until the age of 85. Although factors, such as investment fund performance, could influence this outcome.

Maximum cover

This type of cover uses most of your premium to cover the cost of providing your benefits. This means less of your premium is used to buy units in the investment fund. The policy is structured this way to keep premiums low in the early years of your policy, but this often means there's nothing in reserve to help cover the cost in later years.

Unlike 'Standard cover', the cost calculations made at the start of the policy are based on a ten-year period with a review in place every five years to make sure your policy is on track.

The review takes into account your current age and what might happen over the next ten years. Age is the major reason for the jump in premium level, especially without a reserve built up from units in the investment fund.

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> No matter which type of whole of life policy you have, now is the time to review your benefits. Your Policy Review is likely to be the only time you may be able to make any changes.

Before you make a decision, ask yourself if all the benefits you needed at the start of your policy are still relevant to your current and future circumstances?

Increasing premium

Once the costs of your policy benefits have been paid, any money left over from your premium is used to buy units in an investment fund. For Standard cover policies, the investment in units acts as a reserve to help cover the rising cost of your policy benefits. Unlike a Maximum cover policy, where little of your premium is used to buy units in the investment fund. This means there's less in reserve to cover these costs. Although no matter what type of policy you have, a premium increase is likely at each review. By how much your premium will increase will depend on whether you have Standard or Maximum cover.

Other options

We recognise increasing a premium isn't popular and there may be other options available to you. Again, this will depend on the type of policy you have with us. For example, you may be able to reduce the level of life cover to keep your premium at the current amount. Or possibly get a guaranteed rate for the rest of your life. Your policy review letter will list any options available to you. If a premium increase is the only option shown in your review letter and you don't wish to go ahead, please contact us to discuss other options available.

Please bear in mind that the information covered by this guide is general. If you need details about your particular policy, please see your policy review letter or call us using the telephone number shown at the top of your letter.

If your policy is what's known as, 'qualifying' , any change may lead to it becoming a 'non-qualifying' one. This could affect the benefits of your policy, in areas such as tax. For more details, see the 'Definition of key terms' on page 08.

Bill

In 1994, when working as a project manager for a construction company, Bill took out a Whole of Life insurance policy on a Maximum cover basis. It was a back-up plan so his partner and family wouldn't be left with any debts, including the cost of his funeral.

The policy started with a sum assured of £26,500 for a monthly premium of £61.87. Following all subsequent Policy Reviews, Bill chose to increase his premium to maintain his level of cover, and his latest premium was £70.94. After his 2019 review, the options available to Bill, now aged 75, are to increase his monthly premium to £185.46 if he wants to maintain his current life cover of £26,500. Or to keep his premium at the current level for a reduced life cover of £8,000 for life or £15,000 until his next review. The premium levels take into account the cost of providing life cover, which increases with age.

Bill's partner of twenty-four years had died recently, so now as a single man, he decided to review his finances. Bill worked out that he would be better off reducing his premium as he only needed cover for his funeral costs and other minor expenses. He chose life cover of £8,000 knowing he won't have to increase his premium again.

This is a hypothetical case study created for illustrative purposes only.

Understanding the detail of your Policy Review

Current Policy Value – for Unit Linked policies

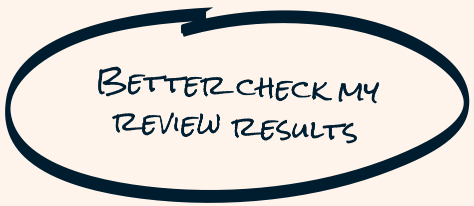
The current value tells you how much your policy is worth on the date shown on your policy review letter. As your policy is Unit Linked, it follows the movements of the stockmarket and so its value changes daily. This means the 'current value' is not guaranteed and if you cash in your policy, you may receive more or less than this amount.

Policy Value – for With Profits policies

The policy value is the amount your policy is worth at the date shown on your policy review letter. This value changes because it takes into account a number of factors. For example, the total amount of money paid into your policy, any bonuses, the cost of managing your policy and for providing your benefits, such as life cover.

Review outcomes

Your policy review letter outlines details of the review and any changes to your premium and/or benefits that may be needed, including any options that may be available to you.



Frequently asked questions

Q What is a Whole of Life policy?

A This type of insurance is designed to provide protection against a particular event(s) throughout life. It's used mainly to provide life insurance cover.

Q Why doesn't my policy have a value?

A A Whole of Life policy is designed to give you a set amount of life cover for the rest of your life. Unlike an endowment policy, for example, it doesn't offer a way of saving money each month to build up a lump at a set date in the future. The cost of providing your policy benefits is linked to age, so the older you get, the greater the cost. This rises sharply at age 65.

Q Why is my premium going up?

A The reason for your premium going up may be due to one or more factors. For example, age, investment performance and policy type, all affect the costs of maintaining your current level of benefits. For more details see page 04 and the case studies for Bill and Rosie, and visit **countrywideassured.co.uk/protection/understanding-my-protection-policy**

Q How is my premium calculated?

A This can vary between a Standard or Maximum cover policy, but generally, your premium is calculated by taking into account:

- the cost of providing protection benefit(s), which increase with age
- fund performance, including the current and future economic outlook.

Q When will the new premium start?

A You'll find the start date in your policy review letter.

Q What are my options?

A Generally, the standard options are to:

1. increase your premium to maintain your current level of benefits until the next review
2. reduce your level of benefits to keep your premium at the current amount
3. reduce your level of benefits by paying a premium guaranteed for the rest of your life
4. increase your premium to a guaranteed rate to continue providing your current level of benefits for the rest of your life.

The options do vary between policies and are not all available to every policyholder, and in some cases, there may be no need to take any action. Please see your policy review letter for details of the options relating to your particular policy.

The reference to 'benefits' here is a general description of the protection your policy provides, such as life cover, critical illness or permanent health insurance.

If the only option shown in your policy review letter is a premium increase and you don't wish to go ahead, then do get in touch to discuss possible alternatives.

Q What happens if I don't want to increase my premiums?

A Call us as soon as possible because in some cases we may increase your premiums automatically.

Q What happens if I don't reply on time?

A Your policy review letter has details of what will happen should you miss the deadline.

Rosie

Rosie took out her policy after divorcing her husband in 1986. Aged 55 and a parent of three, she wanted to support her children with 'just in case' protection.

Starting with cover of £32,000 for a monthly premium of £34.71, Rosie took the opportunity at her Policy Reviews over the years to reduce her life cover. This allowed Rosie to keep up with her premiums and still provide her children with a lump sum on her death. Before her 2019 review, Rosie was paying £38.74 for life cover of £8,000.

Following the latest review, now aged 78, Rosie's options are to continue paying her current premium and reduce her cover to £4,000 for life or £7,500 until her next review. As the cost of providing life cover goes up with age, the option to reduce the level of cover gives policyholders the option to choose their level of premium.

Rosie chose life cover of £7,500 and recognised she would have the same decision to make at the next review in a year's time. Her grandchildren will have finished university by then, so Rosie thought her decision was the right one for her.

This is a hypothetical case study created for illustrative purposes only.

Q **What do I need to do to accept the changes?**

A This will depend on the type of policy you have with us. Your policy review letter will spell out what action, if any, you need to take. Otherwise, we may make the changes automatically.

If increasing your premium is the only option available and you don't wish to do so, please get in touch to discuss ways of reducing your level of policy benefits.

Should your review outline a number of options, you'll need to tell us your preferred option by completing and returning the form enclosed with this pack, using the postage-paid envelope provided.

Q **Can I start a new policy with you?**

A It isn't possible to start a new policy with us and we recommend you speak with an independent financial adviser (IFA) to find the right policy for you. If you don't have one, visit **unbiased.co.uk** to find one in your area.

Q **How can I find out more about my investment?**

A You'll find a wealth of information on our website from fund prices to fund profiles, and details of who looks after our investment funds.

Q **What is a policy guarantee?**

A This option is a guaranteed level of cover for life, which is not affected by age or investment performance.

It means the premium is fixed and won't change in the future. If your policy offers this option, it will be available to you at every Policy Review. Although should you decide not to opt for the guaranteed cover at this review, the amount of guaranteed cover will reduce as you get older.

Q **What is a Unit Linked fund?**

A A Unit Linked fund is an investment fund that is divided into a number of equal units. The value, or price, of the units depends on the value of the investments that make up the investment fund, such as shares, bonds, property and cash.

When policyholders put money into their investment, they buy units from the company. When policyholders withdraw money from the fund, they sell their units back to the company. For more information about Unit Linked funds and how they work,
see our website **countrywideassured.co.uk**

Q **What is a With Profits fund?**

A With Profits funds are a type of 'pooled investment' fund. This means that you pay into the fund along with a number of other investors and your money is put together and invested in shares, bonds and property over a set period of time. Once all the costs of running the fund have been deducted, the money left over, i.e. the profit, is distributed to the fund's policyholders. The amount of profit will depend on how well the investments of the fund are performing. For more information about With Profits funds and how they work, please see our website **countrywideassured.co.uk**

HAVE I GOT ANY OTHER QUESTIONS?

Why independent financial advice is important

A Policy Review offers an opportunity to check your current financial situation, to make sure you're making the most of your money. So we recommend you consider getting financial advice before deciding what to do with your money. Why? Because financial advisers are financial experts and authorised to give advice. There is a cost here, but they know what to look for and which questions to ask when recommending where to place your savings. It's something to think about, especially if you have complex personal circumstances.

We're not allowed to offer you advice, but finding a local independent adviser is easy. Visit **unbiased.co.uk** where you'll find the UK's biggest selection of financial advisers, solicitors and accountants.

Every adviser listed on the website is qualified, regulated by the FCA and independent of product providers.

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Connecting millions to great advice

For more information or to answer any other questions you may have, visit **countrywideassured.co.uk** or call us on the number shown at the top of your policy review letter.

Definition of key terms

Accidental death benefit
This benefit provides a lump sum payment to your family and loved ones should you die as a result of an accident and is paid in addition to the life cover.

Critical illness benefit
If you are diagnosed with a specified critical illness, such as cancer, heart attack, stroke and multiple sclerosis, this benefit provides you with a cash lump sum.

Life cover
This provides your family and loved ones with a cash lump sum should you die.

Non-qualifying policy
This type of policy doesn't have the same tax advantages as a 'qualifying' one. It means there may be additional tax to pay on the investment gains from your policy, no matter when you (or your loved ones) receive your money. If you're a higher rate tax payer or these gains take you into the higher rate tax bracket, you may have to pay more tax.

Permanent Health Insurance
Sometimes referred to as 'PHI' or 'Income protection', this provides an income to help you meet your financial commitments should you be unable to work as a result of an illness or accident. The cover can replace income in a number of ways, such as provide a regular amount until a return to work. This will depend on the premium and the policy terms and conditions. It's important to check the level of benefit to make sure it reflects current income. For example, a pay rise and/or promotion, or job change, are just some of the reasons to review this benefit.

Qualifying policy
Put simply, a qualifying policy follows particular rules as set out by HM Revenue & Customs, some of which make this type of policy tax efficient. This means you may not be liable for any income tax on your money when it's paid to you (or your loved ones) either before or at your policy's maturity date. Although some changes may turn what was once a qualifying policy into a non-qualifying one, i.e. you may have to pay additional tax.

Waiver of premium
If you are unable to work because of an illness or accident, this benefit will pay your policy premiums for you.

For definition of other key terms, see **countrywideassured.co.uk**

Next steps

You'll find the next steps relevant to you and your policy detailed in your policy review letter.

Any questions?

If you have any questions about your policy, call us using the telephone number shown at the top of the letter accompanying this guide.

Or go to
countrywideassured.co.uk

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