



protectTM

Critical illness policy terms

Series 3 from 1 January 2003



Skandia

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1. Definitions

This document details the terms of the agreement between *you*, the *policyholder*, and *us*, Skandia Life Assurance Company Limited. To avoid repetition, a number of expressions which are used throughout these terms are defined below. To assist *you*, they will appear in *italics* where used.

Acceptance date The acceptance date shown in the *schedule*. This is the date on which the cover starts.

Activities of daily living

Continence the ability to manage bowel and bladder functions (including the use of protective undergarments and surgical appliances if appropriate) so as to maintain personal hygiene.

Dressing the ability to put on, take off, secure and unfasten all necessary items of clothing and any braces, artificial limbs or other surgical devices.

Feeding the ability to eat food which has been prepared and cooked (if appropriate).

Mobility the ability to move from one room to another on level surfaces.

Transferring the ability to get on and off the toilet, in and out of bed and move from bed to an upright chair or wheelchair and back again.

Washing the ability to wash and bathe, getting into and out of the bath or shower.

Activities of daily work

Bending the ability to bend or kneel to pick up something from the floor and straighten up again.

Climbing the ability to walk up or down a flight of 12 stairs without holding on or resting.

Communicating the ability to answer the telephone and take a message for someone.

General Health the ability to independently arrange to see a doctor and take routine prescribed medication.

Lifting the ability to lift, carry or otherwise move everyday objects using either hand. Everyday objects would include a kettle of water, bags of shopping, an overnight bag or briefcase.

Manual dexterity the ability to use hands and fingers with precision, including the ability to pick up and manipulate small objects, such as pens or cutlery.

Reading the ability to read, with spectacles or contact lenses if necessary, ordinary newsprint, or to pass the standard eye test for driving. This activity would be failed if the relevant *life assured* is certified as blind or partially sighted by an ophthalmologist.

Walking the ability to walk a distance of more than 200 metres on flat ground without stopping or without severe discomfort.

Actuary *Our* officer who has statutory responsibilities concerning *our* sound and prudent financial management and who has a professional duty to consider *your* interests as well as *ours*.

Commencement date The commencement date shown in the *schedule*. This is the date on which *premiums* start.

Consultant A person who holds an appropriate appointment as a consultant or equivalent at a hospital in the UK, the Channel Islands or the Isle of Man and with qualifications and experience that are acceptable to *our* Chief Medical Officer.

Critical illness Any of the conditions described in term 5 of section 4. *We* reserve the right to add further conditions and vary the existing conditions if this results in providing *you* with greater cover.

Expiry date The date when the term of the *policy* ends.

Fixed term The *expiry date* of the *policy* is fixed. The *schedule* will indicate whether the *policy* has a fixed term under 'type of term'.

Head office The head office of Skandia Life Assurance Company Limited at the address shown on the *schedule*.

Irreversible Cannot be cured by medical treatment and/or surgical procedures used by the National Health Service in the UK (or any service which replaces it) at the time of the claim.

Life assured or lives assured The person(s) named in the *schedule* as the *life* or *lives assured*.

Mental impairment Due to organic brain disease or brain injury, the *life assured's* ability to reason, remember and understand has deteriorated to such an extent that the *life assured* can no longer look after him or herself without the constant supervision and assistance of another person.

Option date The previous *review date* on which an option could have been exercised under this *policy* or, if no *review date* has yet been passed, the *commencement date*.

Permanent Expected to last throughout life, irrespective of when the *life assured* is expected to retire or when the cover is due to come to an end.

Plan A group of one or more *policies* held under the same *plan* number as shown on the *schedule*.

Policy The contract issued following the acceptance of an application for a Skandia Protect critical illness policy.

Policyholder The owner(s) of the *policy* for the time being. The policyholder at the *acceptance date* is named in the *schedule*.

Premium The amount paid for the *policy*.

Relevant child Any child of a *life assured*, whether by birth, by legal adoption, or any step-child from a legally recognised marriage of the *life assured* and who has attained the age of 30 days. Any such child shall cease to be a *relevant child* on attaining the age of 18 years or on any prior payment of benefit in respect of such child under section 6.

Review date The date specified by section 14. This is the effective date from which various options will take effect if *you* exercise any, as explained in section 12.

Rolling term The *expiry date* of the *policy* is initially the day before the tenth anniversary of the *commencement date*. However, if any option in section 12 is exercised on a *review date*, the *expiry date* will automatically be extended to the day before the tenth anniversary of that *review date*. The *schedule* will indicate whether the *policy* has a rolling term under 'type of term'.

RPI The Retail Prices Index published monthly by the relevant UK Government department or, if that index ceases to be published or be appropriate, such similar index as *we* may choose on the advice of the *actuary*.

Schedule The document headed 'Policy Schedule' issued for the *policy*, showing the *policy* details. The details shown on the *schedule* may be superseded by subsequent endorsements (in the form of revised *policy schedules* or written communication signed by one of *our* duly authorised officers) issued by *us*. The details in any such endorsements will take precedence over those contained in the original *schedule* or any previous endorsement.

Underwriting The process of classifying an individual's risk, achieved through collecting health and other relevant information from individuals, their medical attendant(s) and other parties such as solicitors and accountants.

We, us and our Skandia Life Assurance Company Limited, a private company limited by shares and registered in England (no. 1363932).

You and your The *policyholder*.

The singular shall include the plural and the masculine shall include the feminine and vice versa except where the context requires otherwise.

2. Premiums

1. When are premiums payable?

(1) Monthly premiums

(a) The first *premium* is collected on or shortly after the *acceptance date* by direct debit or other means agreed by *us*. If any direct debit instruction is submitted to *us*, *we* will send *you* written confirmation of the *premiums* to be collected at least five days before the first collection.

(b) Second and subsequent *premiums* will be due monthly starting from the first of the month following the *commencement date*. The date of collection will be on a date that *we* agree with *you*.

(2) Yearly premiums

(a) The first *premium* is due on the *commencement date*. If the first *premium* is paid by direct debit, it is collected on or shortly after the *acceptance date* and *we* will send *you* written confirmation of the *premiums* to be collected at least five days before the first collection.

(b) Second and subsequent *premiums* will be due on the *review dates*. If *premiums* are paid by direct debit, they will be collected in the month in which the *review date* falls, on a date that *we* agree with *you*.

(3) Any money paid to *us* before the *acceptance date* will be regarded as a deposit only and not a *premium*. No interest will be paid on such deposits. *We* will bank any cheque sent to *us* when *we* receive it and *we* will apply it to the first *premium* on the *acceptance date*.

(4) Payment of the second and subsequent *premiums* must be within 30 days of the date on which they are due (or such other date as *we* agree with *you*). If any benefit becomes payable, *we* will deduct any unpaid *premium* from the amount payable.

(5) If any *premiums* are paid after the date of a death giving rise to a valid benefit payment under section 8 (Life cover), *we* will refund them without interest, unless they were paid under section 10 (Premium protection benefit). If any *premium* is paid after the date of any other event giving rise to a valid benefit payment but before *we* agree the claim is valid, *we* will retain it.

2. What happens if a premium is not paid?

(1) If a *premium* remains unpaid 30 days from the due date (or such other date as *we* agree with *you*) then the *policy* will immediately terminate without value and the cover will cease.

(2) *You* may request that the *policy* be reinstated within three months of the due date of the first unpaid *premium* (or such other date as *we* agree with *you*). *We* may ask for *underwriting* evidence to enable *us* to consider *your* request. In the light of the evidence provided, *we* will tell *you* whether *we* are able to accept the reinstatement and, if so, on what terms. If *we* are able to accept, *we* will reinstate the *policy* when *we* receive all *our* requirements, including payment of all outstanding *premiums*, at *our head office*.

(3) If one or more *review dates* occurred during the period when the *premium(s)* was or were outstanding, the inflation option under term 1 of section 12 may be exercised on reinstatement of the *policy*.

(4) If any sum is paid to *us* after 30 days from the due date (or such other date as *we* agree with *you*), it will not be applied as a *premium* to the *policy* but will be held as a deposit only. Until *we* receive any other requirements that *we* need to reinstate the *policy*, there will be no insurance cover in force. Where *we* cannot obtain what *we* need, *we* will refund such sum(s) on request, without interest.

3. Can the frequency of payment be changed?

- (1) *You* may change the frequency of *premium* payment from monthly to yearly at any time. This may affect the *review date* (see section 14).
- (2) Any change of frequency of *premium* payment from yearly to monthly will take effect from the next *review date*.

3. Premium guarantee

- (1) *We* guarantee that, provided *premiums* are paid on time, *premiums* will not be increased unless *you* request any changes to the *policy*.
- (2) In the event of any changes to the *policy* being made at *your* request, *we* guarantee that, provided subsequent *premiums* are paid on time, *premiums* after the change will not be increased unless *you* subsequently request any further changes to the *policy*.

4. Critical illness benefit

1. In what event is the benefit payable?

- (1) Provided the *policy* is in force, the sum assured will become payable on a *life assured* ('the critically ill *life assured*') suffering a *critical illness*.
- (2) Where the *schedule* shows the type of policy as critical illness without life cover, the critically ill *life assured* must survive for 14 days after the diagnosis of the *critical illness*. If the critically ill *life assured* dies within this period, the critical illness benefit will not be payable.

2. How much will be paid?

- (1) Subject to term 5 of section 15, *we* will pay the sum assured applicable on the date *we* agree the claim is valid. If any *premiums* are paid after that date, *we* will refund them without interest, unless they were paid under section 10 (Premium protection benefit).
- (2) The benefit will be paid as soon as all *our* requirements have been met and *we* will add interest (less tax) to the amount payable (excluding any *premium* refunds). The interest will be calculated from the date *we* agree the claim is valid. The rate of interest will be based on the rate of increase in a gross interest-bearing deposit fund which *we* are using for this purpose at the time of payment.
- (3) If the *schedule* shows that the sum assured is payable in instalments, the amount calculated under term 2(1) above will be paid in four equal yearly instalments. The first instalment will be paid as soon as all *our* requirements have been met. No further interest will be payable after the first instalment is paid.

3. What will we need for payment?

- (1) As soon as *we* are told about a potential claim, *we* will tell *you* what *we* need to assess the claim. The benefit will be paid as soon as all *our* requirements have been met.
- (2) Examples of *our* requirements include, but are not limited to:
 - (a) title documents (for example, probate, deeds of assignment, declarations of trust, deeds appointing trustees);
 - (b) the *schedule*;
 - (c) statutory declaration of loss of any of the above;
 - (d) birth certificate (and, where appropriate, marriage certificate) or other proof of age for the *life* or *lives assured*, unless the age(s) has or have already been verified by *us*;
 - (e) satisfactory relevant supporting medical evidence (fees to be at *our* expense);
 - (f) *our* claim assessment form and claim payment form, satisfactorily completed by the appropriate claimant(s).

4. Who will receive the benefit?

We will pay the amount described in term 2 above to the *policyholder*. The *policy* will then terminate and no other benefits will be payable.

5. What are the critical illnesses covered?

Alzheimer's disease

Alzheimer's disease as diagnosed by a *consultant*. The diagnosis must be supported by evidence of progressive deterioration of memory and of the ability to reason and to perceive, understand, express and give effect to ideas.

Angioplasty

The undergoing of angioplasty on two or more coronary arteries to correct blockage of at least 50% in each of the affected arteries, on the undisputed advice of a *consultant*. Balloon angioplasty, excimer laser, rotablation, stents and directional atherectomy are specifically included.

Aorta graft surgery

Undergoing surgery for disease of the aorta needing excision and surgical replacement of a portion of the diseased aorta with a graft. For this definition, aorta means the thoracic and abdominal aorta but not its branches.

Bacterial meningitis

An inflammation of the meninges due to bacterial infection and resulting in *permanent* neurological deficit. Bacterial meningitis must have been unequivocally diagnosed by a *consultant*.

All other forms of meningitis, including viral, are not covered.

Benign brain tumour

A non-malignant tumour in the brain, resulting in *permanent* deficit to the neurological system. Tumours or lesions in the pituitary gland are not covered.

Blindness

Total *permanent* and *irreversible* loss of all sight in both eyes.

Cancer

A malignant tumour characterised by the uncontrolled growth and spread of malignant cells and invasion of tissue. The term cancer includes leukaemia and Hodgkin's disease but the following are excluded:

- (a) all tumours which are histologically described as pre-malignant, as non-invasive or as cancer in situ;
- (b) any skin cancer other than malignant melanoma.

Cardiomyopathy

A definite diagnosis of cardiomyopathy made by a *consultant*, as evidenced by:

- (a) electrocardiograph changes; and
- (b) echocardiographic abnormalities.

These findings must be consistent with the diagnosis of cardiomyopathy. All other forms of heart disease, heart enlargement and myocarditis are specifically excluded.

Coma

A state of unconsciousness with no reaction to external stimuli or internal needs, persisting continuously with the use of life support systems for a period of at

least 96 hours and resulting in *permanent* neurological deficit. Coma secondary to alcohol or drug misuse is not covered.

Coronary artery by-pass surgery

The undergoing of open heart surgery on the advice of a *consultant* cardiologist to correct narrowing or blockage of one or more coronary arteries with by-pass grafts but excluding balloon angioplasty, laser relief or any other procedures.

Deafness

Total *permanent* and *irreversible* loss of all hearing in both ears.

Heart attack

The death of a portion of the heart muscle as a result of inadequate blood supply as evidenced by an episode of typical chest pain, new electrocardiograph changes and by the elevation of cardiac enzymes. The evidence must be consistent with the diagnosis of heart attack.

Heart valve replacement or repair

Undergoing open heart surgery from medical necessity to replace or repair one or more heart valves.

HIV or AIDS

Being infected by Human Immunodeficiency Virus (HIV), or suffering from Acquired Immune Deficiency Syndrome (AIDS) or other similar or related condition or syndrome provided that:

- (a) the infection is due to a blood transfusion or artificial insemination or in-vitro fertilisation taking place in the UK after the *acceptance date*; or
- (b)
 - (i) the infection results directly from a physical assault involving involuntary contact with either an hypodermic needle or an infected sharp instrument, or sexual assault; and
 - (ii) the incident giving rise to the infection happens in the UK after the *acceptance date* and is reported at a police station within five days; and
 - (iii) a test showing no HIV or HIV antibodies is made within ten days of the incident and a later test is made within 12 months showing infection; or

- (c)
- (i) the infection arises in the course of the critically ill *life assured's* normal occupation; and
 - (ii) the incident giving rise to the infection happens in the UK after the *acceptance date* and is reported within five days, investigated and documented according to the relevant occupation; and
 - (iii) a test showing no HIV or HIV antibodies is made within ten days of the incident and a later test is made within 12 months showing infection.

Kidney failure

End stage renal failure presenting as chronic *irreversible* failure of both kidneys to function, as a result of which either regular renal dialysis or renal transplant is initiated.

Loss of independent existence

Suffering *mental impairment* or being *permanently* and *irreversibly* unable to perform three or more *activities of daily living*. This must be supported by medical evidence from a *consultant* we consider appropriate and must have continued without interruption for three consecutive months. If the *life assured* has to use special devices or equipment to perform an *activity of daily living* then he or she shall still be deemed to be able to perform that activity.

Loss of limbs

The *permanent* physical severance of two or more limbs from above the wrist or ankle joint.

Loss of speech

Total *permanent* and *irreversible* loss of the ability to speak as a result of physical injury or disease.

Major organ transplant

The actual undergoing as a recipient of, or inclusion on an official UK waiting list for, a transplant of a heart, liver, lung, pancreas or bone marrow.

Motor neurone disease

Confirmation by a *consultant* neurologist of a definite diagnosis of motor neurone disease.

Multiple sclerosis

A definite diagnosis by a *consultant* neurologist of multiple sclerosis which satisfies all of the following criteria:

- (a) there must be a current impairment of motor or sensory function, which must have persisted for a continuous period of at least six months;
- (b) the diagnosis must be confirmed by diagnostic techniques current at the time of the claim.

Paralysis or paraplegia

Total *irreversible* loss of muscle function or sensation to the whole of any two limbs as a result of injury or disease. The disability must be *permanent* and supported by appropriate neurological evidence.

Parkinson's disease

Confirmation by a *consultant* neurologist of a definite diagnosis of Parkinson's disease. Parkinson's disease secondary to alcohol or drug misuse is not covered.

Pre-senile dementia

Pre-senile dementia as diagnosed by a *consultant*. The diagnosis must be supported by evidence of progressive deterioration of memory and of the ability to reason and to perceive, understand, express and give effect to ideas.

Progressive supranuclear palsy

Confirmation by a *consultant* of a definite diagnosis of progressive supranuclear palsy.

Stroke

A cerebrovascular incident resulting in *permanent* neurological damage. Transient ischaemic attacks are specifically excluded.

Terminal illness

Advanced or rapidly progressing incurable illness where, in the opinion of an attending *consultant* and *our* Chief Medical Officer, the life expectancy is no greater than 12 months. Where the *schedule* shows the type of term as *fixed*, the cover for terminal illness will stop 18 months before the *expiry date*.

Third degree burns

Third degree burns covering at least 20% of the body surface area.

6. Are there any exclusions?

No benefit will be payable under this section in respect of any *critical illness* which, in *our* opinion, resulted directly from or was accelerated by:

- (a) alcohol or solvent abuse, or the taking of drugs except under the direction of a registered medical practitioner; or
- (b) unreasonable failure to seek or follow medical advice.

No other exclusions apply to the benefits payable in this section other than any specified in the *schedule*.

5. Surgery benefit

1. In what event is the benefit payable?

- (1) Provided the *policy* is in force, an amount will become payable to enable a *life assured* (the 'critically ill *life assured*') or *relevant child* to undergo coronary artery by-pass surgery, as described in term 5 of section 4 (Critical illness benefit).
- (2) The amount payable in respect of surgery benefit for a critically ill *life assured* is an advance of the sum assured payable under the *policy*. This means that, on payment of any surgery benefit for a critically ill *life assured*, the sum assured will be reduced for all purposes by the amount paid.
- (3) The amount payable in respect of surgery benefit for a *relevant child* is an advance of the applicable amount as defined in term 2 of section 6 (Children's benefit) for that *relevant child*. This means that, on payment of any surgery benefit for a *relevant child*, the applicable amount as defined in term 2 of section 6 (Children's benefit) will be reduced for that *relevant child* by the amount paid.

2. How much will be paid?

- (1) Where *we* agree that a claim for surgery benefit for a critically ill *life assured* is valid, *we* will pay the lower of:
 - (a) the sum assured applicable on the date *we* agree the claim is valid; and
 - (b) the amount shown on the fixed price quote, as described in term 3 below.
- (2) Where *we* agree that a claim for surgery benefit for a *relevant child* is valid, *we* will pay the lowest of:
 - (a) 50% of the sum assured applicable on the date *we* agree the claim is valid; and
 - (b) £25,000; and
 - (c) the amount shown on the fixed price quote, as described in term 3 below.
- (3) The benefit will be paid as soon as all *our* requirements have been met.

3. What will we need for payment?

As soon as *we* are told about a potential claim, *we* will tell *you* what *we* need to assess the claim. Examples of *our* requirements include, but are not limited to:

- (a) title documents (for example, deeds of assignment, declarations of trust, deeds appointing trustees);
- (b) the *schedule*;
- (c) statutory declaration of loss of any of the above;
- (d) birth certificate (and, where appropriate, marriage certificate) or other proof of age for both the *life* or *lives assured* and (where appropriate) the *relevant child* unless the age(s) have already been verified by *us*;
- (e) written evidence of adoption of the *relevant child* (where appropriate);
- (f) an original fixed price quote from the hospital where the coronary artery by-pass surgery is to be carried out, detailing the costs of medical procedures, hospital accommodation, medication and aftercare included;
- (g) authorisation from any trustee, assignee or any other third party with a beneficial interest in the *policy* to make the payment in respect of surgery benefit to the hospital shown on the fixed price quote;
- (h) satisfactory supporting medical evidence (fees to be at *our* expense);
- (i) *our* claim assessment form and claim payment form, satisfactorily completed by the appropriate claimant(s).

4. Who will receive the benefit?

We will pay the amount described in term 2 above to the hospital where the coronary artery by-pass surgery is to be carried out.

5. Are there any exclusions?

No benefit will be payable in respect of the additional cost of treatment for any complication or secondary condition which arises as a result of the coronary artery by-pass surgery.

6. When will any remaining benefit be paid?

- (1) Where the *schedule* shows the type of policy as critical illness without life cover, the critically ill *life assured* must survive for 14 days after the undergoing of coronary artery by-pass surgery before *we* will consider a claim for any remaining critical illness benefit. If the critically ill *life assured* dies during this period, the *policy* will then terminate and no other benefits will be payable.
- (2) Subject to (1) above, *we* will pay any remaining sum assured to the *policyholder* in accordance with section 4 (Critical illness benefit) or section 8 (Life cover). The *policy* will then terminate and no other benefits will be payable.
- (3) Where surgery benefit is paid for a *relevant child*, he or she must survive for 14 days after the undergoing of coronary artery by-pass surgery before *we* will consider a claim for any remaining amount due under section 6 (Children's benefit). The *policy* will then continue in force, provided *premiums* continue to be paid.

6. Children's benefit

1. In what event is the benefit payable?

- (1) Provided the *policy* is in force, an amount will become payable on a *relevant child* suffering a *critical illness*.
- (2) The *relevant child* must survive for 14 days after the diagnosis of the *critical illness* (or the undergoing of surgery, where appropriate). In the event of the death of the *relevant child* within this period, the children's benefit will not be payable.
- (3) The 14 day survival period will not apply where the *critical illness* is bacterial meningitis.

2. How much will be paid?

- (1) We will pay the lower of:
 - (a) 50% of the sum assured applicable on the date we agree the claim is valid; and
 - (b) £25,000.
- (2) The £25,000 limit will be reduced by any sums paid in respect of the *relevant child* in respect of children's benefit under any other Skandia contract.
- (3) The benefit will be paid as soon as all *our* requirements have been met and we will add interest (less tax) to the amount payable. The interest will be calculated from the date we agree the claim is valid. The rate of interest will be based on the rate of increase in a gross interest-bearing deposit fund which we are using for this purpose at the time of payment.

3. What will we need for payment?

As soon as we are told about a potential claim, we will tell you what we need to assess the claim. Examples of our requirements include, but are not limited to:

- (a) title documents (for example, deeds of assignment, declarations of trust, deeds appointing trustees);
- (b) statutory declaration of loss of any of the above;
- (c) birth certificate (and, where appropriate, marriage certificate) or other proof of age for both the *life* or *lives assured* and the *relevant child* unless the age(s) has or have already been verified by us;
- (d) written evidence of adoption (where appropriate);
- (e) satisfactory relevant supporting medical evidence (fees to be at our expense);
- (f) our claim assessment form and claim payment form, satisfactorily completed by the appropriate claimant(s).

4. Who will receive the benefit?

We will pay the amount described in term 2 above to the *policyholder*. The *policy* will then continue in force provided *premiums* continue to be paid.

5. Are there any exclusions?

The *critical illness* must not have resulted directly or indirectly from a medical condition which existed prior to the later of:

- (a) the *relevant child's* attainment of the age of 30 days or, if the *relevant child* has been legally adopted, the date of adoption or, in the case of a step-child, the date of marriage of the *life assured* to the natural parent; and
- (b) the *acceptance date*.

7. Serious accident benefit

1. In what event is the benefit payable?

Provided the *policy* is in force, an amount will become payable on a *life assured* (the 'injured *life assured*') suffering severe physical injury resulting solely and directly from unforeseen, external, violent and visible means and independent of any other cause. 'Severe physical injury' means that the injured *life assured* must have been immediately admitted to hospital for at least 28 consecutive days, to receive medical treatment.

2. How much will be paid?

- (1) We will pay the lower of:
 - (a) the sum assured applicable on the date we agree the claim is valid; and
 - (b) £50,000.
- (2) The £50,000 limit will be reduced by any sums paid in respect of the injured *life assured* in respect of serious accident benefit under any other Skandia contract.
- (3) The benefit will be paid as soon as all *our* requirements have been met and we will add interest (less tax) to the amount payable. The interest will be calculated from the date we agree the claim is valid. The rate of interest will be based on the rate of increase in a gross interest-bearing deposit fund which we are using for this purpose at the time of payment.

3. What will we need for payment?

As soon as we are told about a potential claim, we will tell you what we need to assess the claim. The benefit will be paid as soon as all *our* requirements have been met. Examples of *our* requirements include, but are not limited to:

- (a) title documents (for example, deeds of assignment, declarations of trust, deeds appointing trustees);

- (b) statutory declaration of loss of any of the above;
- (c) birth certificate (and, where appropriate, marriage certificate) or other proof of age for the *life* or *lives assured* unless the age(s) has or have already been verified by us;
- (d) satisfactory relevant supporting medical evidence (fees to be at *our* expense);
- (e) *our* claim assessment form and claim payment form, satisfactorily completed by the appropriate claimant(s).

4. Who will receive the benefit?

We will pay the amount described in term 2 above to the *policyholder*. The *policy* will then continue in force provided *premiums* continue to be paid.

5. Are there any exclusions?

No benefit will be paid under this section in respect of any claim, which in *our* opinion, resulted directly from or was accelerated by alcohol or solvent abuse, or the taking of drugs except under the direction of a registered medical practitioner.

8. Life cover

1. In what event is the benefit payable?

Provided the *policy* is in force, a sum may become payable:

- (a) where there is only one *life assured*, if the *life assured* dies;
- (b) where there are two *lives assured*, if either *life assured* dies.

2. How much will be paid?

- (1) Where the *schedule* shows the type of policy as critical illness with life cover and subject to term 5 of section 15 *we* will pay the sum assured applicable on the date of death.
- (2) Where the *schedule* shows the type of policy as critical illness without life cover, no benefit will be payable.
- (3) In either case, where any *premiums* have been paid after the date of death, *we* will refund them without interest, unless they were paid under section 10 (Premium protection benefit) or the *policy* continues under term 5 below.
- (4) The benefit will be paid as soon as all *our* requirements have been met and *we* will add interest (less tax) to the amount payable (excluding any *premium* refunds). The interest will be calculated from the date notification of death is received at *our head office*. The rate of interest will be based on the rate of increase in a gross interest-bearing deposit fund which *we* are using for this purpose at the time of payment.
- (5) If the *schedule* shows that the sum assured is payable in instalments, the amount calculated under term 2(1) above will be paid in four equal yearly instalments. The first instalment will be paid as soon as all *our* requirements have been met. No further interest will be payable after the first instalment is paid.

3. What will we need for payment or to recalculate the premium?

As soon as *we* are told about the death of a *life assured*, *we* will tell *you* what *we* need to assess the claim or to recalculate the *premium* under term 5(2) below. Examples of *our* requirements include, but are not limited to:

- (a) title documents (for example, probate, deeds of assignment, declarations of trust, deeds appointing trustees);
- (b) the *schedule*;
- (c) statutory declaration of loss of any of the above;
- (d) death certificate;
- (e) birth certificate (and, where appropriate, marriage certificate) or other proof of age for the *life* or *lives assured* unless the age(s) has or have already been verified by *us*;
- (f) satisfactory relevant supporting medical evidence (fees to be at *our* expense);
- (g) *our* claim payment form, satisfactorily completed by the appropriate claimant(s).

4. Who will receive the benefit?

We will pay the amount described in term 2 above (if any) to the *policyholder*. The *policy* will then terminate and no other benefits will be payable.

5. Will the policy continue?

- (1) Where the death of a *life assured* results in payment of the sum assured under term 2(1) above, or where the deceased *life assured* is the sole *life assured*, the *policy* will then terminate and no other benefits will be payable.
- (2) Where no benefit is payable due to term 2(2) above, but there is a surviving *life assured*, the *policy* will continue and *premiums* will continue to be payable. The *premiums* will reduce with effect from the next *premium* paid after *we* have received all *our* requirements in term 3 above.

6. Would suicide be covered?

Where the *schedule* shows the type of policy as critical illness with life cover:

- (1) If a *life assured* commits suicide within one year of the *acceptance date* or reinstatement of the *policy* under term 2(2) of section 2, any life cover payable as a result will be limited to a refund of *premiums* paid since the later of the *commencement date* and reinstatement (if any), without interest.
- (2) If a *life assured* commits suicide within one year of any increase in the sum assured, any life cover payable as a result will be limited to the sum assured applicable before the increase. Any *premiums* paid in respect of the increase in the sum assured will be refunded, without interest.
- (3) The restrictions in (1) and (2) above will not apply where a qualifying lender (as defined by section 376 Income and Corporation Taxes Act 1988) who is not a *life assured* or *policyholder* has a bona fide interest in the *policy* and written notice of such interest has been received at *our head office* before the *life assured's* death. In this case, any life cover payable will be limited to the lower of:
 - (a) the life cover that would otherwise have applied; and
 - (b) the capital amount owed to the qualifying lender at the date of the *life assured's* death.

7. Are there any other exclusions?

No other exclusions apply to the life cover, other than any specified in the *schedule*.

9. Total permanent disability benefit

1. In what event is the benefit payable?

- (1) Provided the *policy* is in force and the *schedule* shows that total permanent disability benefit is included for a *life assured* ('the relevant *life assured*'), the sum assured will become payable if the relevant *life assured* becomes either:
 - (a) totally and *permanently* disabled before age 65, as defined in (2) or (3) below; or
 - (b) *permanently* and *irreversibly* unable, after age 65, to perform three or more *activities of daily living*. This must be supported by medical evidence from a *consultant we* consider appropriate and must have continued without interruption for three consecutive months. If the *life assured* has to use special devices or equipment to perform an *activity of daily living*, then he or she shall still be deemed to be able to perform that activity.
- (2) Where the *schedule* shows that the relevant *life assured* is covered on an own occupation basis, 'totally and permanently disabled' means totally, *permanently* and *irreversibly* disabled due to accident or illness so that the relevant *life assured* is unable to and will never again be able to perform the insured occupation as shown in the *schedule*.
- (3) Where the *schedule* shows that the relevant *life assured* is covered on an *activities of daily work* basis, 'totally and permanently disabled' means the *permanent* inability of the relevant *life assured* to perform three or more *activities of daily work*. This must be supported by medical evidence from a *consultant we* consider appropriate. If the *life assured* has to use special devices or equipment to perform an *activity of daily work* then he or she shall still be deemed to be able to perform that activity.

2. How much will be paid?

- (1) Subject to term 5 of section 15 *we* will pay the sum assured applicable on the date *we* agree the claim is valid. If any *premiums* are paid after that date, *we* will refund them without interest, unless they were paid under section 10 (Premium protection benefit).
- (2) The benefit will be paid as soon as all *our* requirements have been met and *we* will add interest (less tax) to the amount payable (excluding *premium* refunds). The interest will be calculated from the date *we* agree the claim is valid. The rate of interest will be based on the rate of increase in a gross interest-bearing deposit fund which *we* are using for this purpose at the time of payment.
- (3) If the *schedule* shows that the sum assured is payable in instalments, the amount calculated under term 2(1) above will be paid in four equal yearly instalments. The first instalment will be paid as soon as all *our* requirements have been met. No further interest will be payable after the first instalment is paid.

3. What will we need for payment?

As soon as *we* are told about a disability giving rise to a claim, *we* will tell *you* what *we* need to assess the claim. Examples of *our* requirements include, but are not limited to:

- (a) title documents (for example, deeds of assignment, declarations of trust, deeds appointing trustees);
- (b) the *schedule*;
- (c) statutory declaration of loss of any of the above;
- (d) birth certificate (and, where appropriate, marriage certificate) or other proof of age for the *life* or *lives assured* unless the age(s) has or have already been verified by *us*;
- (e) satisfactory relevant supporting medical evidence (fees to be at *our* expense);

- (f) *our* claim assessment form and claim payment form, satisfactorily completed by the appropriate claimant(s).

4. Who will receive the benefit?

We will pay the amount described in term 2 above to the *policyholder*. The *policy* will then terminate and no other benefits will be payable.

5. Are there any exclusions?

No benefit will be payable under this section:

- (1) in respect of any disability which, in *our* opinion, resulted directly from or was accelerated by:
 - (a) alcohol or solvent abuse, or the taking of drugs except under the direction of a registered medical practitioner; or
 - (b) unreasonable failure to seek or follow medical advice.
- (2) in respect of any disability which is shown to be the result of or related to infection with Human Immunodeficiency Virus (HIV) or conditions due to any Acquired Immune Deficiency Syndrome (AIDS).
- (3) where the relevant *life assured* is living outside the European Union and Australia, Canada, Channel Islands, Cyprus, Gibraltar, Hong Kong, Iceland, Isle of Man, Japan, New Zealand, Saudi Arabia and the United States of America and has been so for more than 13 consecutive weeks.

10. Premium protection benefit

1. In what event is the benefit due?

- (1) Provided the *policy* is in force and the *schedule* shows that premium protection benefit is included for a *life assured* ('the relevant *life assured*'), the benefit will become due if the relevant *life assured* becomes disabled as defined below.
- (2) Where the *schedule* shows that the relevant *life assured* is covered on an own occupation basis, 'disabled' means that, as a result of accident or illness, the relevant *life assured* is unable to perform the insured occupation as shown in the *schedule*.
- (3) Where the *schedule* shows that the relevant *life assured* is covered on an *activities of daily work* basis, 'disabled' means that the relevant *life assured* is totally unable as a result of accident or illness to carry out at least three *activities of daily work*. This must be supported by medical evidence from a *consultant we* consider appropriate. If the *life assured* has to use special devices or equipment to perform an *activity of daily work* then he or she shall still be deemed to be able to perform that activity.

2. What is the benefit?

- (1) Once the relevant *life assured* has been disabled (as defined in term 1(2) or 1(3) above) for a continuous period of six months, provided the relevant *life assured* is under age 65 at the end of that period, *we* will pay all subsequent *premiums* under the *policy* until the earliest of:
 - (a) the relevant *life assured* attaining the age of 65; or
 - (b) the relevant *life assured* ceasing to be disabled (as defined in term 1(2) or 1(3) above); or

- (c) the death of the relevant *life assured*; or
- (d) the termination of the *policy*.
- (2) Where the relevant *life assured* recovers from being disabled (as defined in term 1(2) or 1(3) above) but then becomes disabled again from the same cause within six months of recovery, no further six month period will be applied. *We* will pay all *premiums* falling due after the recommencement of disability until the happening of the earliest of the events specified in term 2(1) above.

3. How much will be paid?

- (1) Subject to (2) and (3) below, each *premium we* pay will be the same as the amount payable at the end of the six month period stated in term 2(1) above.
- (2) Where the inflation option (see term 1 of section 12) has been exercised at every available opportunity during the three years before *we* start to pay *premiums*, the *premiums we* pay will be escalating.

This means that, at each *review date* whilst *we* are paying *premiums*, the *premium* and sum assured will be increased in accordance with the provisions of the inflation option.

If the *policy* has not passed a *review date* and there has been no opportunity to exercise the inflation option by the time *we* start to pay *premiums*, *we* will assume that *you* would have exercised the inflation option at the first *review date*. This means that, at each *review date* whilst *we* are paying *premiums*, the *premium* and sum assured will be increased in accordance with the provisions of the inflation option.

- (3) For the avoidance of doubt, where there are two relevant *lives assured* simultaneously, the amount to be paid will still be calculated as described above.

- (4) Where the *premium* and sum assured are increased under (2) above in accordance with the provisions of the inflation option at each *review date* and the type of term in the *schedule* is shown as *rolling*, the term will not be automatically extended whilst *we* are paying *premiums*. However, if *we* continue to pay *premiums* up to the *expiry date*, *you* can elect to extend the term for a further ten years, although no further inflation option increases will be allowed while *we* are paying *premiums*.

4. What will we need to continue paying the benefit?

Periodically, *we* will request medical evidence whilst *we* are paying *premiums*, to confirm that the relevant *life assured* is still disabled (as defined in term 1(2) or 1(3) above). *We* will pay for any medical evidence *we* request.

5. Are there any exclusions?

No benefit will be payable under this section:

- (1) in respect of any disability which, in *our* opinion, resulted directly from or was accelerated by:
 - (a) alcohol or solvent abuse, or the taking of drugs except under the direction of a registered medical practitioner; or
 - (b) unreasonable failure to seek or follow medical advice.
- (2) in respect of any disability which is shown to be the result of or related to infection with Human Immunodeficiency Virus (HIV) or conditions due to any Acquired Immune Deficiency Syndrome (AIDS).
- (3) where the relevant *life assured* is living outside the European Union and Australia, Canada, Channel Islands, Cyprus, Gibraltar, Hong Kong, Iceland, Isle of Man, Japan, New Zealand, Saudi Arabia and the United States of America and has been so for more than 13 consecutive weeks.
- (4) if any *premiums* are outstanding at the end of the six month period referred to in term 2 above.

11. Cover reinstatement option

1. When can the option be exercised?

- (1) Where the *schedule* shows that this option is available for a *life assured* ('the relevant *life assured*'), and the *policy* terminates due to the payment of a claim under either:
 - (a) Section 4 (Critical illness benefit) due to the relevant *life assured* acquiring a *critical illness*, or
 - (b) Section 9 (Total permanent disability benefit), due to the relevant *life assured* becoming totally and *permanently* disabled as defined in term 1(2) or 1(3) of section 9. A new similar critical illness policy, as determined by *us* at the time, may be effected on the relevant *life assured* without *underwriting*.
- (2) The *premium* will be based on the age of the relevant *life assured* at the time the new critical illness policy is effected. The new critical illness policy will include life cover only if the *schedule* of this *policy* shows the type of policy as critical illness with life cover.
- (3) Where the original claim arose directly or indirectly from cancer:
 - (a) the new critical illness policy may be requested not earlier than one year from the date the critically ill *life assured* was confirmed by a *consultant* as being free of all detectable cancer, provided that that critically ill *life assured*:
 - (i) has not, subsequent to that confirmation, undergone any test, the result of which showed the presence of any cancer, and;
 - (ii) has attended all consultations and check-ups and undertaken all medical tests recommended by his or her *consultant* for cancer, and;
 - (iii) has provided *us* with satisfactory medical evidence which confirms the above (at *your* expense), and

- (b) the option will expire five years from the date *we* agree the cancer claim is valid.
- (4) Where the original claim did not arise directly or indirectly from cancer, the new critical illness policy may be requested no earlier than one year and no later than two years from the date *we* agree the claim is valid.

2. What limits are there to the exercise of the option?

- (1) The sum assured of the new critical illness policy may be up to the lower of:

- (a) the sum assured paid out under this *policy*; and
- (b) £100,000.

The £100,000 limit will be reduced by the new cover already allowed under this option or a similar cover reinstatement option under any other Skandia contract.

- (2) The *expiry date* of the new critical illness policy will be whichever is the earlier of:

- (a) the day before the tenth anniversary of the *commencement date* of the new critical illness policy; and
- (b) the anniversary of the *commencement date* of the new critical illness policy before the 71st birthday of the relevant *life assured*

and the type of term will be *fixed*.

- (3) The new critical illness policy will cover only the following *critical illnesses*:

- Aorta graft surgery
- Bacterial meningitis
- Cancer
- Cardiomyopathy
- Heart attack
- HIV or AIDS
- Kidney failure
- Major organ transplant
- Motor neurone disease
- Progressive supranuclear palsy
- Stroke

- Third degree burns

The new critical illness policy will also include children's benefit and serious accident benefit.

- (4) *We* will pay a claim under the new critical illness policy for the same cause as the *critical illness* claim paid under this *policy* only if that illness is:

- (a) included in the illnesses listed above; and

- (b) a new event which occurs after the *commencement date* of the new critical illness policy.

- (5) The new critical illness policy will not have any options to increase the sum assured or effect new policies.

- (6) This option is not available where a *life assured* has passed his or her 65th birthday nor, if the *schedule* shows that the type of term is *fixed*, within five years of the *expiry date*.

- (7) For the avoidance of doubt, where a claim is made under the *policy* and, before the claim is paid, circumstances arise whereby another claim could be made, this option may be exercised only once.

12. Options

1. Inflation option

(1) When can the option be exercised?

- (a) The sum assured will be increased at each *review date* without *underwriting* either:
 - (i) automatically where the *schedule* shows the automatic inflation option as included; or
 - (ii) at *your* request (which must be received by *us* before the *review date*).
- (b) The sum assured will be increased by the greater of the percentage shown in the *schedule* as being the basis for the inflation option and an amount equal to inflation over the period since the *option date*, as measured by the *RPI*. The calculation is normally made some ten weeks before the *review date* and is based upon the latest published *RPI* figures available to *us*.
- (c) The *premium* will be recalculated and the percentage increase in the *premium* will never be less than the percentage increase in the sum assured. In some cases, the percentage increase in the *premium* will be greater than the percentage increase in the sum assured.
- (d) If any other option is exercised at the same time as the inflation option, the inflation option will be deemed to have been exercised first.

(2) What will be the effect on the term?

- (a) Where the type of term in the *schedule* is shown as *fixed*, the exercise of the inflation option will have no effect on the term.
- (b) Where the type of term in the *schedule* is shown as *rolling*, the exercise of the inflation option will extend the term. The *policy* will then expire ten years from the *review date* on which the inflation option has been exercised.

(3) How is the exercise of the option affected by claims?

The inflation option will cease to operate immediately *we* receive a claim for benefit under section 4 (Critical illness benefit), section 8 (Life cover) or under section 9

(Total permanent disability benefit). If *we* decline the claim, the inflation option will be reinstated. Any inflation option increases which would have been available at a *review date* occurring after *we* received the claim may then be taken as if this term 1(3) did not exist.

2. Reduction to the sum assured or premium

You may request a reduction to the sum assured or the *premium* (which will result in a change to all or some of the *policy* benefits) at any time, subject to the *premium* on *your plan* remaining above *our* minimum limit at the time.

3. Marriage option

(1) When can the option be exercised?

If any *life assured* marries, *you* may request within six months of the marriage an increase in the sum assured without *underwriting*. The increase will take effect from the next *premium* paid after *we* accept *your* request. The *premium* will be recalculated and the percentage increase in the *premium* will never be less than the percentage increase in the sum assured. In some cases, the percentage increase in the *premium* will be greater than the percentage increase in the sum assured.

(2) What will be the effect on the term?

- (a) Where the type of term in the *schedule* is shown as *fixed*, the exercise of the marriage option will have no effect on the term.
- (b) Where the type of term in the *schedule* is shown as *rolling*, the exercise of the marriage option will extend the term where the increase takes effect on the *review date*. In that case, the *policy* will then expire ten years from the *review date* on which the marriage option has been exercised.

(3) What evidence is required?

The marriage certificate will be required as evidence.

(4) How is the exercise of the option affected by claims?

This option will cease to be available immediately *we* receive a claim for benefit under section 4 (Critical illness benefit), section 8 (Life cover) or under section 9 (Total permanent disability benefit). If *we* decline the claim, the marriage option will be reinstated. Any marriage option increase which would have been available after *we* received the claim but before *we* declined it may not then be taken.

(5) What limits are there to the exercise of the option?

This option is not available if *we* are paying *premiums* under section 10 (Premium protection benefit), nor during the six month period referred to in term 2 of that section.

You can increase the sum assured by up to £50,000 less the increases already allowed under this option and any similar marriage option under any other Skandia contract. The maximum total increases allowed under this option and any similar marriage option under any other Skandia contract is £100,000. Where there are two *lives assured* and they marry each other, the £50,000 and £100,000 limits apply to both of them, not each of them.

The *life* or *lives assured* must be under age 56 at the time of the increase.

4. Mortgage option**(1) When can the option be exercised?**

Where a *life assured* has increased the mortgage on his or her principal residence from a usual lending source, *you* may request within six months of the mortgage increase an increase in the sum assured without *underwriting*. The increase will take effect from the next *premium* paid after *we* accept *your* request. The *premium* will be recalculated and the percentage increase in the *premium* will never be less than the percentage increase in the sum assured. In some cases, the percentage increase in the *premium* will be greater than the percentage increase in the sum assured.

(2) What will be the effect on the term?

- (a) Where the type of term in the *schedule* is shown as *fixed*, the exercise of the mortgage option will have no effect on the term.
- (b) Where the type of term in the *schedule* is shown as *rolling*, the exercise of the mortgage option will extend the term where the increase takes effect on the *review date*. In that case, the *policy* will then expire ten years from the *review date* on which the mortgage option has been exercised.

(3) What evidence is required?

Evidence from the solicitor of the *life* or *lives assured* will be required as confirmation of the increase.

(4) How is the exercise of the option affected by claims?

This option will cease to be available immediately *you* have been diagnosed as suffering a *critical illness* or, where the *schedule* shows that total permanent disability is included for a *life assured*, that *life assured* becomes:

- (a) totally and *permanently* disabled as defined in term 1 of section 9 (Total permanent disability benefit), or
- (b) *permanently* and *irreversibly* unable to perform three or more *activities of daily living* as defined in term 1 of section 9 (Total permanent disability benefit). If *you* make a claim under section 4 (Critical illness benefit) or under section 9 (Total permanent disability benefit) and *we* decline the claim, the mortgage option will be reinstated. Any mortgage option increase which would have been available after *we* received the claim but before *we* declined it may not then be taken.

(5) What limits are there to the exercise of the option?

This option is not available if *we* are paying *premiums* under section 10 (Premium protection benefit), nor during the six month period referred to in term 2 of that section. *You* can increase the sum assured by up to the lower of:

- (a) the increase in the mortgage; and
- (b) £50,000.

The £50,000 limit will be reduced by the increases already allowed under this option and any similar mortgage option under any other Skandia contract. The maximum total increases allowed under this option and any similar mortgage option under any other Skandia contract is £100,000.

Where there are two *lives assured* and they both increase their mortgage, the £50,000 and £100,000 limits apply to both of them, not each of them.

The *life* or *lives assured* must be under age 56 at the time of the increase.

5. Birth option

(1) When can the option be exercised?

On the birth of a child to or legal adoption of a child by a *life assured*, you may request within six months of the birth or adoption an increase in the sum assured without *underwriting*. The increase will take effect from the next *premium* paid after *we* accept your request. The *premium* will be recalculated and the percentage increase in the *premium* will never be less than the percentage increase in the sum assured. In some cases, the percentage increase in the *premium* will be greater than the percentage increase in the sum assured.

(2) What will be the effect on the term?

- (a) Where the type of term in the *schedule* is shown as *fixed*, the exercise of the birth option will have no effect on the term.
- (b) Where the type of term in the *schedule* is shown as *rolling*, the exercise of the birth option will extend the term where the increase takes effect on the *review date*. In that case, the *policy* will then expire ten years from the *review date* on which the birth option has been exercised.

(3) What evidence is required?

The birth or adoption certificate will be required as evidence.

(4) How is the exercise of the option affected by claims?

This option will cease to be available immediately *we* receive a claim for benefit under section 4 (Critical illness benefit), section 8 (Life cover) or under section 9 (Total permanent disability benefit). If *we* decline the claim, the birth option will be reinstated. Any birth option increase which would have been available after *we* received the claim but before *we* declined it may not then be taken.

(5) What limits are there to the exercise of the option?

This option is not available if *we* are paying *premiums* under section 10 (Premium protection benefit).

You can increase the sum assured by up to £50,000 per child, subject to a maximum total increase of £100,000. The £50,000 and £100,000 limits will be reduced by the increases already allowed under this option and any similar birth option under any other Skandia contract.

Where there are two *lives assured* and the birth of a child is to both of them or the legal adoption of a child is by both of them, the £50,000 and £100,000 limits apply to both of them, not each of them.

The *life* or *lives assured* must be under age 56 at the time of the increase.

6. Divorce option

(1) When can the option be exercised?

Where there are two *lives assured* under the *policy* who are married to each other and they divorce each other, *you* may request within six months of the divorce becoming absolute that this *policy* be replaced by two critical illness policies without *underwriting*. Each new critical illness policy will take effect from the date that the cover under this *policy* stops. Each new critical illness policy will be written on one of the *lives assured* (that is, a different *life assured* on each new critical illness policy) and each will have the same sum assured, type of term, *expiry date* and benefits as this *policy*.

Where the type of term in the *schedule* is shown as *fixed*, the *expiry dates* will be the same as this *policy*. Where the type of term in the *schedule* is shown as *rolling*, the *expiry dates* will initially be the day before the tenth anniversary of the *commencement date*.

The premium on each new critical illness policy will be based on the current age of the *life assured* at the time the new critical illness policy is effected and the premium rates applicable at that time.

(2) What evidence is required?

The decree absolute will be required as evidence.

(3) How is the exercise of the option affected by claims?

This option will cease to be available immediately *we* receive a claim for benefit under section 4 (Critical illness benefit), section 8 (Life cover) or under section 9

(Total permanent disability benefit). If *we* decline the claim, the divorce option will be reinstated. Any divorce option which would have been available after *we* received the claim but before *we* declined it may not then be taken.

(4) What limits are there to the exercise of the option?

This option is not available if *we* are paying *premiums* under section 10 (Premium protection benefit), nor during the six month period referred to in term 2 of that section.

Where the *schedule* shows the type of term as *fixed*, this option is not available within five years of the *expiry date*.

The *lives assured* must both be under age 56 at the start of the new policies.

7. Inheritance tax options

(1) When can the options be exercised?

The options described in (a) and (b) below are available only where the *schedule* shows the type of policy as critical illness with life cover and the life cover has been effected to cover a prospective inheritance tax liability.

You may request an increase in the sum assured without *underwriting* if the inheritance tax liability which is covered increases due to the value of *your* estate increasing or a change in legislation. The *premium* will be recalculated and the percentage increase in the *premium* will never be less than the percentage increase in the sum assured. In some cases, the percentage increase in the *premium* will be greater than the percentage increase in the sum assured.

(a) Increase in estate value

Where *your* prospective liability to inheritance tax has increased since the *option date* due to an increase in the value of *your* estate, *you* may request at any time before the next *review date* an increase in the sum assured with effect from the next *review date* without *underwriting*. The increase will be limited to the lowest of:

- (i) the increase since the *option date* in the proportion of the prospective

inheritance tax liability covered at the *option date*;

- (ii) the greater of 10% and an amount equal to inflation over the period since the *option date*, as measured by the *RPI*; and
 - (iii) £100,000.
- (b) Change to inheritance tax legislation

You may request an increase in the sum assured without *underwriting* if there is an increase in the prospective inheritance tax liability on *your* estate as a result of a legislative change in the inheritance tax rates or rate bands or reliefs or exemptions. The increase will be limited to the increase in the proportion of the prospective inheritance tax liability covered at the *option date*.

We must receive from *you* a written request for an increase under this option within six months of the effective date of the change. The sum assured increase will take effect from the date *we* accept the request.

(2) What will be the effect on the term?

- (a) Where the type of term in the *schedule* is shown as *fixed*, the exercise of the inheritance tax options will have no effect on the term.
- (b) Where the type of term in the *schedule* is shown as *rolling*, the exercise of the inheritance tax options will extend the term where the increase takes effect on the *review date*. In that case, the *policy* will then expire ten years from the *review date* on which the inheritance tax option has been exercised.

(3) What evidence is required?

We will require reasonable evidence:

- (a) of the increase in liability; and
- (b) that the life cover has been effected to cover a prospective inheritance tax liability; and
- (c) of the proportion of the liability covered.

This evidence may include (but is not necessarily limited to) confirmation as to the destination of the estate and of the current value of the estate. *We* would also normally expect the *policy* to be subject to a suitable trust.

(4) How is the exercise of the options affected by claims?

These options will cease to be available immediately *we* receive a claim for benefit under section 4 (Critical illness benefit), section 8 (Life cover) or under section 9 (Total permanent disability benefit). If *we* decline the claim, the inheritance tax options will be reinstated. Any inheritance tax option increase which would have been available after *we* received the claim may then be taken as if this term 7(4) did not exist.

(5) What limits are there to the exercise of the options?

The £100,000 limit referred to in term (1)(a)(iii) above will be reduced by the increases already allowed under this option and any similar inheritance tax option under any other Skandia contract.

8. Business increase options

(1) When can the options be exercised?

If the *policy* has been effected as part of a business assurance arrangement or by a firm to cover a loan, the following two options to increase the sum assured are available. The *premium* will be recalculated and the percentage increase in the *premium* will never be less than the percentage increase in the sum assured. In some cases, the percentage increase in the *premium* will be greater than the percentage increase in the sum assured.

(a) Business assurance option

This option is available if the *policy* forms part of a business assurance arrangement which provides for *your* business colleagues to benefit from the *policy* to enable them to purchase *your* interest in the business. This would include *policies* written either under trust or on a life of another basis.

You may request at any time before the next *review date* an increase in the sum assured with effect from the next *review date* without *underwriting* by the lowest of:

- (i) the increase in the value of the *life assured's* interest in the business (normally based on a multiple of three times the increase in the business

profits over the period since the *option date*); and

- (ii) £250,000; and
- (iii) the greater of 10% and an amount equal to inflation over the period since the *option date*, as measured by the *RPI*.

Where the *option date* is not 12 months before the *review date* on which this option is to be exercised, due to the operation of section 14, the 10% limit will not apply. It will be replaced by a percentage increase produced by the following formula:

$$10\% \times \frac{\text{(the number of months since the option date)}}{12}$$

- (b) Business loan option

This option is available if the *policy* has been effected by a firm as additional security to cover a loan taken by the firm.

You may request at any time before the next *review date* an increase in the sum assured with effect from the next *review date* without *underwriting* by the lower of:

- (i) an amount equal to the increase in the loan; and
- (ii) £250,000.

The overall maximum by which the sum assured may be increased by exercising this option more than once is £250,000.

- (2) **What will be the effect on the term?**

- (a) Where the type of term in the *schedule* is shown as *fixed*, the exercise of the business option will have no effect on the term.
- (b) Where the type of term in the *schedule* is shown as *rolling*, the exercise of the business option will extend the term. The *policy* will then expire ten years from the *review date* on which the business option has been exercised.

- (3) **What evidence is required?**

For the business assurance option, *we* will require evidence from the firm's accountant as to the increase in the value of the business.

For the business loan option, *we* will require written confirmation from the lender as evidence of the increase in the loan.

- (4) **How is the exercise of the option affected by claims?**

These options will cease to be available immediately *we* receive a claim for benefit under section 4 (Critical illness benefit), section 8 (Life cover) or under section 9 (Total permanent disability benefit). If *we* decline the claim, the business increase options will be reinstated. Any business increase option increase which would have been available after *we* received the claim but before *we* declined it may not then be taken.

- (5) **What limits are there to the exercise of the option?**

These options are not available if *we* are paying *premiums* under section 10 (Premium protection benefit), nor during the six month period referred to in term 2 of that section.

Each of the £250,000 limits will be reduced by the increases already allowed under these options and any similar business increase option under any other Skandia contract. The maximum total increases allowed under each of these options or a similar business increase option under any other Skandia contract is £250,000.

The *life* or *lives assured* must be under age 61 at the time of the increase.

9. Salary increase option

- (1) **When can the option be exercised?**

If a *life assured* increases his or her basic earned income, *you* may request within three months of the effective date of the increase in basic earned income an increase in the sum assured without *underwriting*. The increase will take effect from the next *premium* paid after *we* accept *your* request.

The *premium* will be recalculated and the percentage increase in the *premium* will never be less than the percentage increase in the sum assured. In some cases, the percentage increase in the *premium* will be greater than the percentage increase in the sum assured.

(2) What will be the effect on the term?

- (a) Where the type of term in the *schedule* is shown as *fixed*, the exercise of the salary increase option will have no effect on the term.
- (b) Where the type of term in the *schedule* is shown as *rolling*, the exercise of the salary increase option will extend the term where the increase takes effect on the *review date*. In that case, the *policy* will then expire ten years from the *review date* on which the salary increase option has been exercised.

(3) What evidence is required?

We will require evidence of the previous and increased basic earned income.

(4) How is the exercise of the option affected by claims?

This option will cease to be available immediately *we* receive a claim for benefit under section 4 (Critical illness benefit), section 8 (Life cover) or under section 9 (Total permanent disability benefit). If *we* decline the claim, the salary increase option will be reinstated. Any salary increase option increase which would have been available after *we* received the claim but before *we* declined it may not then be taken.

(5) What limits are there to the exercise of the option?

This option is not available if *we* are paying *premiums* under section 10 (Premium protection benefit), nor during the six month period referred to in term 2 of that section.

The increase will be limited to the lowest of:

- (a) five times the increase in annual basic earned income; and
- (b) 25% of the sum assured; and
- (c) £100,000.

The overall maximum by which the sum assured may be increased by exercising this option more than once is £100,000. The £100,000 limits (which apply to both *lives assured* where there is more than one, not each) will be reduced by the increases already allowed under this option and any similar salary increase option under any other Skandia contract.

The *life* or *lives assured* must be under age 56 at the time of the increase.

10. Continuing cover option

(1) When can the option be exercised?

This option applies where the *schedule* shows that this option is included and there are two *lives assured*.

Where the *policy* terminates due to the payment of a claim under:

- (a) term 1 of section 4 (Critical illness benefit); or
- (b) term 1(b) of section 8 (Life cover on first death); or
- (c) section 9 (Total permanent disability benefit)

a new similar critical illness policy, as determined by *us* at the time, may be effected without *underwriting*. The *life assured* on the new critical illness policy ('the relevant *life assured*') will be the *life assured* on this *policy* who was not the cause of the original claim. The consent of the relevant *life assured* must be obtained. The *premium* will be based on the age of the relevant *life assured* at the time the new critical illness policy is effected. The new critical illness policy will include life cover only if the *schedule* of this *policy* shows the type of policy as critical illness with life cover.

You must request the new critical illness policy within three months of the date *we* agree the claim is valid.

(2) What limits are there to the exercise of the option?

The sum assured of the new critical illness policy cannot exceed the sum assured paid out under this *policy*. The type of term of the new critical illness policy will be the same as the type of term under this *policy*.

Where the *schedule* shows that the type of term is *fixed*, the *expiry date* of the new critical illness policy will be the *expiry date* of the original *policy*. Where the *schedule* shows the type of term is *rolling*, the *expiry date* of the new critical illness policy will be the day before the tenth anniversary of the *commencement date* of the new critical illness policy.

This option is not available where a relevant *life assured* has passed his or her 65th birthday nor, if the *schedule* shows that the type of term is fixed, within five years of the *expiry date*.

This option may be exercised only once.

11. Change to term and/or type of term

(1) What changes can be made to a fixed term?

Where the *schedule* shows that the type of term is *fixed*, the term may not be extended or changed to *rolling*.

(2) What changes can be made to a rolling term?

Where the *schedule* shows that the type of term is *rolling*, you may request:

- (a) at any time that the type of term be changed to *fixed* without *underwriting*. The change will take effect from the next *premium* paid after *we* accept *your* request. You must choose an *expiry date* that is available under a *fixed* term at that time;
- (b) at any time before the *expiry date* that the term be extended by a further ten years from the day after the *expiry date*.

12. Exercising the options

A request to exercise any options in this section will not be effective until receipt at *our head office* of a request from *you* in a form acceptable to *us* at the time, together with such other information or items as *we* may reasonably require.

13. Termination

The *policy* does not acquire a surrender value in any circumstances. Unless specifically stated in these terms, no *premium* or part of a *premium* will be refunded on termination.

14. Policy reviews

- (1) Subject to (2) and (3) below, *review dates* will normally be each anniversary of the *commencement date*. However, where the *policy* is being added to an existing *plan*, *review dates* will be the same as the *review dates* for the *policy* or *policies* already in the *plan*. For the purposes of section 12 (Options) only, the first *review date* for this *policy* cannot be within three months of the *acceptance date*.
- (2) If *you* change the frequency of *premium* payment from monthly to yearly and the change is not coincidental with a *review date*, *you* must either:
 - (a) request that the *review date* be brought forward to the effective date of the frequency change and pay a yearly *premium* at that time; or
 - (b) pay a proportionate *premium* from the effective date of the change to the next *review date*, and pay yearly *premiums* from that *review date* onwards.
- (3) Once the *policy* has been in force for at least 12 months, *you* may request that the *review date* be brought forward.
- (4) In the event of a *review date* being brought forward under (2) or (3) above, the inflation option (see term 1 of section 12), the inheritance tax option for an increase in estate value (see term 7(1)(a) of section 12) or the business increase options (see term 8 of section 12) cannot be exercised until the next *review date* at least 12 months after the respective option was last exercised.
- (5) If *you* have not advised *us* of any action *you* wish to take by a *review date* then *we* will assume that the intention is to maintain the *premium* and sum assured at their existing levels (plus any increase applied under the inflation option in term 1 of section 12 where the *schedule* shows the automatic inflation option is included). *We* may extend this time limit where *we* are satisfied that it was not reasonable for *you* to have contacted *us* on or before the *review date*.

15. General provisions

1. What is the relevant law?

The terms of the *policy* are to be interpreted in accordance with and are governed by English law.

2. How should we communicate with each other?

- (1) Any notification by *you* required under these terms in respect of any request to exercise an option or to claim a benefit must be in writing bearing *your* original signature. To protect *your* rights, *we* will not accept notification by electronic means - including facsimile transmissions; telex; email; telephone - nor will *we* accept photocopied documentation.

We reserve the right to change the acceptability of the form of any notification required from *you*. Details of *our* current stance can be obtained on request.

- (2) Any notice required to be given to *you* under these terms will be deemed to have been correctly given if sent by *us* in the ordinary course of post to *your* last recorded address in *our* records. *We* can accept no responsibility for any failure by *you* to notify *us* of any change of address.

3. How will policy terms be amended?

No term of the *policy* may be varied or waived except as evidenced by a revised *policy schedule* or written communication signed by one of *our* duly authorised officers.

4. What are the rights of third parties?

A person who is not a party to this contract has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this contract but this does not affect any right or remedy of a third party which exists or is available apart from under that Act.

5. Could the benefit be paid more than once?

For the avoidance of doubt, where a claim is made under the *policy* and, before the claim is paid, circumstances arise whereby another claim could be made, the benefit will be paid only once. The only exceptions to this rule are that, provided the *policy* is in force:

- (a) surgery benefit in respect of a *relevant child* (see term 1(3) of section 5); and
 - (b) children's benefit (see section 6); and
 - (c) serious accident benefit (see section 7)
- are payable in addition to any other benefit.



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