

explaining The Skandia Plan

an investment-linked life assurance plan that
guarantees you cover throughout your life



enabling intelligent investment choice



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This brochure gives details about how The Skandia Plan works and its benefits and options. You should also read the Key Features Document for The Skandia Plan, which your financial adviser will have given you together with your personal Key Features Illustration. If you need more details about the plan, please ask your financial adviser.

The Skandia Plan will give you insurance throughout your life, and pay out a cash sum when you die. If you choose to add disability cover, we will pay the cash sum if ill-health or an accident stops you ever working again.

When your life changes and you need more insurance cover, The Skandia Plan is flexible enough to let you increase your cover.

glossary

This section explains some of the words we use to describe the plan.


Life assurance


An insurance policy that is designed to pay out a guaranteed cash sum when you, or others covered by it, die.

Paid up plan

A plan which has a remaining value, but for which regular payments are no longer made. The cover continues until the plan's value is zero.

Plan and policy


What you buy is a plan, which is made up of between one and ten policies. If you wish to withdraw money from the plan, we will cancel one or more policies. 


See 'cashing in all or part of your plan' on page 18 

Premiums

The regular payments you make each month or year to pay for your cover.

Qualifying status

The special status given to some life insurance plans by HM Revenue & Customs (HMRC), which means that any payments we make are tax-free. 

See 'qualifying status' on page 17 for more details 

Review

The annual 'review date' is the anniversary of the start of your plan. It is when we offer you the chance to increase your cover each year.

Ten-year review

This is the first time after your plan starts that we check your plan to see if your payments are sufficient to keep the same level of cover for the next ten years.



Fund management groups


These are investment management companies that use the expertise of specialist fund managers to run their portfolio of funds on behalf of both private and institutional investors. Examples are Fidelity, BlackRock and Invesco Perpetual.


Units

Your regular payments are invested in the funds you have chosen. Each fund is made up of investments from a large number of customers. Your share of that fund is represented by the 'units' linked to that fund that are allocated to your plan. Each unit has a value which can change daily.

quick reference guide

Minimum regular payment (premium)	£20 a month or £200 a year. Your regular payments are guaranteed to remain the same for the first ten years of the plan provided you pay all the premiums and do not change the amount of your cover. This guarantee is not affected by changes in plan charges or by the performance of the investment funds you choose.
Minimum increase to your payments	£2 a month or £20 a year.
Life assurance cover	The cash sum we will pay when you die or, if you have chosen to include total disability benefit, when you become disabled.
Plan reviews	After ten years, we will review your payments and you may need to increase them to keep the same level of cover. After that, we may ask you to increase your premiums at any anniversary of the start of your plan to ensure that they are enough to maintain your cover.
Age when the plan starts	The person or people covered must be between 18 and 80 years old, and the owner(s) of the plan must be at least 18.
Level of cover	You can choose any amount between the minimum needed for the qualifying status and our maximum limit, which is currently £5 million when the plan starts.
How many people can the plan cover?	The plan can cover: <ul style="list-style-type: none"> • one person, or • two people, to pay out: <ul style="list-style-type: none"> – when the first of them dies, or – after both have died.
The plan owners	The plan can have one or two owners.
Reduced rates for non-smokers	If you smoke, your premiums will be higher than for a non-smoker.
Will you need to have a medical?	You will usually only need to have a medical examination before your plan starts if you ask for a high level of cover, or if you have had health problems in the past.
What claims do we exclude?	If the person covered by the plan commits suicide within two years of its start, we will only return the premiums you have paid. 
Can you cash in your plan?	Yes, you can cash it in either entirely or partly. In the early years, or if you have chosen to pay the lowest possible premiums for your level of cover, your plan may have little or no value. 
What happens if you stop paying the premiums?	After 30 days, we will make your plan 'paid up'. If it has a value, your life cover will carry on until it reaches zero value.

 See also the exclusions section of 'cover options you can add to The Skandia Plan' on page 13

 See 'cashing in all or part of your plan' on page 18

setting and reviewing your payments

Before you take out your plan, we will give you a quotation telling you what your regular payments will be. We calculate the payments based on your age, health and the amount of life assurance cover and extra cover options you want. We may ask you to pay a higher than normal amount depending on your health, or if you are in a risky occupation or take part in dangerous pastimes.

After ten years, we will review your premiums to make sure that they remain high enough to pay for the amount of cover you have chosen.

how we work out the payments at a plan review

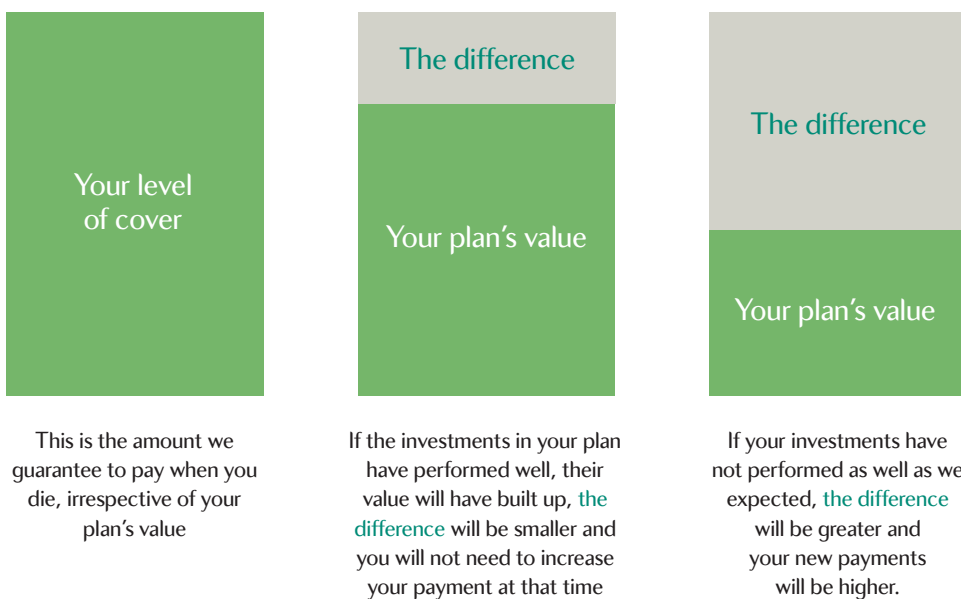
Our calculations as to the payments needed to fund your plan will be based on **the difference** between your level of cover and the value that has built up in your plan.

Your premiums may stay the same if your chosen investments have performed well and your plan has built up a significant value. If, however, your plan's value is lower than expected and **the difference** is large, you may need to increase your premiums to keep the same level of cover.


This is illustrated in figure 1 opposite.



figure 1 – how your plan’s value affects the payments needed




The difference between your level of cover and the value of your plan will also affect the level of some of the charges we make on your plan

- to pay for the increasing cost of life cover as you get older and any extra options you have chosen as you get older
- to meet any increased costs for managing your plan. 

When we have worked out the premiums you need to pay to keep your current cover, we will offer you the choice of either paying the new premiums, or reducing your cover to the level that your existing premiums will support for the future. Alternatively, if your chosen investments have performed very well, you can choose to increase your cover without changing your premiums.

Following the ten-year review, we will check your plan each year to make sure that the premiums you pay are still enough for your cover. If we ever find that they are not enough, we will write to you.

See 'charges and allocation rates for The Skandia Plan' on page 9 



the levels of cover you can choose


You can choose any level of life assurance cover – from the minimum needed for ‘qualifying status’ up to our maximum limit, which is currently £5 million. We will calculate your premiums depending on the level you choose.


We take a proportion of your premium to pay for your life cover, and invest the rest to build up the value of your plan. You can choose a level of premiums that invests more, or less, in your plan. The lower your premiums are, the less we can invest to build up a value in your plan:

- **Minimum premiums**, which means that less is invested to build up the value of your plan. You are likely to have to increase your payments significantly at the ten-year review and further into the future.
- **Standard premiums** are higher, so more is invested to build your plan’s value. We work out how much you need to pay to keep the same level of premiums throughout your life, provided your chosen investments grow by 6% a year. However, if the funds do not grow by that much or other costs increase, you may need to pay more in the future.
- **Maximum premiums** give you the highest possible level of investment into the value of your plan. It is less likely that you will need to increase your premiums to keep the same level of cover.

You can also choose any level of premiums between the minimum and maximum as described above.


charges and allocation rates for The Skandia Plan

Each month we take some money from the value of your plan to pay for running it. These are the 'charges'. The allocation rate is the percentage of each premium you pay that we invest in your chosen funds for you. 


 You can find more about the effects of the charges in the enclosed personal Key Features Illustration

charges

Charge for life cover


The amount you pay each month or year for life cover will depend on the value of your plan (see figure 1 on page 7). It is based on the difference between your level of cover and the plan's value. The higher the value, the lower this charge will be for that month or year. If your plan's value is more than your cover, we will not make this charge. 

The amount we charge will generally increase as you get older.

 See also 'setting and reviewing your payments' on page 6

Total disability cover

The charge for life cover is increased by 40% if you include this option in your plan. 

 See 'cover options you can add to The Skandia Plan' on page 12

Waiver of premium cover

If you add this option, we will reduce the amount we regularly invest for you by 2% for each person covered. For example, without this cover, if you pay £50 a month, we will invest 100% of your premiums. If you add waiver of premium cover, we will only invest 98%, and if your plan covers two people with this benefit, the rate will drop to 96%.

Setting-up charge


We make this charge when we set up your plan, and each time you increase your cover. It is based on your age, your level of cover, and whether you pay your premiums each month or each year.

Annual management charge


This charge is a small percentage of the value of your plan. It is built into the fund pricing, but currently we re-credit the whole of this charge back to your plan each month by adding bonus units.

Maintenance charge

Each year, we calculate how much it costs us to administer your plan, taking into account inflation. We make this charge each month, and it usually increases slightly each year.

If you use the inflation option each year we will not make this charge. However, if you decide not to increase your cover, or stop paying premiums, we will take money from your plan to pay this charge each month. 

continued over page

 See 'increasing the cover of The Skandia Plan' on page 14

charges and allocation rates for The Skandia Plan (continued)

Fund management charges

These are the charges made by the fund managers of each individual fund, to pay for managing the assets such as stocks and shares which make up the fund. The charges may change in the future, for example due to a change in the mix of assets in the fund, the fund manager, or the rate of VAT.

Initial charge

This is the difference between the 'offer' price, which is the price we use when we buy units for your plan, and the lower 'bid' or selling price, which is the one we use to calculate your fund value. The difference is 5%.

There is no charge if you decide to cash in all or part of your plan.

allocation rates

The percentage of your premiums that we invest for you varies according to how much you pay. The higher the regular premium you pay, the higher the percentage we invest for you, up to 103%. (See table 1 below.)

All the people who have The Skandia Plan pay the same percentage initial charges. When your regular payments are higher because you have a high level of cover, we buy units for your plan worth up to 103% of your premium as a way of giving you back some of these charges.

table 1 – the percentage of your premiums we invest

Monthly premium £	Yearly premium £	How much of each premium we invest for you %
20 - 24.99	200 - 249.99	95
25 - 39.99	250 - 399.99	98
40 - 49.99	400 - 499.99	99
50 - 74.99	500 - 749.99	100
75 - 124.99	750 - 1,249.99	101
125 - 499.99	1,250 - 4,999.99	102
500 and over	5,000 and over	103

changing your investment choice

You can switch your investment between funds and fund management groups at any time. We currently make no administration charge for such switches. You can also change the investment choice for your future premiums at any time.

We reserve the right to delay any switch between funds, or cashing-in all or part of the plan, for up to two weeks to protect all the investors in the fund. If the fund holds property, either directly or indirectly, we may delay the switch or surrender by up to a year, as it may be difficult to sell property in the short term.





cover options you can add to The Skandia Plan

You can add two sorts of additional cover to your Skandia Plan at an extra cost – total disability cover and waiver of premium cover.

total disability cover

If you choose this option, we will pay the full amount of your cover if you become totally, permanently and irreversibly disabled. You can add this option only when you take out your plan, and you can make a claim any time before your 60th birthday.

You can make a claim when an accident or illness means that you will never again be able to do any paid work. If we accept your claim, we will make the payment six months after the event or diagnosis which gives rise to the claim.

If your plan covers two people and will pay when the first of them dies, you can add this cover option for both of them, but not for just one of them.

If your plan covers two people and will pay after both have died, you cannot add this cover option.

Your plan will end once we have paid a claim for total disability.

waiver of premium cover

If you add this cover to your plan, we will waive the need for you to pay premiums if you cannot work due to an accident or illness. In other words, we will pay the premiums on your behalf while you cannot work. You can add this option when you take out your plan, and you can make a claim any time before your 60th birthday (for women) or your 65th birthday (for men).


You will need to pay your premiums for the first six months following the event or diagnosis of the illness which has stopped you working. After that, you will not need to pay premiums until the first of the following happens:


- your 60th birthday (for women) or your 65th birthday (for men)
- you recover and return to work
- you surrender your plan
- your death


If you have used the inflation option to increase your cover each year, we will continue to increase your cover each year while you remain unable to work.


continued over page

Your cover will not end when you make a waiver of premium claim.

If you miss paying a premium for your plan, the cover for both of these options will end after 30 days, even if your plan is 'paid up' and your life cover continues. 

If we have insured any of the people covered by your plan on non-standard terms, you will not be able to add either of these options to your plan. 

See Q16 in the Key Features Document for The Skandia Plan 

See Q13 in the Key Features Document for The Skandia Plan 

exclusions

We will not be able to pay a claim under either of these options if it was caused, either directly or indirectly, or accelerated by any of these:


- self-inflicted injury
- using alcohol or drugs other than as prescribed by your doctor
- participation in any criminal act
- war, riot or commotion
- injury while taking part in steeplechasing, polo, horse racing, motor sport, mountaineering or potholing
- flying other than as a fare-paying passenger
- pregnancy or childbirth

We will also not pay a claim for either of these options if you change your occupation to one we consider more dangerous. You must let us know within 30 days if you make such a change.

We will not accept a claim if you visit or live in any country, other than those listed below, for more than 3 months in any 12 month period:

Australia	Austria	Belgium
Canada	Channel Islands	Denmark
Finland	France	Germany
Great Britain	Gibraltar	Isle of Man
Italy	Luxembourg	Netherlands
New Zealand	Northern Ireland	Norway
Portugal	Republic of Ireland	Spain
Sweden	Switzerland	United States of America

We will cancel your cover for these two options if you move outside the United Kingdom and the Republic of Ireland permanently. 

You can find further details of these two options and full details of when we might not pay a claim in the Policy Terms, which are available on request 


increasing the cover of The Skandia Plan


Because the cover of your Skandia Plan is designed to last throughout your life, your needs may change as you get older and you may want more cover. In the circumstances shown below, you can increase the cover without telling us anything more about your health, even if it has worsened since your plan started.

inflation option

If your level of cover remained the same for many years, inflation would gradually reduce its relative worth. We offer you the chance to increase your cover each year. We will continue to do this as long as you hold the plan, even if you have declined it in previous years.

This option allows you to increase your cover by either 10% or the current rate of inflation (measured by the Retail Prices Index), whichever is greater.

We will calculate the extra premium for your increased cover in the same way as we did for the rest of your cover. So if we accepted your insurance on non-standard terms and you pay higher premiums, for example due to your health, we will work out how much extra premium you need to pay on the same basis. Your premiums may increase by a higher percentage than your cover, particularly as you get older. 

See Q13 in the Key Features Document for The Skandia Plan 

guaranteed increase options

The Skandia Plan also includes a number of special increase options, so you can get more cover when any of the specific events listed below happen. You can use these options provided we did not ask you to pay higher premiums when your plan started due to your health, occupation or pastimes.


You can use each option as many times as you need to, provided the total increases are not more than the maximum allowed for each event. Each time, we shall need to see the appropriate documents which show that the event has happened.


The table opposite shows the events covered, and by how much you can increase your cover when any of them happens to you.

table 2 – guaranteed increase amounts

Event	Available to age	Maximum cover increase
If you get married or enter into a civil partnership (as defined by the Civil Partnership Act 2004)*	55	£30,000
If you give birth to or adopt a child*	55	£15,000 for each child £60,000 total
If you increase your mortgage*	55	The lower of the increase in the mortgage and £30,000
If, when you retire, you lose life assurance cover that was part of your company pension scheme	Retirement date	The lower of: <ul style="list-style-type: none"> the level of life cover no longer available from the company pension scheme, and £50,000
If the value of your assets (your 'estate') increases and gives you a higher potential liability to inheritance tax after you die	No age limit	The lower since the last plan anniversary of: <ul style="list-style-type: none"> the increase in potential liability, and the greater of 10% and the increase in inflation
Increase in inheritance tax liability – if the Government changes rates or rate bands	No age limit	The increased liability due to the change in legislation
If you are using your plan for partner or shareholder protection and the value of your share in the business rises	59	The lower of: <ul style="list-style-type: none"> the increase in the value of the share of the business, and the greater of 10% and the increase in inflation

* If you use any of these options between plan anniversary dates, we will increase your cover, but we will not increase your premiums until the next anniversary date.

If you have life cover in other Skandia policies, the maximum overall increase to your cover from any of these options may not be more than the highest available in any one plan. 

 You can find further details of these increase options in the Policy Terms, which are available on request



putting your policy in trust

If you do not put your policy in a suitable trust, when we pay the cash lump sum it will become part of your 'estate'. That is the total value of all your assets, for example your house, car, and personal possessions. If your estate is large enough when you die, inheritance tax will be due on it. The value of your life assurance payment may mean that tax is payable when it would not have been without the cash sum, and that tax of 40% will be due on the payment.

Putting your policy in a suitable trust means that you give it to people you choose to look after it (the trustees) and, after you die, they will give the money to the people you want it to go to (the beneficiaries). The money does not become part of your estate, so no inheritance tax will be due on it. Putting the policy in trust can also mean that your family receives it sooner, as they do not have to wait until all the legal formalities are completed on your estate.

Your financial adviser can give you more information about putting your policy in trust, whether it is the right thing for you to do, and the best type of trust for you to use.

qualifying status


This is a status given to very few life insurance policies by HM Revenue & Customs. For basic rate taxpayers, no income or capital gains tax is due on any payments from a life assurance plan. However, if you were a higher rate taxpayer when a claim was made, 20% income tax (the difference between basic rate and higher rate tax for the 2008/09 tax year) would be due. Qualifying status means that you will not have to pay this extra 20% tax, provided that:


- you have paid regular monthly or yearly premiums for at least ten years, and
- your insurance cover is at least 75% of the value of all the premiums you might pay during the life of the plan.

If you surrender your plan for its cash value during its first ten years, or within ten years of making an increase, you might be liable for 20% tax if you are then a higher rate taxpayer. This could also affect your eligibility for age-related tax allowances.



what might stop us paying a claim

- If you do not answer all the questions in the application form completely and accurately, it may mean that your claim is not valid and we will not be able to pay it.
- If you commit suicide in the first two years after you take out your plan or after increasing your cover, we will be unable to pay the cash sum, but we will refund all the payments you have made. 

 The 'exclusions' section of 'cover options you can add to The Skandia Plan' on page 13 gives full details of the circumstances when we might not be able to pay a claim for total disability or waiver of premium cover

cashing in all or part of your plan

When we set up your plan, we divide it into up to ten different policies. This is so that you can, in the future, cash in part of it without affecting the qualifying status of the remainder.

You can cash in all or part of your plan whenever you wish, and we will not make a charge on the value of your plan if you do so. However, in your plan's early years it may have little or no value. Please see your personal Key Features Illustration for more details.

If you have any queries, or would like more information about any aspect of The Skandia Plan, please ask your financial adviser.



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www.skandia.co.uk

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