

What

- Outlines the Key Features and terms and conditions of our 50+ Life Cover policy

Why

- To help explain the 50+ Life Cover policy - how it works, its aims, terms and conditions
- To give you the main features of the product to help you decide if it is suitable for you
- Includes information on your bonuses and how we invest, manage, protect and grow your money



The Financial Services Authority is the independent financial services regulator. It requires us, Foresters Friendly Society, to give you this important information to help you to decide whether our 50+ Life Cover policy is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

Foresters Friendly Society 50+ Life Cover Key Features

Its aims

Foresters Friendly Society 50+ Life Cover policy aims to provide:

- Your basic sum assured if you die after the policy has been going for two years.
- The basic sum assured if you die in the first two years as the result of an accident.
- A return of the premiums paid plus bonuses to date if you die from a non accidental cause in the first two years.
- The addition of with profits bonuses to the basic sum assured.

Your commitment

- To pay the regular monthly premium you choose at the outset of the policy until you reach 90 years old.

Risks

- The sum payable on death will depend upon the bonuses added during the term of the policy.
- Bonuses will depend on the future investment performance of the Order Insurance With Profits Fund, as well as any deductions and how Foresters Friendly Society decide to distribute any profit.
- The addition of bonuses is not guaranteed and therefore it is possible that the 50+ Life Cover policy might not receive any annual and/or final bonus from the with profits fund.
- Your circumstances may change, forcing you to stop paying premiums. If this happens the death benefit will end or be greatly reduced and you may not get back as much as you have paid in.
- This is not a funeral plan. There is no guarantee that the benefit paid will cover the cost of a funeral.
- Depending on how long you live, the total premiums paid may be greater than the amount payable on death. You must continue to pay premiums until you reach 90 years old or you die to maintain the cover.

Your Questions Answered

What is the 50+ Life Cover policy?

The 50+ Life Cover policy is a with profits whole of life policy under which the basic sum assured, plus all bonuses added, is payable upon the death of the life assured to the estate of the deceased. Alternatively, you can choose to have up to £5,000 of the final payout paid to a nominated beneficiary.

Who can have a 50+ Life Cover policy?

As long as you are aged between 50 and 80 and are a UK resident, you are eligible to take advantage of the benefits of the 50+ Life Cover policy. If you already have a policy of this type with us, cover limits may apply.

Does everyone pay the same monthly premiums?

The monthly premiums you pay depend upon your sex and age at the start of the policy and the amount of cover you require.

What will my policy cost?

The minimum premium you can pay is £10 a month, the maximum is £100 a month. Your Application Form provides a rate table showing the basic sums assured you would get depending on your age and the premium paid.

An example of how the 50+ Life Cover policy could work out:

The example shown is for a man aged 65 on commencement of the 50+ Life Cover policy and assumes that monthly premiums of £30 are received until the man reaches age 75. His basic sum assured would be £4,415.

What might the policy payout at age 75	If cashed in?	On death?
If investments grew at 3.75% a year the amount payable would be	£2,120	£5,310
If investments grew at 5.75% a year the amount payable would be	£2,600	£5,860
If investments grew at 7.75% a year the amount payable would be	£3,120	£6,450

- These figures are only examples and are not guaranteed. They are not minimum or maximum amounts. What will be paid depends on how your investments grow, when death occurs and on the tax treatment of your investment.
- You could get back more or less than this. The absolute guarantee is that the amount paid on death after two years or on death by accident at any time will be at least the basic sum

assured plus any bonuses paid to date.

- The yearly growth rates have been based on our reasonable estimate of potential returns and are slightly lower than the maximum allowable investment growth assumptions.
- Do not forget that inflation will reduce what you could buy in the future with the amounts shown.
- The amount paid on death may be subject to Inheritance Tax. Tax rules may change in the future.

What happens on early encashment?

WARNING - If you cash-in your policy during the early years you will be unlikely to get back as much as you have paid in. The last two columns assume that investments will grow at 5.75 %.

The Early Years

At end of year	Total paid in to date	Effect of deductions to date	What you might get back
1	£360	£371	£0
2	£720	£763	£0
3	£1,080	£706	£472
4	£1,440	£869	£748
5	£1,800	£1,040	£1,030

The Later Years

At end of year	Total paid in to date	Effect of deductions to date	What you might get back
10	£3,600	£2,230	£2,600

What are the deductions for?

- The deductions include the cost of life cover, expenses, charges, any surrender penalties and other adjustments.
- The charges, expenses and other deductions used in this guide are best estimates based on current experience. They could vary in future.
- The bottom line in the table shows that over the term shown the effect of the total deductions could amount to £2,230.
- Putting it another way, leaving out the cost of life cover, this would have the same effect as bringing investment growth from 5.75 % a year down to 0.2 % a year.

Will my policy work out exactly as in the examples?

The examples are a guide for the age and sex shown. The full value of your policy at death will depend on what bonuses may have been added.

The addition of bonuses is not guaranteed and it is possible that no annual and/or final bonus will be paid from the with profits fund.

What about the life cover?

Provided you maintain the premiums, and assuming there are no errors in the information you have given to Foresters Friendly Society, the basic sum assured plus bonuses to date will be paid on death due to any cause after two years, or on death due to accident in the first two years. In the first two years the benefit on death from causes other than accident is limited to the sum of the premiums paid plus bonuses to date.

Why is life cover limited to accidental death for two years?

Because there are no medical questions or examinations, this is necessary to protect the interest of the majority of policyholders.

Are there any policy restrictions which would result in non payment of the cash sum?

Yes, in the first two years of cover the policy will only pay out the cash sum if you die as a result of an accident. There are restrictions on the payment of this accidental death benefit. It will not pay out where death is caused directly or indirectly by:

- Intentional self inflicted injury.
- The taking of drugs, alcohol or poisonous substances including the inhalation of gases or fumes.
- Active participation in any criminal act.
- Active participation in any riot, civil commotion, insurrection or war (whether war has been declared or not) or any incident thereto.
- Engaging in any form of racing (including time trials).
- Participation in any form of aviation other than as a passenger on a regular fare paying airline.
- Any accident incurred while the life assured is resident outside the United Kingdom.
- Illness or disease of any kind.

Please note that if death results from any of the above in the first two years you will receive a refund of the premiums paid plus any bonuses to date.

Can I choose who my beneficiary is?

Yes, you will find a beneficiary nomination section on your Application Form. The nominated beneficiary can claim the policy benefit up to £5,000 without waiting for probate. Any excess would become part of your remaining estate and have to wait for probate.

Where is the money invested?

Any money paid into the 50+ Life Cover policy is invested in Foresters Friendly Society's Order Insurance With Profits Fund. By spreading the money paid into the fund across a number of different types of investments you benefit from the exposure to a range of asset classes which may include equities (company shares), fixed interest bonds (government and company), property and cash. A further advantage of this approach is that if the return of any one particular asset type is poor, your investment may be protected from the full impact of this fall as the other assets forming part of the overall investment may perform better. Thus the fall in value of one asset class (e.g. shares) may be cushioned by the potential better performance in another asset class (e.g. property).

Can I use this as a savings plan?

The 50+ Life Cover policy is designed to provide life assurance cover so it is not suitable as a savings plan. The addition of bonuses is not guaranteed and therefore it is possible that the 50+ Life Cover policy might not receive any annual and/or final bonus from the with profits fund. In the case of a cash surrender the amount you receive would be considerably less than the death benefit at that time.

How are bonuses decided?

Depending on how the underlying assets in the fund perform and the costs incurred, at the end of each year we aim to declare an annual bonus. In addition, when your Foresters Friendly Society 50+ Life Cover policy is eventually claimed upon we may add a final bonus depending on the overall investment growth that has been achieved and expenses incurred. The addition of bonuses is not guaranteed and it is possible that no annual and/or final bonus will be paid from the with profits fund.

What happens if I stop paying my premiums?

During the first two years your policy has no cash in value. The life cover will cease immediately. After two years you can cash in your policy, but the value of it is unlikely to be as much as you have paid in. Alternatively, after two years, you can apply for a paid-up policy with reduced benefits.

Why do I stop paying premiums at 90 years old?

You stop paying premiums at age 90 to reduce the possibility of over-paying into the policy. When your premiums cease at age 90, your basic sum assured and any bonuses added will remain in place and will continue to be paid out on your death. Your

entitlement to future bonuses will continue beyond age 90 even though you have stopped paying premiums to aim to increase the final cash sum paid to your dependents.

Further Information

Cancellation rights

After your application is accepted you will receive a statutory notice of your right to cancel. You will then have 30 days from the commencement date of the policy, or the date the notice is received whichever is later, in which to change your mind. If you choose to change your mind a full refund of all monies paid will be made.

Advice

We do not offer financial advice. You should contact an Independent Financial Adviser if you have any doubts about the policy's suitability. You may have to pay a fee for this advice.

Premiums

Premiums are payable by monthly Direct Debit. Missed premiums could mean that your policy would lapse with no life cover or cash in value.

Tax

The fund is subject to tax paid by the Society. There is the possibility that a tax might be levied upon you in respect of the policy which is not payable through us. If the policy pays out a benefit, either following death or surrender of the contract, at a time when the policy's surrender value exceeds total premiums paid to date, this will be considered a chargeable event and there may be a further tax liability. Any tax payable would be based upon the amount by which the surrender value exceeds total premiums paid and would only apply if you are a higher rate tax payer. The payment on death may be subject to Inheritance Tax. Tax legislation may change and depend upon individual circumstances.

Paid-up values

If you stop paying premiums after two years you can make the policy paid-up. The basic sum assured and bonuses already added will be reduced. Bonuses may continue to be added, but will be calculated according to the reduced basic sum assured.

Law

The law applicable to the formation and performance of this policy is that of England and Wales. The language of the policy is English. We will communicate with you in English. Our Head Office is in the United Kingdom.

Legislation

All or any of the benefits, the premium or the Policy Conditions may be adjusted as deemed appropriate:

- If there is any change in law or taxation affecting the policy.
- If any levy is imposed on Foresters Friendly Society under statute or statutory authority.

Notice would be given of any such adjustment.

Queries and complaints

For further information or queries on Foresters Friendly Society products or services please contact the Member Services Department, by tel: 0800 783 4162, email: memberservices@forestersfriendlysociety.co.uk or at the address at the back of this document.

If you wish to complain about any aspect of the service you have received, please contact Foresters Friendly Society. If a complaint is not dealt with to your satisfaction you can then complain to the Financial Ombudsman Service, South Quay Plaza, 183 Marsh Wall, London, E14 9SR. Tel: 0845 080 1800. Making a complaint will not prejudice your right to take legal proceedings.

Compensation

The Financial Services Compensation Scheme (FSCS) covers this policy. You may qualify for compensation from the Scheme if we are unable to meet our obligations. You can get further information from us or from the FSCS.

Client categorisation

We are required under the Financial Services Authority (FSA) rules to categorise our clients/members. All of our clients/members are categorised as 'Retail Clients', which affords our clients/members the highest level of protection under the FSA Rules.

How you share in the profits of Foresters Friendly Society

The Society manages a number of funds for its members and these funds have different uses such as managing our insurance business and running the Society's branches. Four of the Society's funds are with profits funds; this means that the with profits policyholders of each particular fund participate in any profits or losses that are generated within the fund. This guide is an outline of how we manage one of these with profits funds, the Order Insurance Fund (OIF).

Principles and Practices of Financial Management (PPFM)

The PPFM is a document describing, in detail, how we manage our with profits funds. Because the PPFM is a long and very detailed document, this guide only highlights its key points. The PPFM covers:

- Principles: High-level statements that describe our long-term approach to managing the funds.
- Practices: Specific statements on how we intend to put the Principles in place.

We do not expect to change the Principles often, but will do so if we think they could lead to members being treated unfairly, or if they could stop us managing the funds properly. If we do intend to materially change any of our Principles, we must inform you at least three months in advance. This ensures that you will know if our long-term approach is changing.

Practices change more regularly, as we need to be able to respond to how the economy is performing and new rules and regulations in the life insurance industry. We will publish any changes to Practices on our website and tell you about them in our next letter to you. In this way, you will be kept informed of how our approach has changed.

A copy of the PPFM can be found on our website at: www.forestersfriendlysociety.co.uk

What is the Order Insurance Fund (OIF)?

The OIF is a fund where your money is combined with that of other members and then invested in a range of different assets. Our main objective is to ensure that we are able to pay all the guaranteed benefits, including any annual bonuses added to the policies within the OIF at all times. At the same time we want to maximise the financial returns to policyholders without taking undue levels of risk. Profits are distributed to with profits policyholders by way of annual and final bonuses, although neither is guaranteed in advance.

Annual bonus – This is set by taking into account what the OIF can afford to pay both now and what we can expect it to be able to afford in the future. Annual bonus rates are then set to make sure that we can meet all the guaranteed amounts when they need to be paid and to build a cushion for any final bonus.

Once an annual bonus has been added to a policy it increases the guaranteed benefit and so cannot be taken away. However it is only guaranteed as described in the policy conditions, and is not guaranteed at other times, such as on surrender. An interim bonus may be added if you claim during a period for which an annual bonus has not yet been declared.

Final bonus – When you claim on your policy, if what we calculate as a fair payout on your policy exceeds your total guaranteed benefits then we may add a final bonus to make up the difference.

How do we determine payouts?

In determining what we consider to be a fair payout, the first stage is determining the policy's asset share.

Asset shares are calculated for groups of similar policies by taking into account: the premiums paid; the investment returns earned; deductions made for the charges that we make to cover expenses and guarantees; and adjustments made for tax if appropriate.

Any profit or loss generated by the OIF will be passed on to policyholders by increasing or decreasing the investment return earned.

On most claims we set final bonuses so that on average we pay out the full asset share to policyholders on maturity or surrender. We also use smoothing to make sure that payouts, wherever possible, do not alter significantly from year to year or between similar policies. This may mean the actual payout is higher or lower than the asset share.

The position is slightly different for regular premium whole life policies with guaranteed death benefits but no maturity date. As these policies' asset shares will build up over time as premiums are paid in we would naturally expect some members to die while their asset share is lower than their guaranteed benefit. Final bonus rates are therefore set so that the estimated future cost of providing the benefits payable on death is equal to the asset share for this group of plans.

What is smoothing?

The Society smoothes the returns paid to with profits policyholders with the main aim of protecting policyholders from short term fluctuations in the value of assets within the OIF. However, this

approach does not protect policyholders from long term and sustained falls in asset values.

The two main ways that the Society smoothes returns are: setting annual bonus rates that are fairly constant year on year, and aiming to limit the change in payouts on similar policies to a maximum of 10% year on year (subject to meeting the guaranteed benefits of the policies). The Society may make more rapid changes than these in times of significant market or regulatory change.

How is investment return determined?

The investment return is determined for the different types of assets held within the OIF. The investment return credited to a type of policy reflects the investment return of the assets backing that specific policy type. For example our ethical policies are backed by ethical investments and so the investment return on our ethical policies is based on the investment return on our ethical investments.

Also the level of guarantees on an individual policy type may affect which assets we use to back that policy type. If the guaranteed benefits on a policy are high we may have to adopt a safer investment approach in order to ensure that we can meet the guarantee in adverse investment conditions (for example by investing in deposits or fixed interest assets). However where guarantees are relatively low we may invest in assets that have a higher level of risk attached but over time could be expected to outperform the safer assets and thus to provide a better return.

How do we determine charges?

In determining asset shares we make deductions for charges for two main reasons: to cover expenses and to pay for guarantees. For some policy types the level of charges to cover expenses is stated in the policy conditions. Where it is not, the charge is based on what we consider to be the OIF's fair share of Foresters Friendly Society's total costs. This cost is then split between policies with different policies having different shares based on the size and type of policy.

The main guarantees that we charge for are life insurance cover for products which have a significant level of life insurance cover and maturity guarantees for endowment products and certain other products providing guarantees at maturity. The assumed cost of life cover is based on recent mortality experience, with allowance for mortality improvements. Currently the charge for maturity guarantees is set at 2% of asset share. The level of these charges

may vary from time to time depending upon the actual cost of guarantees.

What happens if you surrender your policy early?

If you surrender your policy, we work out how much to pay you with the aim of being fair to you and to those staying in the OIF. We do this by setting surrender payouts that are broadly consistent with asset share. If there is any conflict between the interests of members who are leaving and those who are staying, we normally give priority to those staying.

What is a Market Value Reduction (MVR)?

If an ISA, Bond or Child Trust Fund policy written since April 2005 is surrendered or transferred out and what we consider a fair payout on policy, when considering its asset share, is less than the contributions paid plus the annual bonuses, then we may apply a market value reduction (MVR). An MVR reduces the face value of the policy to its fair value to ensure that a fair share of the OIF is left to those remaining in the fund.

MVRs are not applied to payouts on death, and for Child Trust Fund policies no MVRs will be applied to maturity or terminal illness payouts.

How do we invest your money?

The OIF invests in a range of different assets such as:

- equities (shares)
- property
- fixed-interest type assets (such as government bonds and corporate bonds)
- cash

We control the risks that come with investing by choosing assets of good quality and by setting limits on the amounts we invest in any one asset or our exposure to any third party. If we think it is right to do so, we may allocate certain assets to specific policies in the OIF. For example, we may do this to reflect the type, the amount and the timing of guarantees.

When deciding exactly what to invest in and how much, we do so by looking at:

- The OIF's current and future financial position and the need to make sure there is enough money in the fund
- The level of guarantees in the OIF

- Members' reasonable expectations, in relation to how your money is invested.

How we manage potential risks?

The OIF is exposed to a number of risks. Our biggest risk comes from the need to pay all guarantees when they are due given the possibility of falls in asset values. The OIF is also exposed to the risk of more members dying than expected - increasing the claim costs, or the risk that our expenses are higher than expected - increasing our charges.

We aim to reduce our exposure to investment risk by changing our investment strategy as market conditions dictate. Currently, we aim to spread risk over the OIF as a whole. However, if a risk arises which is related closely to a particular policy type, we may apply some or all of the cost of this risk to the policies in question as long as this is consistent with the policy conditions and the law.

The other funds of the Society may be used to reduce some of the risks the OIF faces. However the other funds are not normally available to otherwise benefit the OIF policyholders. Similarly the assets of the OIF will be maintained for the members of the OIF and not normally called upon to support other areas of the Society.

How to get in touch

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Information, including a copy of this Key Features document, is available in large print, audio and Braille upon request.

Foresters Friendly Society is the trading name of The Ancient Order of Foresters Friendly Society Limited.

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Foresters Friendly Society is an incorporated branch society registered in the United Kingdom.

