

Policy conditions

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Premier Advance is a whole of life insurance policy which may be issued as a series of policies.

Each policy is a separate legal agreement issued by Friends Provident International Limited and is based on an application by the policyholder named in the policy schedule.

The series of life assurance policies are collectively referred to as the policy.

The application form, policy conditions (consisting of Part 1: Policy Provisions, Part 2: Fund Rules and Part 3: Definitions), the policy schedule and any endorsements issued by us shall be deemed to be incorporated into the policy.

For administrative purposes only, we treat all policies issued under a single policy number in the same manner.

Important

This Policy should be examined to see that it is in the exact form that **You** require. It should be kept in a safe place.

Policy Form Number PAI2
November 2012

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Part 1: Policy Provisions

1 Premiums

1.1 The **premium** that **you** have agreed to pay is stated in the **policy schedule**. **You** may pay **premiums** either monthly, quarterly, half-yearly or yearly. **You** may change the frequency at which **premiums** are paid provided such change takes effect on the next date the **premium** is due in line with the **policy** anniversary and **you** notify **us** in writing at least 28 days before such date.

1.1.1 Changing to or from yearly payments is only possible on the **policy** anniversary date.

1.1.2 Changing to or from half-yearly payments is only possible on the **policy** or half-year anniversary date.

1.1.3 Changing to or from quarterly payments is only possible at the quarterly anniversary of the **policy** due date.

1.1.4 Changing to monthly payments is only possible on the next **premium** due date.

1.1.5 Changing from monthly payments is only possible when the next **premium** due date is the **policy** anniversary date, or a due date in line with the new frequency **you** have requested. For example, changing from monthly to quarterly payments where the anniversary is 1 March can be requested for 1 March, 1 June, 1 September or 1 December, but not for any other dates.

1.2 **You** will pay **premiums** by one of the **payment methods**. If **you** wish to change the **payment method** **you** must notify **us** in writing and provide **us** with future payment details.

1.3 On receipt of the **premium** and investment allocation instructions, or in the case of the first **premium** completion of all payment processing, if later (processing time varies depending on actual **payment methods**), **we** will use the **investible amount** to purchase **units** at the **bid price** on the next available **appropriate dealing day** of the selected **FPIL fund(s)**.

During the **initial period** the **investible amount** will be used to purchase **initial units**. When **we** have received all of the **premiums** which were due to be paid during the **initial period** **we** will use any later **investible amounts** to purchase **accumulation units**. Both **initial units** and **accumulation units** will be allocated to the **policy**.

1.4 **You** may pay **additional single premiums** at any time provided there are at least five years remaining until the **Option Date** and each **additional single premium** is at least USD3,000 per **policy**. Any **additional single premium** is subject to an **initial charge** of 7% of the **additional single premium**. The **investible amount** will be used to purchase **accumulation units**.

1.5 **You** may increase the amount of **your** regular **premiums** provided the increase per **policy** is at least USD50 per month or USD150 per quarter, USD300 per half year, or USD600 per year depending upon the frequency of payment. The increase must take effect at least five years before the **Option Date** and will apply to all **premiums** due before the **Option Date**. **We** will use the increase in the **investible amount** to purchase **initial units** until **we** have received all of the **premiums** due for the **subsequent initial period** commencing on the date when the increase took effect.

1.6 If **we** discontinue the promotion of the Premier Advance plan the figures stated in Part 1 clauses 1.4 and 1.5 may be increased in excess of the rate of inflation stated in Part 1 clause 11.12.

1.7 **You** may reduce the rate of regular **premiums** subject to a minimum **premium** per **policy** of USD300 per month or USD900 per quarter or USD1,800 per half year or USD3,600 per year depending upon the frequency of payment. **You** may not reduce regular **premiums** during the **initial period**.

1.8 **You** may suspend payment of **premiums** after the end of the **initial period** for a period not exceeding 12 months. If **you** wish to suspend payments **you** must notify **us** in writing. **We** will continue to take the charges described in Part 1 clause 4 during the suspension period. If **you** do not recommence payment within one month of the end of the suspension period the **policy** will be made paid up (as described in Part 1 clause 1.10).

1.9 If **you** do not pay all of the **premiums** due during the **initial period** the **policy** will stop and will be treated as if **you** had requested to encash the **policy**. **We** will pay any **surrender value** to **you**. **Initial units** have no **surrender value** until after the Plan's first anniversary and at least 12 months' **premiums** have been paid.

1.10 If **you** have not paid any **premium** within 90 days of that **premium** becoming due, the **policy** will become paid up. If this occurs during the **initial period** the **policy** will be encashed and subject to any applicable **surrender charge**. If the **policy** becomes paid up it will continue to provide the benefits set out in the **policy**. **We** will continue to deduct charges set out in Part 1 clause 4. Prior to the **Option Date**, **you** will be permitted to recommence paying **premiums**.

1.11 A **minimum plan value** applies when withdrawals are taken or during any period when regular **premiums** are not being paid. If the plan value falls below the minimum amount the **policy** will be encashed and subject to any applicable **surrender charge**. **We** reserve the right to increase the **Minimum Plan Value** in line with the Retail Prices Index issued by the Isle of Man Government or any replacement index, subject to giving **you** at least 3 months' written notice of our intention to do so.

2 Enhanced initial unit recovery charge

2.1 This section applies where **enhanced initial units** have been allocated to the **policy** in respect of the **original premium**.

2.2 An **enhanced initial unit recovery charge** will apply where one of the following **charging points** occurs before the fifth anniversary of the **policy commencement date**:

- (i) **Premiums** are suspended for more than 12 consecutive or non-consecutive months
- (ii) **Premiums** paid are less than the **original premium** for more than 12 consecutive or non-consecutive months
- (iii) **Premium** reductions below the **original premium** are made in conjunction with **premium** suspensions for more than 12 consecutive or non-consecutive months

2.3 A further **charging point** will occur and an **enhanced initial unit recovery charge** will apply at each point before the fifth anniversary of the **policy commencement date** that a further **premium** reduction occurs following **charging points** 2.2(ii) or 2.2(iii) where the **premium** paid is less than the reduced **premium** that was taken into account for the purposes of the most recent **enhanced initial unit recovery charge**.

2.4 A further **charging point** will occur and an **enhanced initial unit recovery charge** will apply if before the fifth anniversary of the **policy commencement date** the **policy** is made paid up, or a **premium** is not paid following **charging points** 2.2(ii), 2.2(iii), or 2.3.

2.5 An **enhanced initial unit recovery charge** will also apply if the **policy** is surrendered before the fifth anniversary of the **policy commencement date** and the **original premium** has not been paid in full for an aggregate of at least 48 months prior to surrender.

2.6 The **enhanced initial unit recovery charge** will be taken by cancelling a proportion of any **enhanced initial units** remaining in the **policy** at the **charging point**.

2.7 In respect of **charging points** 2.2(i) and 2.4, the **enhanced initial unit recovery charge** will be taken 90 days after the **charging point** if the **premiums** due have not been paid and will be equal to the **enhanced initial units** remaining in the **policy** at the **charging point**.

2.8 In respect of **charging points** 2.2(ii), 2.2(iii) and 2.3 the **enhanced initial unit recovery charge** will be taken 90 days after the **charging point** and will be determined by the following formula:

$$\frac{(A - B)}{A} \times \text{enhanced initial units in the policy at the charging point}$$

Where;

A = the **premium** at the previous **charging point**, or if there has been no previous **charging point**, A is the **original premium**.

B = the reduced **premium** at the **charging point**, or in respect of **charging point** 2.2 (iii), zero if no **premium** has been paid at the **charging point**.

2.9 There will be no **enhanced initial unit recovery charge** in the event of the **death benefit** becoming payable.

3 Choice of funds

- 3.1 **We** will use the **investible amount** to purchase **units** in the **FPIL fund(s)** selected by **you**. Consequently **we** will not be held responsible for investment performance.
- 3.2 **You** may request **us**, in writing, to change the **FPIL fund(s)** selected by **you**. On the next **dealing day** after **we** have received clear instructions from **you we** will cancel the appropriate **units** allocated to the **policy** in accordance with **your** instructions. **We** will replace them with **units** of an equivalent value in the new **FPIL fund(s)** selected by **you**.
- 3.3 **You** may hold **units** in a maximum of ten **FPIL funds** at any time, including any **Lifestyle Investment Option**.

4 Charges

- 4.1 **We** make a number of charges to cover the costs of administering **your policy**. These charges are taken by cancelling **units** equal in value to the charges being made. **We** will use the **bid value** of **units** at the time that **units** are cancelled. **Units** will be cancelled from the **FPIL fund(s)** **you** have selected in proportion to the total **bid value** of the **units** allocated. If the **policy** is made paid up or encashed and there are insufficient **accumulation units** to cover charges or fees **we** may cancel **initial units**.
- 4.2 **We** will make the **initial charge** at three monthly intervals by cancelling **initial units** beginning three months after the **commencement date** and continuing until the **Option Date**.
- 4.3 **We** will deduct the **plan charge** each month by cancelling **accumulation units** equal in value to the **plan charge**. The first **plan charge** will be due on the **commencement date**. The aggregate of all the **plan charges** for the **initial period** will be deducted at the end of the **initial period** and monthly thereafter.
- 4.4 Fees or transmission charges for incoming or outgoing payments may be taken by banking partners. **We** do not levy any additional payment charges but reserve the right to pass on any fees or charges taken by banking partners.
- 4.5 **We** will not charge **you** for switching funds. However, **we** reserve the right to impose a **switch charge** of up to 1% of the value of the **units** cancelled under clause 3.2 or USD15 if greater. The total **bid value** of the new **units** allocated will be equal to the total bid value of the **units** cancelled at the appropriate **dealing day(s)**, less the charge, if taken.

- 4.6 **We** may refuse to act or delay acting on **your** instructions to switch **units** if **we** believe **you** are switching between funds so often that it is damaging or could damage the interests of other policyholders whose **policies** are invested in those funds. **We** will only do this to the extent **we** reasonably consider it to be fair to protect the interests of those other policyholders.
- 4.7 If there are insufficient **accumulation units** to cancel to meet the **plan charge** and the **switch charge**, the **plan charge** and the **switch charge** will be accrued and will be taken when **accumulation units** have subsequently been allocated to the **policy**. **Accumulation units** will be cancelled to meet the **plan charge** and the charges in the following order:
- 4.7.1 **plan charge**;
- 4.7.2 **switch charge**.
- 4.8 **We** will also take an **administration charge** calculated at the rate of 1.2% per year of the **bid value** of the **FPIL fund(s)** and payable out of the assets of the **FPIL fund** whenever that fund is valued. **We** may vary the **administration charge** payable in accordance with this clause by giving not less than one month's prior written notice of such variation to **you** at **your** last known address.
- 4.9 There are a number of further deductions set out in Part 2 clause 4 which will affect the value of **your policy**.
- 4.10 **We** may increase the charges if there are increases in our costs above inflation (for example as a result of tighter regulation of the insurance industry), or there are increases in the charges levied by fund managers. If **we** do this **we** will set the new rates at levels that **we** believe are necessary to reflect the changed circumstances. **We** will write to **you** one month before **we** increase our charges.
- 4.11 **We** will not charge **you** for changing the **policy currency**. However, **we** reserve the right to impose a charge of USD250, upon one month's prior written notice to **you**.

5 Loyalty bonus

- 5.1 If **you** select a **premium** payment term of greater than ten years at outset, **you** will be eligible for a **loyalty bonus** payable after the tenth **policy** anniversary and on each subsequent monthly anniversary, provided the **policy** is premium-paying. The **loyalty bonus** will be equal to a percentage of the **bid value** of the **policy** at the monthly anniversary. The percentage is one twelfth of one half of one percent of the **bid value** of the **policy** at each monthly anniversary and will be applied by purchasing additional **accumulation units** at **bid price** and adding these to the **policy**.
- 5.2 The **bid value** used for the purpose of calculating the **loyalty bonus** will include all **initial units** and **accumulation units**, including **units** represented by any **additional single premiums** and regular **premium** increases added since the **commencement date**.
- 5.3 **Units** in respect of **loyalty bonus** payments will be added to the **policy** on the **dealing day** next following the monthly anniversary date of the **policy**.

6 Death benefit

- 6.1 **We** will pay the **death benefit** to the **payee** once **we** have received proof of the death of the **life assured** and that the **payee** is legally entitled to the benefits payable under the **policy**.
- 6.2 **We** will cancel the **units** allocated to the **policy** on the next **dealing day** following the receipt of notification of the death of the sole/last surviving **life assured**.
- 6.3 If there is more than one **life assured** named in the **policy schedule**, the **death benefit** will be paid on the death of the last surviving **life assured**. Only one **death benefit** is payable.
- 6.4 The **death benefit** will be 101% of the **bid value** of the **units** allocated to the **policy** on the next **dealing day** after **we** have received the proofs referred to in Part 1 clause 6.1 and have finished processing the claim. **We** will deduct any money owing to **us** before **we** pay the **death benefit**.
- 6.5 Once the **death benefit** has been paid **we** will not accept any further **premiums** nor will **we** pay any further benefits. The **policy** will terminate.
- 6.6 Where the **payee** is a minor, **we** may either hold the **death benefit** for the benefit of the **payee** until he/she reaches the age of majority or pay the **death benefit** to the parent or guardian of the **payee** or to the **payee** himself/herself if over 16 years of age. The receipt of such person shall be a full and valid discharge to **us**.

7 Surrender

- 7.1 **You** may encash the **policy** at any time, subject to any **surrender charge** due, by making a written request to **us** to encash the **policy**. **We** will pay the **surrender value** of the **policy** to **you** once **we** have received proof that **you** are the person legally entitled to the amounts payable under the **policy**.
- 7.2 When the **surrender value** has been paid **we** will not accept any further **premiums** nor will **we** pay any further amounts. The **policy** will terminate.

8 Withdrawals

- 8.1 **You** may make a withdrawal from the **policy** by making a written request to **us** provided:
- The **withdrawal sum** does not exceed the **bid value** of **accumulation units** allocated to the **policy**. Therefore no withdrawals can be made if no **accumulation units** have been allocated to the **policy**.
 - The value of the contract does not fall below the **minimum plan value** as described in Part 1 1.11.
 - The **withdrawal sum** is at least USD 750 irrespective of the frequency of such withdrawal.
- 8.2 **We** will cancel **accumulation units** allocated to the **policy** equal to the aggregate value of the **withdrawal sum** and any money owing to **us**, which **we** will deduct before paying the balance to **you**.
- 8.3 **Regular withdrawals** can be paid yearly, half-yearly, quarterly or monthly. **Regular withdrawals** can also be paid to coincide with the term times of an educational establishment. **Regular withdrawals** will normally commence one month after **we** have received **your** written request.
- 8.4 **You** may continue to make **regular withdrawals** even though the **policy** has become paid up (as described in Part 1 clause 1.10) or if **you** have suspended payment of **premiums** (as described in Part 1 clause 1.8).

9 Option date

- 9.1 On the **Option Date** **you** may elect to
- 9.1.1 make the **policy paid up** in which case all **initial units** will be converted to **accumulation units**;
- 9.1.2 surrender the **policy** in which case **we** will pay the bid value of the **units** allocated to the **policy** to **you**.

10 Appointment of a third party as payee

- 10.1 Any appointment of a third party or parties as **payee** may be made by **you** at any time prior to the death of the **life assured** save that such an appointment shall be of no effect and shall be deemed not to have been made if **you** die (or where there are joint policyholders, any one of the policyholders dies) within two days of making that appointment.
- 10.2 Any appointment of a third party or parties as **payee** shall only be accepted by the Company on receipt of a completed "Appointment of third party as **payee**" form, which is available on request to the Company.
- 10.3 Having appointed a third party as **payee**, **you** may also make subsequent appointments subject to the conditions set out in clauses 10.1 and 10.2 above. Any such subsequent and valid appointment will have effect of revoking all previous appointments.
- 10.4 Any appointment of a third party or parties as **payee** may be revoked by **you** at any time prior to the death of the **life assured** save that such a revocation shall be of no effect and shall be deemed not to have been made if **you** die (or where there are joint policyholders, any one of the policyholders dies) within two days of making that revocation.
- 10.5 Such revocation and appointment of a third party or parties as **payee** shall only be accepted by the Company on receipt of a completed "Appointment of third party as **payee**" form, which is available on request to the Company.
- 10.6 Where the **policy** is held in joint names the form of appointment of **payee** or the form of revocation must be signed by all joint policyholders otherwise it will not be valid.
- 10.7 The appointment of a third party as **payee** will not affect **your** ability to assign, surrender or otherwise dispose of **your policy** prior to the death of the **life assured** save that any assignment surrender or other disposal shall be of no effect and shall be deemed not to have been made if **you** die (or where there are joint policyholders, any one of the policyholders dies) within two days of making that assignment surrender or disposal.
- 10.8 For the avoidance of doubt, if **you** die within two days of making any appointment of **payee**, any revocation thereof, or any assignment surrender or other disposal of the **policy** (whether made as a sole or joint policyholder) such appointment revocation assignment cash-in or other disposal shall be deemed to be of no effect and the **death benefit** shall be payable as if the same had not been made.
- 10.9 The death of a sole policyholder or the death of the survivor of joint policyholders, where that death does not also constitute the death of the **life assured**, shall constitute an immediate revocation of any appointment of any third party as **payee**
- 10.10 Without prejudice to **your** rights to revoke an appointment of **payee** the death of a **payee** prior to the death of the **life assured** shall itself not constitute a revocation of appointment nor affect the entitlement of the **payee's** successors to the **death benefit**.
- 10.11 The **payee**, if the **payee** is a third party, shall have rights of enforcement of the **policy** pursuant to the Contracts (Rights of Third Parties) Act 2001 following the death of the **life assured** but otherwise all rights of third parties under the Contracts (Rights of Third Parties) Act 2001 shall be excluded and the consent of the **payee** or any other third party shall not be required for any variation or rescission to be made to the **policy** or for the making of any appointment of **payee** or revocation by whatever other means of an appointment of **payee**.

11 Additional provisions

11.1 Responsibility for investment choice

You are responsible for the choice of **FPIL fund(s)** to which **your** Plan is linked. **You** must satisfy yourself that the choice of **FPIL fund(s)** is suited to **your** circumstances and objectives, bearing in mind **your** attitude to risk. **We** are not responsible for any loss suffered or reduction in the value of **your policy** arising from **your** investment. **We** do not have any responsibility for the management of the underlying collective investment scheme in which the **FPIL funds** have holdings and **we** do not approve any asset as a suitable investment.

11.2 Proof of entitlement

Before **we** make any payment or acknowledgement or act **we** must be satisfied that the person(s) making the claim or request has the right to do so. **We** will need reasonable proof and **you** may have to produce the **policy** documents. **We** will only be required to pay a **surrender value** if **you** have provided **us** with reasonable proof of **your** entitlement to the **policy**.

11.3 Notices

If **you** change **your** address **you** should write and let **us** know. If **you** do not, and **we** write to **you** at the last address of which **we** have notice, **we** will as far as the **policy** is concerned be treated as having written to **you** at the correct address. If **you** have to write to **us** **you** should write to **us** at Royal Court, Castletown, Isle of Man, IM9 1RA, British Isles unless **we** have written to **you** to tell **you** otherwise. All payments under the **policy** are payable at our registered office.

11.4 Power of delay

If the assets held in an **FPIL fund** are not readily realisable, **we** may delay the cancellation of those **units** in that **FPIL fund** and the substitution of an alternative fund in accordance with Part 1 clause 3.2, or payment of a consequent **surrender value** or **withdrawal sum**. If **we** have been unable to sell the assets within six months **you** may request **us**, if possible, to transfer the ownership of the assets into **your** name in lieu of the **surrender value** or **withdrawal sum** (as appropriate). Otherwise **we** may delay paying the **surrender value** or **withdrawal sum** until **we** have been able to sell the assets. **We** will not be liable to pay interest for any delay in payment of the **surrender value** or **withdrawal sum** under any circumstances.

11.5 Currency

11.5.1 All sums payable by **us** to **you** under the **policy** will be paid in the **policy currency** unless **you** request otherwise.

11.5.2 **We** will use the **policy currency** to provide valuations of the **policy** to **you**. **You** may request **us** to change the currency in which **you** receive **your** valuations. **You** can only request to change **your policy currency** after the completion of the **initial period** or any subsequent **initial period**.

11.5.3 Whenever it is necessary for the purposes of the **policy** to convert any amount denominated in one currency to any other currency, please ask for details of the rate used to make the conversion. This will reflect a rate of exchange available from our bankers at the time the conversion is made.

11.5.4 Any administration charge (whether it is called annual administration charge or annual management charge or administration charge) will be calculated in the currency of the appropriate **FPIL fund** selected by **you**.

11.5.5 With the exception of the charge referred to in Part 1 clause 11.5.4 above, all fees and charges will be calculated in the **policy currency**.

11.5.6 If the **policy currency** is replaced by another currency (for example where a country adopts another currency for economic reasons), the **policy currency** will automatically change to the new currency. If, subsequently, the new currency is abandoned, the **policy currency** shall revert to the respective currency specified before the conversion, or its equivalent.

11.5.7 All figures quoted in the **policy** document are quoted in US dollars. To convert those figures to other currencies the following conversion rates should be used:

UK sterling 0.67
euro 1.00
Hong Kong dollar 8.00
UAE dirham 3.66

If the market exchange rates of any of these changes by more than 20% from 1st July 2011 **we** may by giving **you** one month's notice in writing amend the conversion rate or rates to reflect then current market exchange rates.

11.6 Taxation and legislation

If our **appointed actuary** reasonably believes changes in legislation or taxation or if the imposition of a statutory levy means **we** cannot continue to administer the **policy** as set out in the **policy** documents without adversely affecting ourselves or the interests of our policyholders, **we** will make such changes to the **policy** as are necessary to put **us** and our policyholders in the financial position they would have been in but for the change or the levy. **We** will write and inform **you** of the change.

11.7 Communications

11.7.1 **You** may instruct **us** by letter, fax or electronic mail. **We** may request **you** to confirm any instructions by letter but **we** may act upon instructions which **we** reasonably believe are valid. **We** reserve the right not to act upon any instructions until **we** have received confirmation by letter although lack of any such confirmation will not invalidate any instructions which **we** have already acted upon. **We** shall not be required to act upon any instructions where **we** reasonably believe such action may involve any party in a breach of law, rule or regulation.

11.7.2 **We** will not be responsible for any loss, damage, fraud or misappropriation arising as a result of any error or breakdown in transmission, misunderstandings, errors by **us** or our employees, servants or agents regarding the identity of the person or persons giving instructions by fax or electronic mail.

11.7.3 **You** agree to indemnify **us** and hold **us** harmless against all losses, damages, liabilities, actions, proceedings, claims, costs and expenses including legal expenses on a full indemnity basis arising from or in connection with **us** acting or failing to act on instructions given by **you** through fax or electronic mail.

11.8 Roundings

We may reasonably round any calculations by an adjustment of not more than 0.1%. Rounding adjustments relating to the purchase or cancellation of **units** will usually accrue to the benefit of continuing policyholders in the appropriate **FPIL fund(s)**.

11.9 Severability

If any clause of the **policy** (or part of a clause) is invalid or unenforceable to any extent or purpose, this will not affect the validity or enforceability for other purposes of the remaining clauses. The clause shall be deemed to be severed subject to any consequential amendments which may be necessary.

11.10 Entire agreement

The contract between **you** and **us** consists of the application form, these **policy** clauses, the **policy schedule** and any endorsements. The **policy** can only be amended if **we** issue a written endorsement signed by two authorised officers. If **you** have not objected to the contents of an endorsement within three months of the date when **we** send it to **you**, **you** will be deemed to have accepted the change.

11.11 Non-waiver

If at any time **we** fail to enforce any of the obligations or terms contained in the **policy** this shall not be construed as a waiver of our rights at any other time to enforce each and every obligation and term contained in this **policy**.

11.12 Inflation

Any sums stated in these **policy** provisions will be increased from time to time in line with the Retail Prices Index issued by the Isle of Man Government or any replacement index.

11.13 Governing law

The **policy** shall be governed and construed in accordance with the law of the Isle of Man.

Part 2 Fund rules

1 Nature of funds and units

- 1.1 **We** have created a number of funds called the **FPIL funds**. Each **FPIL fund** forms a separate and identifiable part of our long-term business fund. **We** are the absolute legal and beneficial owner of all the assets which relate to each fund. **You** have no rights or entitlement to these assets. Consequently, **you** should be aware that specific investor protection and compensation schemes that may exist in relation to collective investments and deposit accounts are unlikely to apply in the event of failure of such an investment linked to the **policy**.
- 1.2 Each **FPIL fund** is divided into **units**. In any fund, all **units** of a particular type will be of equal value. **We** will only create **units** in any fund if assets of a value equal to the value of **units** created have been added to the fund. Except in the circumstances described in Part 2 clause 4, assets may only be withdrawn if **units** of an equal value are cancelled.
- 1.3 **We** may delay creating or cancelling **units** if our appointed actuary reasonably believes that to do otherwise would adversely affect the **policy**, the fund or other policyholders. **We** may also delay cancelling **units** if it is not possible to sell the underlying assets at what **we** are advised is their true market value.
- 1.4 **Units** are notionally allocated to the **policy** solely for the purpose of calculating the payments that **we** have to pay to **you** under the **policy**.

2 Management of FPIL funds

- 2.1 **We** will manage the **FPIL funds** and will determine which assets relate to each **FPIL fund**. **We** may delegate the management of any **FPIL fund**. **We** may if **we** so wish charge the assets relating to each **FPIL fund** as security. **We** may reinsure the **FPIL funds** in whole or part. In exceptional circumstances borrowings may be incurred in an **FPIL fund** provided that such borrowings will not exceed 25% of the **bid value** of that **FPIL fund** inclusive of short term borrowings to cover withdrawals or other special situations.
- 2.2 **We** may from time to time make other funds available to **your policy**. Similarly if, at any time, our appointed actuary reasonably believes it would be in the best interests of the policyholders in an **FPIL fund**, **we** may close that **FPIL fund** or sub-divide or consolidate **units**.

- 2.3 If **we** decide to close an **FPIL fund** **we** will endeavour to inform **you** in writing at least three months before the fund is to close. **We** will cancel **units** in the fund which is closing. **You** may ask **us**, in writing, to allocate **units** in another **FPIL fund**. If **you** do not select another fund **we** will allocate **units** in the **FPIL fund** which in the opinion of our appointed actuary is the nearest to the **FPIL fund** which has been closed in terms of objective strategy and risk grading.
- 2.4 The **Lifestyle Investment Option** will, if chosen by **you**, begin either three, five or ten years before the **Option Date** or other time period as agreed by **us**.

3 Valuations and pricing

- 3.1 Each **FPIL fund** will be valued on each **dealing day**. Usually this will not be less frequently than monthly but it does depend upon the nature of the underlying assets.
- 3.2 On each **dealing day** **we** will set the **offer price** of **units** and the **bid price** of **units**. **We** will set the prices within the range between the maximum **offer price** (described in Part 2 clause 3.6) and the minimum **bid price** (described in Part 2 clause 3.7).
- 3.3 The value of each **FPIL fund** will be determined by our appointed actuary by reference to the market value of the underlying assets relating to that fund. The market values used will be:
- 3.3.1 where the asset is quoted on a recognised stock exchange, **we** will use the latest available price published by that exchange on or before the **dealing day**;
- 3.3.2 where the asset is a unit trust, mutual fund or other pooled investment **we** will use the price most recently available from the managers of the scheme on the day immediately before the **dealing day**. **We** reserve the right to use the actual price obtained when acquiring or selling the asset;
- 3.3.3 where the asset does not come within Part 2 clauses 3.3.1 or 3.3.2, **we** will obtain such professional advice to assist **us** to value the asset as **we** reasonably deem necessary.

- 3.4 On a **dealing day**, **we** will calculate the offer value of the **FPIL fund** by reference to the price at which **we** have been able to acquire assets or the price at which **we** would reasonably expect to acquire assets related to the fund. In setting the offer value **we** will include reserves against the deductions referred to in Part 2 clause 4 below, which constitute an actual or a potential liability of that **FPIL fund**.
- 3.5 On a **dealing day** **we** will calculate the **bid value** of the **FPIL fund** by reference to the price at which **we** have been able to dispose of assets or the price at which **we** would reasonably expect to be able to dispose of assets related to the fund. In setting the **bid value** **we** will include reserves against the deductions referred to in Part 2 clause 4 below, which constitute an actual or a potential liability of that **FPIL fund**.
- 3.6 The maximum **offer price** of **units** in an **FPIL fund** will be determined by dividing the offer value of the fund (calculated by the method described in Part 2 clause 3.4) by the number of **units** created but not cancelled. The resulting figure will be divided by 0.93. This figure will be rounded up to three decimal places.
- 3.7 The minimum **bid price** of **units** in an **FPIL fund** will be determined by dividing the **bid value** of the fund (calculated by the method described in Part 2 clause 3.5) by the number of **units** created but not cancelled. The resulting figure will be rounded down to three decimal places.
- 3.8 Although each **FPIL fund** will have an **offer price** and a **bid price** (because the **FPIL funds** are available to other types of **policy**) for the purposes of the **policy** all **units** will be bought and sold at the **bid price**.

4 Additions and deductions

- 4.1 If any of the assets relating to an **FPIL fund** generate income such as dividends, interest or rent, that income will be added to that fund and will increase the value of that fund.
- 4.2 **We** will be entitled to take from each **FPIL fund** a number of expenses as follows:
- 4.2.1 any charges or fees which **we** are entitled to take by virtue of Part 1 of these **policy** conditions;
- 4.2.2 any costs, expenses and charges incurred by **us** in acquiring, managing, maintaining, valuing or disposing of the assets relating to that fund;
- 4.2.3 any expense, charge, tax, levy or fiscal enforcement not taken into account elsewhere, which our appointed actuary reasonably considers is a liability relating to that fund.
- 4.3 Any tax liability will be calculated as though the relevant **FPIL fund** makes up the whole of our long-term business fund without allowing for expenses.
- 4.4 Where **units** in one **FPIL fund** are held as assets relating to another **FPIL fund**, **we** will use all reasonable endeavours to ensure that no double charging occurs.

Part 3 Definitions

The words in the **policy** shall have the meaning as shown below:

Accumulation units means units which are not initial units. They are units purchased by regular premiums due after the end of the initial period and any subsequent initial periods and any additional single premiums.

Additional single premium means a single premium paid by you after the commencement of the policy and stated in an endorsement issued by us.

Appropriate dealing day for the allocation of units in any fund will be the next dealing day of that fund following the Company acting upon the relevant instructions or, in the case of premium receipts, crediting the investible amount to the policy.

Bid price means the price at which units will be cancelled (or sold).

Charging point means a point at which an enhanced initial unit recovery charge becomes due. For the avoidance of doubt, the first charging point in respect of Part 1 clause 2.2. is at the time of the thirteenth suspended or reduced premium in respect of a monthly – paying policy, fifth suspended or reduced premium in respect of a quarterly – paying policy, third suspended or reduced premium in respect of a half – yearly – paying policy, and the second suspended or reduced premium in respect of a yearly – paying policy.

Commencement date means the date on which the policy starts and is shown in the policy schedule.

Dealing day means the day when we deal in units of an FPIL fund. The day may vary from one fund to another.

Death benefit means the sum we pay to you when the life assured dies.

Enhanced initial unit recovery charge means the charge payable upon the occurrence of the charging points in Part 1 sections 2.2 - 2.5.

Enhanced initial units means initial units allocated to the policy during the initial period in respect of the investible amount to the extent that the investible amount exceeds the original premium.

FPIL fund means the separate funds that we maintain for the purpose of determining the amounts we have to pay under the policies we issue to our policyholders.

Initial charge means the charge we make by cancelling initial units. The amount of the charge is set out in the policy schedule.

Initial period means the period beginning on the commencement date and continuing for the period specified in the policy schedule.

Initial units means units purchased by the regular premiums which you must pay during the initial period and any subsequent initial period.

Investible amount means that percentage of the premium or additional single premium shown in the policy schedule or endorsement as appropriate.

Life (lives) assured means the person or persons named in the policy schedule upon whose death the death benefit will be paid.

Lifestyle Investment Option means an option to gradually move investments into lower risk funds as they approach the Option Date.

Minimum Plan Value is the minimum value of USD 2,000 or the currency equivalent, above which the policy must be maintained at all times after the initial period.

Offer price means the price at which units in an FPIL fund will be created (or purchased).

Option Date means the Option Date specified in the policy schedule.

Original Premium means the premium shown in the policy schedule issued on the commencement date.

Payee means the last person or persons, if any, appointed in the prescribed manner by you before the death of the life assured to receive the death benefit or, if no such appointment has been made, or if any such appointment has been revoked without any subsequent appointment having been made by you prior to the death of the life assured, you.

Payment method means one of the methods stated in the policy schedule by which you can pay the premiums

Plan charge means the monthly charge we will take by cancelling accumulation units. The amount of the plan charge is set out in the policy schedule.

Policy means these policy conditions, your policy schedule and any endorsement(s).

Policy currency means the currency specified in the policy schedule.

Policy schedule means the policy schedule first issued with the policy and any revised policy schedule issued due to alteration in the terms of the policy. The policy schedule states the details specific to your policy.

Premium means the premium shown in the policy schedule issued on the commencement date or in any endorsement as appropriate.

Subsequent initial period means a period of the same duration as the initial period but commencing on an increase in regular premiums.

Surrender charge means the fee which we will charge if you encash the policy before the Option Date. Premier Advance will not acquire a surrender value on any initial units held until after the first policy anniversary date and at least 12 months' worth of premiums have been paid. If you encash at any other time prior to the Option Date, the surrender charge will be calculated by applying the appropriate percentage set out in the table below to the bid value of the initial units allocated to the policy (part years will be rounded up to the next whole years).

If you encash the policy during the first 5 years after commencement the enhanced initial unit recovery charge will be applied before the Surrender charge is deducted.

Surrender Charge													
Remaining term (years)	25	24	23	22	21	20	19	18	17	16	15	14	13
Fee %	100	93	90	87	84	81	78	75	72	68	64	60	57
Remaining term (years)	12	11	10	9	8	7	6	5	4	3	2	1	-
Fee %	54	51	48	45	42	39	36	30	24	18	12	6	-

Surrender value means the bid value of all the units allocated to the policy on the next dealing day after we have received the proof referred to in Part 1 clause 7.1 and have finished processing the claim. We will deduct any money owing to us including the surrender charge and plan charge before we pay the surrender value.

Switch charge means the charge which we will make for changing the FPIL fund selected by you.

Units means the portions of equal value into which an FPIL fund is divided. The term 'units' includes both initial units and accumulation units.

We and **us** means Friends Provident International Limited.

Withdrawal sum means the single or the regular sum which you have asked us to withdraw from the policy.

You and **your** means the person or persons who own the policy.

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