

Policy Provisions

Flexible Investment Plan



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› Definitions

This Plan consists of Policies issued by The Prudential Assurance Company Limited ("Prudential"), and any references to "us", "we" or "our" mean Prudential. References to "you" mean the owner(s) named in the Policy Schedule.

The expressions set out below have the following meanings:

"Accounts"	The Prudential PruFund Cautious Account, The Prudential PruFund Protected Cautious Account, The Prudential PruFund Growth Account, The Prudential PruFund Protected Growth Account and each of the Risk Managed PruFund Accounts. These are holding accounts, pending the automated purchase of Units in their respectively named Fund, on the PruFund Quarter Date(s).
"Actual Fund Value"	Prudential uses a variety of methods and assumptions (including the use of appropriate investment indices) to regularly estimate the value of the assets and liabilities of the PruFund Funds. The value attributed to each of these funds in this way on any day is its Actual Fund Value on that day.
"Administration Office"	This means our office at Prudential, Stirling, Scotland, FK9 4UE. If we change our Administration Office we will notify you.
"Allocation Rate"	This is a percentage figure (which may be more or less than 100%) which is applied to your Premium. The resultant figure is applied to credit Units at the Bid or Offer Price as applicable. See Provision 3 for more details.
"Bid Price"	This is the price at which we cancel and (for Plans which operate under the "No Initial Charge Option") credit Units, subject to the other Policy Provisions that affect credit and cancellation values.
"Commencement Date"	This is the date we apply the initial Premium you pay.
"Destination Fund"	A Fund to which Units are Switched in accordance with Provision 7.
"Distribution Cash Fund"	This is a Unit-Linked Fund which receives a distribution amount from the Distribution Income Funds. Further details can be found in Provisions 2.2.8 to 2.2.12 inclusive.
"Distribution Income Funds"	These are Unit-Linked Funds where, twice a year, assets are withdrawn by a distribution from these Funds to the Distribution Cash Fund. Further details can be found in Provisions 2.2.8 to 2.2.12 inclusive.
"Expected Growth Rate"	This means the annual rate of increase (which may be zero but will never be negative) applied on a daily basis to increase Unit Prices in the PruFund Funds and Accounts as explained in Provision 2.3.6.
"Externally-Linked Funds"	These are Funds that are not managed by Prudential, but instead are linked to Funds of external companies (see Provision 2.2.13).
"Fund/Funds"	This means the Unit-Linked Funds and/or With-Profits Funds (as described in Provision 2) or any one or more of them as the context requires.
"Fund Guarantee"	This applies to The PruFund Protected Funds. It guarantees that the value of the selected fund will not be less than the Guaranteed Minimum Fund Value on the Guarantee Date, subject to the full terms of Provision 15.

"Guarantee Date"	This applies to Plans where either of the PruFund Protected Funds are selected. It is the specific anniversary of the Commencement Date of your Plan, selected by you at the outset, upon which the Fund Guarantee will apply. It cannot be altered after the Plan has started. See Provision 2.3.6.2.
"Guaranteed Minimum Death Benefit"	Where this applies (see Provision 13) it will be equal to the total amount paid in Premiums to your Plan less any withdrawals, after the application of any final bonus, Market Value Reductions or early cash-in charges.
"Illustration"	This is one of the explanatory documents issued with the other Plan documents. You receive this Illustration at the start of the Plan and will receive others if you pay further Premiums. Whenever we refer to an Illustration we mean the one received at the start of the Plan unless we say otherwise.
"Internally-Managed Funds"	These are Unit-Linked Funds that are managed within the Prudential Group of Companies.
"Key Features"	This is one of the explanatory documents provided with the Plan documents. You receive Key Features at outset and will receive others if you pay further Premiums. Whenever we refer to Key Features we mean the one received at outset unless we say otherwise.
"Life Assured"	The person (or persons) upon whose life (lives) the Plan is based.
"Market Value Reduction"	This is a deduction that we may make when Units of either the With-Profits (Optimum Bonus) Fund or the With-Profits (Optimum Return) Fund are cancelled (see Provision 3.2.2).
"Net Asset Value Per Unit"	This is the Actual Fund Value of a PruFund Fund divided by the total number of Units credited to that fund (in respect of all policies, not just your own).
"Offer Price"	This is the price at which we credit Units for Plans which operate under the "Initial Charge Option", subject to the other Plan Provisions that affect credit values.
"Periodic Surrenders"	The cancellation of Units at regular intervals following a request from you.
"Plan"	This means all your Policies, as explained in Provision 1.4.
"Policy" / "Policies"	Each of the separate contracts into which your Plan is divided is a Policy, as explained in Provision 1.4.1.
"Policy Provisions"	This means the terms of this document, as further explained in Provision 1.1.
"Policy Schedule"	This means the separate document issued with these Policy Provisions containing specific information relevant to your Plan.
"Premium"	This means any payment you make to invest in the Plan, whether it be the initial Premium, or, if you decide to pay more, any particular additional Premium (see also Provision 3.1.7).
"Prudential"	This means The Prudential Assurance Company Limited.
"Prudential Group of Companies"	This means Prudential plc and its subsidiaries as defined in section 1159 of the Companies Act 2006.
"Prudential Cash Fund"	A Unit-Linked Fund from the Prudential Fund range offered under the Flexible Investment Plan.
"PruFund Funds"	This means The Prudential PruFund Cautious Fund, The Prudential PruFund Protected Cautious Fund, The Prudential PruFund Growth Fund, The Prudential PruFund Protected Growth Fund and the Risk Managed PruFund Funds.

"PruFund Protected Funds"	This means The Prudential PruFund Protected Cautious Fund and/or The Prudential PruFund Protected Growth Fund, as appropriate.
"PruFund Quarter Dates"	These are 25 February, 25 May, 25 August and 25 November or the following Working Day if the date falls on a non Working Day.
"Risk Managed PruFund Accounts"	These are The Prudential PruFund 0-30 Account, The Prudential PruFund 10-40 Account, The Prudential PruFund 20-55 Account and The Prudential PruFund 40-80 Account. These are holding accounts pending the automated purchase of Units in their respectively named Risk Managed PruFund Fund, on the PruFund Quarter Date(s).
"Risk Managed PruFund Funds"	These are The Prudential PruFund 0-30 Fund, The Prudential PruFund 10-40 Fund, The Prudential PruFund 20-55 Fund and The Prudential PruFund 40-80 Fund. See the Fund Guide document for more information.
"Sum Assured"	<p>This may be payable on death (see Provision 12) or following the diagnosis of Terminal Illness (see Provision 14). It will be whichever of the following is specified in the Policy Schedule:</p> <ul style="list-style-type: none"> ➤ 101% of the value of the Units credited to the Plan; or, ➤ 100.1% of the value of the Units credited to the Plan, less a deduction equivalent to the early cash-in charge (see Provision 8.2) that would have applied if the Plan had been Surrendered in full at that date. <p>The timing of the valuation of the Units depends on whether the Sum Assured is payable on death or Terminal Illness (see Provision 3.2.1 e) for details).</p>
"Surrender"	This means the cancellation of Units in response to a request by you in accordance with the requirements of Provision 8.1. This definition does not include Periodic Surrenders.
"Switch"	This means a fund variation or variations achieved by the cancellation of Units in one or more Funds, followed by the credit of Units in one or more other Funds, as explained in more detail in Provision 7.
"Terminal Illness"	This means an advanced or rapidly progressing incurable illness which, in the opinion of an attending consultant doctor and our Chief Medical Officer, has reduced the life expectancy to 12 months or less.
"Unit"	<p>A Unit of a Unit-Linked Fund or of any of the PruFund Funds is one of the equal parts into which the Fund is notionally divided for the purpose of recording the benefits that are due to you. See Provisions 2.1.5 and 2.1.7 for more details.</p> <p>A Unit of either the With-Profits (Optimum Bonus) Fund or the With-Profits (Optimum Return) Fund is a record of a payment made into that Fund, plus regular bonuses added to the payment. See Provision 2.1.6 for more detail.</p>
"Unit Price"	This is the price at which a Unit is credited to or cancelled from your Plan.
"Unit Price Fund Value"	This is the total number of Units credited to a PruFund Fund (in respect of all policies, not just your own) multiplied by the relevant Unit Price.
"Unit-Linked Funds"	These are Unit-Linked investment Funds established by us. They include a range of Internally-Managed Funds and Externally-Linked Funds. See Provision 2.2 for more detail.
"With-Profits Funds"	These are investment Funds which operate under special rules relating to the sharing of profits and the smoothing of investment returns. The funds are The Prudential With-Profits (Optimum Bonus) Fund, The Prudential With-Profits (Optimum Return) Fund, and the PruFund Funds. See Provision 2.3 for more detail.
"With-Profits Sub-Fund"	This is a sub-fund of Prudential's Long Term Business Fund.
"Working Day"	This is any day that the London Stock Exchange is open for dealings, and, at our discretion, any day on which it would normally be open but for a temporary closure.

› Provisions

1. The Plan

1.1 Documentation

This document (the "Policy Provisions"), together with the Policy Schedule, sets out the detailed terms of the contract between you and Prudential. You are also issued with certain other explanatory documentation (such as Key Features). All these documents, including the Policy Provisions, contain important information, so you should read them carefully. You should keep them all in a safe place and make sure that the people who will handle the affairs of your estate on your death know where they are.

1.2 Premiums

1.2.1 You will make an initial Premium payment, and may make additional Premium payments provided the Funds are open to new investment, subject to Provision 1.2.2 below. See Provision 2 for the full range of funds available.

1.2.2 The PruFund Protected Funds are available at the start of the Plan only, and you cannot select both under the same Plan. See Provision 2.3.6.2 for further details.

You cannot select either of the PruFund Protected Funds for any additional payments into your Plan. If you do want to choose either fund for any additional investment a new Plan will be needed.

1.3 Investment limits for Premiums

1.3.1 There is an overall investment limit that applies to your Plan. You cannot pay a Premium if the aggregate value of all the Premiums that would then have been paid to the Plan would be higher than that limit.

1.3.2 In addition, each Premium must be between the minimum and maximum Premium limits that we apply from time to time, and there are minimum limits that apply to any part of a Premium paid to credit Units to any particular Fund. These limits may differ between the With-Profits (Optimum Bonus) Fund and the With-Profits (Optimum Return) Fund, the PruFund Funds, and the Unit-Linked Funds.

1.3.3 There is a maximum you can invest in With-Profits Funds in aggregate. This includes Premiums made under your Plan. You cannot pay a Premium to the Plan if the aggregate value of all the premium payments that would then have been paid by you or on your behalf into With-Profits Funds would be higher than that maximum amount.

1.3.4 Your Key Features document contains more information. We may make reasonable changes to any limit from time to time. See Provision 16 of this Policy Provisions document.

1.4 Policies

1.4.1 Unless you tell us otherwise when you apply for your Plan, it will consist of a number of separate and identical Policies. Where it is split into a number of Policies your Premiums are split into equal parts, each part being a Premium for a Policy. You will only receive one set of Policy Provisions, but these will apply in identical terms to each separate Policy in your Plan. For some of the other documents, you will receive one for each Premium.

1.4.2 You can "assign" (transfer) any one or more Policies into trust or to somebody else. The Policies you assign to any person become that person's Plan.

1.4.3 You can also Surrender any Policy, which effectively means you ask us to cash in the Policy (see the Definitions section of this document and Provision 8).

1.4.4 When Units in any Fund are credited to your Plan, they are divided equally between your Policies, each Policy receiving the same number of Units in that Fund.

1.4.5 Unless you specifically instruct us to the contrary, or we specifically say so elsewhere in these Policy Provisions, all instructions you give us will apply equally to all your Policies.

2. The Funds

2.1 General

- 2.1.1 The With-Profits Funds are part of Prudential's "Life Fund", into which the premiums from a number of different types of policy are paid. The profits of the With-Profits Funds are shared between Prudential with-profits policyholders and Prudential shareholders. This is explained further in Provision 2.3.
- 2.1.2 If you want an up to date list of the Unit-Linked Funds currently available, please ask us for one.
- 2.1.3 We, or another company within the Prudential Group of Companies, own in our own right and not as trustees for policyholders, all the assets of the Internally-Managed Funds and the "Life Fund". All the assets of the Funds underlying the Externally-Linked Funds are owned by the relevant external company. Any contracts involving external companies are with us. There is no contractual relationship between the external companies and you.
- We can withdraw, amalgamate, close or wind-up any of our Funds at any time (for example, if a fund becomes too small for it to be cost-effective for us to operate that fund). We will aim to act fairly and reasonably in the way that we do so, having regard to our duty to protect your interests and those of other Plan holders. If we exercise this power we will give reasonable notice to you (if the affected fund is one of the principal features of the Plan or if at any time there are any Units of the

affected fund held under your Plan) taking into account all of the circumstances, and we will ask you to decide where the amount being disinvested from the relevant Fund should be reinvested. If we do not receive an instruction from you within the timescale we stipulate when we contact you we will Switch the Units to Units of the Fund that has the most similar investment objectives to the withdrawn, amalgamated, closed or wound-up Fund. Failing that we will Switch the Units to the Prudential Cash Fund.

We can also rename any of our Funds at any time. If we do, we will give you reasonable notice of the change if at that time there are any Units of the affected fund held under your Plan.

- 2.1.4 You can choose up to ten Funds in which to invest your Premiums. However:

- if your Fund(s) selection includes one or more of the Distribution Income Funds, the Distribution Cash Fund will automatically be included as one of your choices within the limit of ten, and/or
- if your Fund(s) selection includes a PruFund Fund, then a correspondingly named Account will automatically also be included as one of your choices within the limit of ten. For example, if you select the PruFund Growth Fund, then the PruFund Growth Account will also be included.

2.1.5 When you pay a Premium into a Unit-Linked Fund, we create Units with Bid or Offer Prices (as applicable – see Provision 2.2.4) equal in aggregate value to the Premium (after applying the relevant Allocation Rate) and credit these to your Plan. You do not "own" the Units: they are just a record of the benefits due to you in respect of these Funds (subject to all the other Policy Provisions).

2.1.6 A Unit of either the With-Profits (Optimum Bonus) Fund or the With-Profits (Optimum Return) Fund is a record of a payment made into that Fund, plus certain of the bonuses added to the payment (see Provision 2.3). This gives you a record of these amounts, and helps us work out the benefits due to you in respect of these Funds (again, subject to all the other Policy Provisions).

2.1.7 A Unit of any of the PruFund Funds (or of their correspondingly named Accounts) is one of the equal parts into which an Account or Fund is notionally divided for the purpose of recording the benefits that are due to you. You do not "own" the Units, they are just a record of the benefits due to you in respect of the Account or Fund (again, subject to all the other Provisions of the Plan). See Provision 2.3.6 for more detail.

2.1.8 Certain limits apply to the cancellation and credit of Units where you give us instructions of the following type:

- Specific Switches (Provision 7.3);
- Programmed Switching (Provision 7.5);

- Surrender (Provision 8); or
- Periodic Surrenders (Provision 9).

These limits mean that we may not effect any instruction by you under any of these Provisions if, were we to do so, the value of the Units which:

- a) would be cancelled from or credited to any Fund; or
- b) would then remain in any Fund;

would be outside the limits which we have set.

These limits are set out in the Key Features document. We may change them from time to time. See Provision 16 of this Policy Provisions document.

2.1.9 Our liability under any Fund that we make available under the Plan cannot exceed the value of the assets underpinning that Fund, whether these assets are actual assets or an interest in another fund (whether managed within the Prudential Group of Companies or by an external company), or an interest in a reinsurance policy effected by us to reinsure our liability under a fund.

In particular, for an Externally-Linked Fund, or a Fund that invests solely in funds operated by another company within the Prudential Group of Companies (for example, unit trusts or open-ended investment companies operated by another company within the Prudential Group of Companies), our liability is limited to the amount we can claim from the relevant company. So, for example, if the external company or the other

company within the Prudential Group of Companies were to become insolvent we could only pay the amount, if any, which we could collect under the insolvency in respect of the Units allocated to the Plan. In addition we are not liable for any losses caused by the acts and omissions of the external company in respect of its own fund and/or the Externally-Linked Fund.

2.2 Unit-Linked Funds (Including Distribution Income Funds)

2.2.1 Valuation of Internally-Managed Funds

At least once a month we calculate the maximum and minimum value of each Internally-Managed Fund. The maximum value we place on assets is the lowest available market price for which they could be bought. The minimum value is the highest available market price for which they could be sold. We must then reduce the maximum or minimum values by allowing for:

- taxes, duties and other charges on investment or realisation; and
- any reserves we consider appropriate to meet expenses, taxes and other fiscal impositions for which we may become liable; and
- the Annual Management Charge (see Provision 6.2.2).

Where assets can be valued by reference to a recognised quotation that we consider appropriate, the prices we use are the quoted prices. For other assets, we use valuations certified by valuers we appoint.

These valuations are adjusted, in consultation with the valuers, to take into account changes in prices between the valuations.

2.2.2 We decide the value of each Internally-Managed Fund by choosing a figure between its maximum and minimum values. The main factor we consider is whether more Units are being credited to the Fund than cancelled from it. If so, the purchase price of assets will be more relevant than the sale price, as we will be buying more assets than we are selling. But if more Units are being cancelled than credited, the sale price of assets will be more relevant than the purchase price. The decision whether to value a fund using the purchase price or sale price of assets is normally taken at monthly intervals, but may be made at such other intervals as we, or the relevant company from the Prudential Group of Companies, shall determine. A change from a purchase valuation to a sale valuation basis or vice versa can have a significant effect on the Unit Price even though the market can appear to be relatively stable. In particular, a change from a purchase valuation basis to a sale valuation basis will reduce the Unit Price.

2.2.3 Valuation of Externally-Linked Funds

Each Externally-Linked Fund is linked to an underlying fund operated by the relevant external company. Each external company values its own funds at its complete discretion and then provides us with a price or prices (rounded in accordance with its own practices), which we use in valuing the corresponding Externally-Linked Fund.

	<p>Where the external company provides prices based on both minimum and maximum fund values, we choose the price on which to base the Fund value. The main factor we consider is whether more Units are being credited to the Fund than cancelled from it, as described for Internally-Managed Funds in Provision 2.2.2 above. Otherwise, the value of the Externally-Linked Fund is based upon the single price supplied by the external company.</p>	<p>Charge Option" applies (see Provision 3.1.4), both credits and cancellations are at the Bid Price. This is all subject to the terms of Provision 3 and any other Provisions relevant to the credit and cancellation of Units.</p>	<p>withdrawn attributable to the relevant Distribution Income Fund Units in that Plan.</p>
2.2.4	<p>Bid and Offer Prices of Fund(s)</p> <p>The Bid and Offer Prices of Units of each Internally-Managed Fund and each Externally-Linked Fund are set within the following limits:</p> <ul style="list-style-type: none"> ➤ The Offer Price is not more than the maximum value of the Fund multiplied by 100/95 and divided by the number of Units of the Fund then in issue, rounded to the nearest one tenth of a penny. ➤ The Bid Price is at least the minimum value of the Fund (as determined by Us under Provision 2.2.3) divided by the number of Units then in issue, rounded to the nearest one tenth of a penny. 	<p>2.2.7 Dilution Levy</p> <p>In some circumstances, we or an external company may make a charge called a "dilution levy". This type of charge covers the cost of either buying assets (where more people are investing than disinvesting) or selling assets (where more people are disinvesting). If we or an external company makes such a charge, the charge will be collected through the Unit pricing process. A dilution levy is not designed to make a profit, but to cover expenses.</p>	<p>2.2.9 Where Units have been attributed to the Distribution Cash Fund at a distribution date and no instruction for Periodic Surrenders is in force, all the Units attributed to the Plan in the Distribution Cash Fund (immediately following the distribution) are cancelled at the same Bid Price used to attribute those Distribution Cash Fund Units to the Plan. The cash value of the distribution is then used to attribute to the Plan, Units in the appropriate Distribution Income Fund in proportion to the distribution from each Fund. These are attributed at the Bid Price recalculated following the distribution.</p>
	<p>2.2.5 The difference between the Offer Price and the Bid Price is never more than 5% of the Offer Price, rounded to the nearest one tenth of a penny.</p>	<p>2.2.8 Distribution Income Funds and the Distribution Cash Fund</p> <p>Twice a year, on dates we specify, each Distribution Income Fund is valued and assets are withdrawn by a distribution from the Fund. Each distribution is based on the value of dividends and other income generated and received since the previous distribution date.</p>	<p>2.2.10 Where Units have been attributed to the Distribution Cash Fund at a distribution date and an instruction for Periodic Surrenders is in force:</p> <ul style="list-style-type: none"> a) For regular specified amounts or specified percentages of the Fund Value all the Units attributed to the Plan in a Distribution Cash Fund (immediately following the distribution) are cancelled at the same Bid Price used to attribute those Distribution Cash Fund Units to the Plan. The cash value of the distribution is then used to attribute to the Plan Units in the appropriate Distribution Income Fund in proportion to the distribution from each Fund. These are attributed at the Bid Price recalculated following the distribution.
2.2.6	<p>If the "Initial Charge Option" applies to your Plan (see Provision 3.1.3), Units are credited to your Plan at the Offer Price, and cancelled at the Bid Price. If the "No Initial</p>	<p>When a distribution is made from a Distribution Income Fund the Offer and Bid Prices of the Units in that Fund are recalculated to account for the value of the assets withdrawn. At the same time, for Plans with Units in that Distribution Income Fund, we attribute to each Plan Distribution Cash Fund Units equal in value (at their Bid Price) to the share of the assets</p>	

- b) Where full distribution(s) are selected from the Distribution Income Fund(s), including those subject to a yearly cap (maximum) of 5% of the amount paid into the Plan, the amount attributed to the Distribution Cash Fund remains in that Fund until paid as a Periodic Surrender.
- 2.2.11 If an instruction for Periodic Surrenders is in force for the full distribution subject to a yearly cap of 5% of the amount paid into the Plan, on each Policy anniversary any Distribution Cash Fund Units in excess of those required for the next half-year's worth of the 5% cap will be cancelled and reinvested in the relevant Distribution Income Fund subject to a minimum amount (see Key Features for details of the amount).
- 2.2.12 You cannot use any part of a Premium or the value of Units cancelled under a Switch to credit Units in the Distribution Cash Fund.
- 2.3 With-Profits Funds**
- 2.3.1 The following Funds are available:
- The Prudential PruFund 0-30 Fund
 - The Prudential PruFund 10-40 Fund
 - The Prudential PruFund 20-55 Fund
 - The Prudential PruFund 40-80 Fund
 - The Prudential PruFund Cautious Fund
 - The Prudential PruFund Growth Fund
 - The Prudential PruFund Protected Cautious Fund
- The Prudential PruFund Protected Growth Fund
 - The Prudential With-Profits (Optimum Bonus) Fund
 - The Prudential With-Profits (Optimum Return) Fund
- 2.3.2 With-Profits Fund assets are not separately identifiable from the rest of the assets of our long-term business.
- 2.3.3 The assets of the PruFund Funds and Accounts are not separately identifiable from the other assets of the With-Profits Sub-Fund. Units in the Funds and the Accounts participate in the profits of the With-Profits Sub-Fund in the manner described in Prudential's Principles and Practices of Financial Management which may be changed from time to time in accordance with regulatory requirements.
- 2.3.4 Any profits of the With-Profit Funds which are distributed are divided between our with-profits policyholders and our shareholders. The proportions in which distributed profits are divided between policyholders and shareholders is regulated by our Articles of Association.
- 2.3.5 The Prudential With-Profits (Optimum Bonus) Fund and the Prudential With-Profits (Optimum Return) Fund
- 2.3.5.1 Bonuses
- We decide what form and amount the bonuses take. In deciding these bonus additions, we take account of:
- how much of the investment return of the assets of the With-Profits Fund is to be distributed; and
 - how the policyholders' share should be fairly divided between the different classes of with-profits policyholder, and between the individual policyholders within each class.
- In calculating bonuses, we consider long-term investment performance and estimated average future returns more than short-term market fluctuations. We will act in a fair and reasonable manner. We always act in good faith in attempting to balance the interests of policyholders and shareholders.
- 2.3.5.2 Final Bonus
- When Units of these With-Profits Funds are cancelled we may increase their value by adding a further bonus (called final bonus). This bonus, together with regular bonuses, usually reflect the increase in the value of the underlying assets over the period the policyholder has held their investment in that particular With-Profits Fund.
- 2.3.5.3 Bid and Offer Prices
- The Bid and Offer Prices of Units of each of these With-Profits Funds are set by Prudential in the following way:
- Offer Prices in respect of these With-Profits Funds were set when they commenced and these have been increased from time to time by adding regular bonus at daily rates (if any) decided by us. After adding regular bonus to the Offer Price, we round the result up by one hundredth of a penny or less to set the new Offer Price.

➤ The Bid Price is the Offer Price at the relevant date less a deduction. We decide the amount of the deduction but it will never be more than 5% of the Offer Price. We round the result down by one hundredth of a penny or less to calculate the new Bid Price.

If the "Initial Charge Option" applies to your Plan (see Provision 3.1.3), Units are credited at the Offer Price, and cancelled at the Bid Price. If the "No Initial Charge Option" applies (see Provision 3.1.4), both credits and cancellations are at the Bid Price. This is all subject to the possible addition of final bonus (see Provision 2.3.5.2), the possible application of a Market Value Reduction (see Provision 3.2.2), the other terms of Provision 3 and any other Provisions relevant to the credit and cancellation of Units.

2.3.6 The PruFund Funds

2.3.6.1 Each of these PruFund Funds has a corresponding Account, being an investment fund under which the return is fixed at the Expected Growth Rate. The names of the Accounts are shown in the Definitions section of this document.

When you pay a Premium your Illustration shows the actual amount used to buy Units. It will also show the Fund(s) you have selected and the percentage of the total amount used to buy Units in each Fund. The Units created in each Account are equal in value to the appropriate proportion of the total actual amount used to buy Units.

2.3.6.2 If you invest in either of the PruFund Protected Funds then Provision 15 (Fund Guarantee) will apply to that Premium, or that particular part of a Premium, as appropriate. Your Policy Schedule will show the specific anniversary of the Commencement Date selected by you as the Guarantee Date. This date cannot be altered after the Plan has started. You cannot invest in both of the PruFund Protected Funds under the same Plan and you cannot Switch between those funds.

2.3.6.3 The Prudential PruFund Protected Cautious Account operates as part of The Prudential PruFund Cautious Account, and The Prudential PruFund Protected Growth Account as part of The Prudential PruFund Growth Account.

In each case the Accounts are identified separately because the Fund Guarantee applies to all investments in The PruFund Protected Cautious Account or The PruFund Protected Growth Account, as applicable.

2.3.6.4 The Bid Price for The Prudential PruFund Growth Account was set at 100p per Unit on 14 September 2004. The Bid Price for The Prudential PruFund Cautious Account was set at 100p per Unit on 13 July 2009. The Bid Price for each of the Risk Managed PruFund Accounts was set at 100p per Unit on 7 November 2011.

Prudential set a separate Expected Growth Rate for each Account, and the relevant Unit Price increases in line with its

Expected Growth Rate (determined in accordance with Provision 2.3.6.8 a)) of the Fund.

2.3.6.5 The Offer Price for each of these Accounts is the Bid Price multiplied by 100/95. We round the result up by one hundredth of a penny or less to set the new Offer Price.

2.3.6.6 If the smoothing process has been suspended (see Provision 2.3.6.8 d)), the Unit Prices within the Accounts will continue to grow at the relevant Expected Growth Rate. This Expected Growth Rate will continue to be set on each PruFund Quarter Date and will apply to the Accounts during the period of suspension.

2.3.6.7 After crediting Units to an Account, and at any time before the next PruFund Quarter Date, the Units in the Accounts may be cancelled to pay for charges, Surrenders or Periodic Surrenders as appropriate. On the next PruFund Quarter Date, the Units remaining in the Accounts are cancelled at their Bid Price and the amount realised is used to credit Units at their Bid Price in the corresponding Fund(s).

2.3.6.8 The Smoothing Process

For Fund valuations and calculations The Prudential PruFund Protected Cautious Fund operates as part of The Prudential PruFund Cautious Fund, and The Prudential PruFund Protected Growth Fund as part of the Prudential PruFund Growth Fund. In each case they are identified separately because the Fund Guarantee applies to all investments in The PruFund Protected Cautious Fund or The PruFund Protected Growth Fund.

- a) The Unit Price for the PruFund Growth Fund was set at 100p per Unit on 25 November 2004. The Unit Price for the PruFund Cautious Fund was set at 100p per Unit on 25 August 2009. The Unit Price for each of the Risk Managed PruFund Funds was set at 100p per Unit on 25 November 2011.

Subject to any other adjustment in line with these Policy Provisions, the Unit Price within each of these Funds will increase in line with the then current Expected Growth Rate applicable to that Fund on every day from and including the day after the PruFund Quarter Date on which the respective Expected Growth Rate is set until and including the next PruFund Quarter Date.

- b) Calculation of Unit Price at each PruFund Quarter Date

Unless the smoothing process has been suspended (see Provision 2.3.6.8 d)), the calculation of Unit Price(s) at each PruFund Quarter Date will be as follows:

- i) At each PruFund Quarter Date, after application of the relevant Expected Growth Rate, we compare the Net Asset Value Per Unit of each Fund to the Unit Price of that Fund on that day. If the Net Asset Value Per Unit is within 5% of the Unit Price, the Unit Price will not change. However, subject to Provision 2.3.6.8 c):

➤ if the Net Asset Value Per Unit is 5% (or more) above the Unit Price, the Unit Price will be increased on the PruFund Quarter Date by half the difference. If the Net Asset Value Per Unit is more than 10% above the Unit Price then this adjustment will be repeatedly applied until the Net Asset Value Per Unit is less than 5% above the Unit Price.

➤ if the Net Asset Value Per Unit is 5% (or more) below the Unit Price, the Unit Price will be reduced on the PruFund Quarter Date by half the difference. If the Net Asset Value Per Unit is more than 10% below the Unit Price then this adjustment will be repeatedly applied until the Net Asset Value Per Unit is less than 5% below the Unit Price.

- ii) On the day after the PruFund Quarter Date the Unit Price will begin to increase in line with the relevant new Expected Growth Rate as described in Provision 2.3.6.8 a)

- c) Adjustments of Unit Price on or between PruFund Quarter Dates

- i) If the Unit Price is adjusted in line with this Provision, no

adjustment that would otherwise apply on that day in line with Provision 2.3.6.8 b) i) will apply.

- ii) Each Working Day, we calculate the average Net Asset Value Per Unit over the 5 Working Days ending with the Working Day on which we are carrying out the calculation ("the Average Net Asset Value Per Unit"). We also calculate the Net Asset Value Per Unit and the Unit Price applicable on that particular day.

➤ If the then current Net Asset Value Per Unit and the Average Net Asset Value Per Unit are both 10% (or more) above the then current Unit Price the Unit Price will be increased such that the Unit Price is then 2.5% below the Net Asset Value Per Unit.

➤ If the then current Net Asset Value Per Unit and the Average Net Asset Value Per Unit are both 10% (or more) below the then current Unit Price the Unit Price will be reduced such that the Unit Price is then 2.5% above the Net Asset Value Per Unit.

- d) Suspension of the smoothing process

The smoothing process described in Provision 2.3.6.8, and consideration of the criteria which may lead to suspension of this process, applies separately to the PruFund Growth Fund and the PruFund Cautious Fund and each of the Risk Managed PruFund Funds, and applies to each Fund in its entirety, encompassing all of our products under which Units are held in each of those Funds, not just the Flexible Investment Plan.

We may suspend the smoothing process if the difference between payments into and out of the Fund is high. For this purpose we compare the following amounts:

- › the total amount relating to applications to pay new Premiums into the Fund or to Switch into that Fund; and
- › the total amount relating to applications to take money out of the Fund through a Surrender (other than a Periodic Surrender) or a Switch.

We may suspend the smoothing process if the difference between the two amounts as detailed immediately above:

- › when calculated by reference to any 30 day period and then multiplied by 12 (to

"annualise" the amount), is more than 25% of the Unit Price Fund Value; or

- › when calculated by reference to any full year, is more than 10% of the Unit Price Fund Value.

We can also suspend the smoothing process either a) to protect the With-Profits Fund, and therefore the interests of all of our with-profits policyholders and shareholders (see Provision 2.1.1) or b) if we feel this is necessary to ensure that other policyholders are treated fairly in accordance with our regulatory duties.

On the day and each day during which the smoothing process is suspended the Unit Price of the Fund will be the Actual Fund Value divided by the number of Units in issue. Prudential will review the position at least once every 30 days, and will reinstate the smoothing process when we consider it appropriate. The smoothing process will normally remain suspended for a minimum of 30 days.

When the smoothing process is reinstated the Unit Price will start at the previous day's Unit Price. The full terms of Provision 2.3.6 will then apply, including a daily increase in the Unit Price at the last published Expected Growth Rate set by Prudential. If a Quarter Date has passed whilst the smoothing process has been suspended, Prudential have the right to change the Expected Growth Rate.

3. Credit and Cancellation of Units

3.1 Credit of units

- 3.1.1 When you take out your Plan, you choose either the "Initial Charge Option" (in which case Provision 3.1.3, and not 3.1.4, applies to your Plan) or the "No Initial Charge Option" (in which case Provision 3.1.4, and not 3.1.3, applies). More information is contained in Key Features.
- 3.1.2 In either case, the number of Units credited with any Premium depends on the Allocation Rate applicable to that particular Premium. The way in which this works, and the particular Allocation Rate that will apply to each Premium, is explained in the Key Features document and in the Illustrations that apply to the particular Premium in question.
- 3.1.3 Initial Charge Option
- The number of Units we credit to the Plan in any Fund (or PruFund Account) when a Premium is paid to a Plan subject to the Initial Charge Option is calculated as follows:
- › We multiply the Premium by the relevant Allocation Rate stated in the Illustrations that apply to that Premium.
 - › We then divide the result by the Offer Price of Units applicable to the day of credit. This will be on the day we receive at our Administration Office the forms we require correctly completed or the next Working Day if the correctly completed forms are received after 12.00 mid-day.

3.1.4 No Initial Charge Option

The number of Units we credit to the Plan in any Fund (or PruFund Account) when a Premium is paid to a Plan subject to the No Initial Charge Option is calculated as follows:

- We multiply the Premium by the relevant Allocation Rate stated in the Illustrations that apply to that Premium.
- We then divide the result by the Bid Price of Units applicable to the day of credit. This will be on the day we receive at our Administration Office the forms we require correctly completed or the next Working Day if the correctly completed forms are received after 12.00 mid-day.

3.1.5 The crediting of any Units as the result of a Switch will take place immediately after the cancellation of Units described in Provision 3.2.

3.1.6 If Units are cancelled in accordance with Provision 3.2.1 a) i) and you select The PruFund Cautious Fund, The PruFund Growth Fund or any of the Risk Managed PruFund Funds as a Destination Fund, Units will initially be credited in the corresponding Account.

3.1.7 Records

We keep records of the date and Premium referable to the credit and cancellation of each Unit.

3.2 Cancellation of units

3.2.1 Units are cancelled at their Bid Price applicable to the day of cancellation. However, the day on which we cancel Units depends on why the Units are being cancelled. The following rules apply:

- 3.2.1 a) Switches
- i) Cancellations in respect of specific Switches (Provision 7.3) other than those applying to Switches out of the PruFund Funds (see Provision 3.2.1 a) ii) below).

We cancel Units on the Working Day we receive the forms we require correctly completed at our Administration Office provided they are received by 12.00 mid-day.

If the correctly completed forms are received after 12.00 mid-day, we cancel the Units on the next Working Day.

If you are also Switching Units out of the PruFund Funds, we cancel Units using the Unit Price on the day applicable under Provision 3.2.1 a) ii) below.

- ii) Cancellations in respect of Switches out of the PruFund Funds (Provision 7.3.3.).

We cancel Units using the Unit Price on the 28th day following receipt of the forms we require correctly completed, or if this is not a Working Day, on the next Working Day after the 28 day waiting period. We do this to protect the With-Profits Funds and therefore the interests of our With-

Profits policyholders and shareholders. The date of receipt of the forms will be deemed to be the following day if they are received after 12.00 mid-day at our Administration Office. We will not accept a subsequent Surrender or partial Surrender request during the 28 day waiting period.

Provision 3.2.1 a) i) above (and not this Provision) will apply to Switches:

- from The PruFund Protected Cautious Fund to The PruFund Cautious Fund.
- from The PruFund Protected Growth Fund to The PruFund Growth Fund.
- of all Units out of The PruFund Cautious Fund and the PruFund Cautious Account (or The PruFund Growth Fund and The PruFund Growth Account, where applicable) in the 28 days immediately following the Guarantee Date, when the Units are Switched into the PruFund Cautious Fund from the PruFund Protected Cautious Fund (or into The PruFund Growth Fund from The PruFund Protected Growth Fund, where applicable) on the Guarantee Date.

3.2.1 b) Surrenders

When a request to Surrender has been received it cannot be withdrawn or replaced.

- i) Cancellations in respect of Surrenders (but see Provision 3.2.1. b) ii) below in relation to Surrenders out of the PruFund Funds).

We cancel Units on the Working Day we receive the forms we require correctly completed at our Administration Office provided they are received by 12.00 mid-day.

If the correctly completed forms are received after 12.00 mid-day, we cancel the Units on the next Working Day.

- ii) Cancellation in respect of Surrenders out of the PruFund Funds

We can apply the terms of this Provision 3.2.1. b) ii) in place of 3.2.1. b) i) above at our discretion at any time without notice in order to protect the With-Profits Funds and therefore the interests of all our With-Profits policyholders and shareholders. We may apply this Provision to an individual Policy, to all Policies, or across a group of policies. We will not accept a Surrender or partial Surrender request during the 28 day waiting period following a request by you to Switch Units under Provision 3.2.1 a) ii).

We cancel Units using the Unit Price on the 28th day following receipt of the forms we require correctly completed, or if this is not a Working Day, on the next Working Day after the 28

day waiting period. The date of receipt of the forms will be deemed to be the following day if they are received after 12.00 mid-day at our Administration Office.

Provision 3.2.1 b) i) above (and not this Provision) will apply to Surrenders out of the PruFund Cautious Fund and/or The PruFund Growth Fund (and their respective Accounts) in the 28 days immediately following the Guarantee Date (that applies to the PruFund Protected Cautious Fund or The PruFund Protected Growth Fund). See Provision 15.7.

Where this Provision applies and you wish to Surrender Units in PruFund Funds and other Funds you can either:

- Surrender all Units you wish to cancel after the 28 day waiting period in accordance with this Provision,
- or
- Surrender the Units on two different dates in accordance with Provisions 3.2.1.b) i) and 3.2.1.b) ii).

You should fully consider any potential taxation implications of either course of action.

- 3.2.1 c) Cancellation in respect of Periodic Surrenders

We cancel Units using the Bid Price applicable to the regular cancellation date or, if this is not a Working Day, the next Working Day.

- 3.2.1 d) Cancellations of Units in a Unit-Linked Fund or Funds in respect of Automatic Rebalancing (Provision 7.4), Programmed Switching (Provision 7.5) and Interest Sweep (Provision 7.6):

We cancel Units using the Bid Price applicable to the regular cancellation date or, if this is not a Working Day, the next Working Day.

- 3.2.1 e) Cancellations in respect of the payment of the Sum Assured on death (Provision 12) or on diagnosis of Terminal Illness (Provision 14):

We cancel Units using the Bid Price applicable to the Working Day of receipt of the Terminal Illness claim with all the information we require or written notice of the death provided they are received at our Administration Office by 12.00 mid-day.

If the Terminal Illness claim or written notice of death is received after 12.00 mid-day, we will cancel the Units on the next Working Day.

However, the number of Units that will be cancelled following death is the number in credit at the date of death taking into account any credits or cancellations on that date and adjusted for any distributions from Distribution Income Funds (Provisions 2.2.8 to 2.2.10) after the date of death and before written notice of death is received, and/or reduced by any Surrenders or Periodic Surrenders that may have taken place between the date of death and the day we process the death claim.

3.2.2 Market Value Reduction

If you instruct us to cancel any Units of either the With-Profits (Optimum Bonus) Fund or the With-Profits (Optimum Return) Fund we may make a deduction known as a Market Value Reduction from the value of the Units cancelled. When we set the amount of the deduction we will compare:

- the investment return on the assets we credit to that With-Profits Fund during the period the Units have been credited to the Plan; with
- the amount of any bonuses added.

We will carefully consider the need to protect the interests of other policyholders, our smoothing principles, and the need to protect the particular With-Profits Fund.

We reserve the right not to give advanced warning either of any decision to apply a Market Value Reduction or of any change to the basis of the Market Value Reduction calculation.

This deduction will not be made if Units of either Fund are cancelled to meet a claim for the Sum Assured on death (see Provision 12) or Terminal Illness (see Provision 14).

How and when a Market Value Reduction is applied to your Plan is explained in more detail in your Key Features and "Your With-Profits Plan – a guide to how we manage the fund" (reference code WPGB0027) explains in more detail how we manage these With-Profits Funds.

3.3 Date of credit or cancellation of units

The timing of Unit credit and cancellation set out in these Policy Provisions assumes that the instructions (see Provision 2.1.8) are received by us through the postal services. We reserve the right to modify the timing if these instructions are received in some other manner (e.g. hand delivery). In any event, we will always act in a reasonable manner.

3.4 Right to delay instructions to credit or cancel units

Where we consider the Premium or the number of Units to be credited or cancelled is large relative to the size of the Fund, we may delay processing applications to credit or cancel Units by up to two complete Working Days following the day of receipt of the Premium or cancellation request and any forms we require. This will be to ensure that the Bid Price used properly reflects the costs of purchasing or disposing of the underlying assets in the Fund.

Other rights to delay instructions to credit or cancel Units are contained in Provision 10.

4. Annual Growth Reward

4.1 Annual Growth Reward is applicable to all Fund(s) excluding the Prudential Managed Distribution Fund, the Prudential High-Yield Managed Distribution Fund and the Distribution Cash Fund which are all ineligible.

4.2 For eligible Fund(s), the Annual Growth Reward is calculated and applied separately in respect of each

Premium. We keep a record of the date on which a Premium is paid, and on the second and each subsequent anniversary of that date we identify the following Units which remain credited to each Policy in respect of that Premium:

- a) Any of the Units originally credited with that Premium.
- b) Any Units substituted for Units originally credited with that Premium, following one or more Switches under Provision 7.
- c) Any Units credited in previous years as an Annual Growth Reward.
- d) Any Units credited in previous years as a Loyalty Bonus (see Provision 5.2).

4.3 The Units identified in Provision 4.2 will be entitled to an Annual Growth Reward provided that:

- a) No Units in any eligible Fund have been cancelled under Provision 8 (Surrender and Early Cash-In Charge) or Provision 9 (Periodic Surrenders) in the previous year.
- b) No Units in any eligible Fund have been cancelled under Provision 7 (Fund Variation) to create Units in an ineligible Fund in the previous year.

Where there have been no such cancellations under a) or b) above, any Annual Growth Reward applicable will take the form of additional Units credited to the Policy in the same Fund or Funds as the identified Units.

Where there has been a cancellation under b) above, there will be no Units credited

to any Fund as an Annual Growth Reward in respect of that Premium.

4.4 The number of additional Units will be a specified percentage of the identified Units as at the relevant anniversary date. The percentage figure may differ between Funds, and is set out in the Key Features that applies to the relevant Premium.

4.5 Any Unit credited through Annual Growth Reward to the With-Profits (Optimum Bonus) Fund and/or the With-Profits (Optimum Return) Fund will be treated as having been credited on the same day as the Unit in respect of which it was credited.

4.6 The calculation under Provision 4.4 will take place before any cancellations of the identified Units which are due to take place on the same day.

5. Loyalty Bonus

5.1 Loyalty Bonus is not credited to With-Profits Funds. It only applies to Unit-Linked Funds excluding the Prudential Managed Distribution Fund, the Prudential High-Yield Managed Distribution Fund and the Distribution Cash Fund which are all ineligible, and then only where the Initial Charge Option applies (see Provision 3).

5.2 For eligible Fund(s), Loyalty Bonus is calculated and applied separately in respect of each Premium. We keep a record of the date on which a Premium is paid, and on the fifth and tenth anniversaries of that date we identify the following Units within Unit-Linked Funds which remain credited to each Policy in respect of that Premium:

a) Any Units which were originally credited to a Unit-Linked Fund with that Premium.

b) Any Units substituted for Units originally credited in a Unit-Linked Fund with that Premium, following one or more Switches through Unit-Linked Funds under Provision 7.

c) Any Units credited in previous years as a Loyalty Bonus.

d) Any Units credited in previous years as an Annual Growth Reward (see Provision 4).

5.3 The Units identified in Provision 5.2 will be entitled to a Loyalty Bonus provided that:

a) No Units in any eligible Unit-Linked Fund have at any time been cancelled under Provision 8 (Surrender and Early Cash-In Charge) or Provision 9 (Periodic Surrenders), or as a result of a Switch under Provision 7 (Fund Variation) into a Fund other than a Unit-Linked Fund.

b) No Units in any eligible Unit-Linked Fund have been cancelled under Provision 7 (Fund Variation) to create Units in an ineligible Unit-Linked Fund.

Where there have been no such cancellations under (a) or (b) above, any Loyalty Bonus applicable will take the form of additional Units credited to the Policy in the same Fund or Funds as the identified Units.

Where there has been a cancellation under (b) above, there will be no Units credited to any Fund as a Loyalty Bonus in respect of that Premium.

5.4 The number of additional Units will be a specified percentage of the identified Units as at the relevant anniversary date. The percentage figure is set out in the Key Features that applies to the relevant Premium.

5.5 The calculation under Provision 5.4 will take place before any cancellations of the identified Units which are due to take place on the same day.

6. Charges

6.1 Initial charge

Where the Initial Charge Option applies Units are credited at the Offer Price. We retain the difference between the Offer Price and the Bid Price at that time. Provisions 2.2.4, 2.3.5.3 and 3.1.3 contain further information.

6.2 Annual Management Charges

6.2.1 General

Each Fund has its own distinct Annual Management Charge ("AMC"). The AMC will be higher under Plans subject to the No Initial Charge Option.

The Annual Management Charges may change because of a change to the fund selection. We will tell you in writing if the charge is to change as a result of Switching between funds under Provision 7. We also reserve the right to increase the Annual Management Charges at any time, as set out in Provision 16.

6.2.2 The Unit-Linked Funds

We run many Unit-Linked Funds, and you are allowed to choose from some of them in deciding the composition of your Plan (see Provisions 2.1.2 and 2.1.4 and the "Fund Guide" which your adviser should have given you at the time you took out the Plan). The Fund Guide that applies at the date the relevant Premium is applied will state the AMC applicable to the Funds in which you invest that Premium. Each Fund has its own AMC which may be different to the AMC applicable to any other Fund.

We deduct a percentage equal to 1/365th of the AMC applicable to the particular Unit-Linked Fund each day, from the value of the Fund.

For the purpose of the AMC the value of a Unit-Linked Fund is treated as being the aggregate value of all the Units at their Bid Price on the relevant day.

Some Funds hold Units in other Funds; we make any adjustment necessary to ensure that a charge is not made twice.

6.2.3 The Prudential With-Profits (Optimum Bonus) Fund and the Prudential With-Profits (Optimum Return) Fund

There is no explicit AMC in respect of these With-Profits Funds. However, there are some costs and expenses incurred in running these Funds. In addition, as mentioned in Provision 2.3.4, our shareholders are given a share of the profits of the Funds in line with the terms of our Articles of Association. These expenses and our shareholders' portion of profits are taken into account when calculating bonuses.

In order that you have as good an idea as reasonably possible as to the effect of these items, we estimate the annual percentage reduction in the value of each With-Profits Fund that results from them. We then express this estimated annual reduction as an "implicit" Annual Management Charge, details of which (together with more information on this) are contained in Key Features.

6.2.4 The PruFund Funds

A separate AMC is applied in respect of the Unit holding for each of these PruFund Funds derived from each particular Premium. It is payable by Unit deductions beginning one month after the date of payment of that Premium and monthly thereafter. Details of the amounts can be found in your personal illustration.

6.2.5 Reduction in Annual Management Charges

If, under the terms of your agreement with your adviser, you are entitled to a reduction in the AMC in respect of Units credited with a particular Premium (and any Units substituted for them through a Switch) the Illustration(s) applicable to that Premium will say so, and will state the amount of the reduction as a percentage.

We give effect to this reduction by crediting you with additional Units equal in value to the reduction. We credit these Units monthly in arrears on the same day of each month as the date on which the relevant Premium was applied.

Where a Premium is applied after the 28th day of the month we will use the 28th as the day for the credit of the additional Units.

6.3 Guaranteed Minimum Death Benefit charge

6.3.1 A charge may apply if your Policy Schedule says that you have selected the Guaranteed Minimum Death Benefit option (see Provision 13) for your Plan. The charge is calculated (and deducted when it applies) on the Commencement Date and monthly thereafter on the same day of each month, by multiplying the amount by which the Guaranteed Minimum Death Benefit exceeds the Sum Assured at that time, by a mortality factor. The mortality factor depends on the age of the Life/Lives Assured at the yearly anniversary of the Commencement Date immediately before the calculation. If your Plan starts after the 28th day of the month we will use the 28th as the day for the second and subsequent calculations (and deductions when applicable).

If the Sum Assured exceeds the Guaranteed Minimum Death Benefit on any date that the calculation is carried out, no charge will be payable on that date.

6.3.2 Where a charge does apply, it will be levied by cancelling Units. Where more than one Premium has been paid, a proportion of the charge will be paid by cancelling Units credited with each Premium. The proportion, calculated at the time of Unit cancellation, is that which the

value of the Units credited with the relevant Premium bears to the total value of Units then in credit under your Plan. Where a Premium is invested in more than one Fund, Units will be cancelled in proportion from each of the Funds in which that Premium is invested at the time the particular deduction is made.

6.4 Fund Guarantee Charge

6.4.1 If you are invested in either of the PruFund Protected Funds, a Fund Guarantee will apply to that Fund and an additional charge will apply. The charge is payable by Unit deductions beginning one month after the Commencement Date, and monthly thereafter.

6.4.2 The percentage charge applied will not change after your Plan has started. The final deduction will be due on the Guarantee Date, unless there are no Units remaining in the PruFund Protected Cautious Fund (or The PruFund Protected Growth Fund, where applicable), when the charge and guarantee will cease with immediate effect. All charges for this guarantee are non-refundable in the event of the guarantee ceasing.

6.4.3 The amount of the charge can be found in your Illustration.

6.5 Financial Services Compensation Scheme/ Policyholders Protection Act

If a charge is imposed on us under the Financial Services Compensation Scheme or the Policyholders Protection Act 1975, as amended by the Policyholders Protection Act 1997

or any investor compensation scheme, we can pay for it by deducting the sum required from policyholders' funds. We will be fair and reasonable in apportioning the charge between policyholders. See Provision 20.

6.6 General

The early cash-in charge described in Provision 8.2 also applies. If other charges are described in the documents we give you, for example in connection with any new funds or options we introduce, those charges will also apply. See Provision 16.

7. Fund Variation (Switching)

7.1 General

This Provision sets out methods by which you can cancel Units in one or more Funds and replace them with Units in one or more other Funds (a Switch). In the calculations required we take into account any final bonus payable and any Market Value Reduction. This may either be pursuant to a specific instruction or through one (but not more than one at any time) of a number of automatic Switching options.

7.2 Switching Limits and Unit Valuations

All Switching options are subject to Provision 3.2 for the cancellation of Units and Provision 3.1 for the credit of Units.

7.3 Specific Switches

7.3.1 All Specific Switches

7.3.1.1 You may give us a specific written instruction to Switch Units.

7.3.1.2 Switches are free, although we do reserve the right to apply a charge. See Provision 16.

7.3.1.3 The overall investment limits and the credit and cancellation limits respectively referred to in Provisions 1.3. and 2.1.8 both apply to this option, and we may not carry out any instruction that would result in any of these limits being breached. From time to time these limits may change. See Provision 16.

7.3.1.4 Where there are insufficient funds available on the date a Switch is carried out by Us to meet your request, We will Switch the amount available, leaving no Units credited to your Plan in the Fund from which the Units were cancelled.

7.3.1.5 When a request to Switch has been received it cannot be withdrawn or replaced.

7.3.2 Distribution Income Funds and Distribution Cash Funds

7.3.2.1 Units cannot be Switched from or to the Distribution Cash Fund except as described in Provisions 2.2.8 to 2.2.12 inclusive and immediately below.

7.3.2.2 In addition to Provision 7.3.1, any specific instruction which results in a Switch of all the Units in the Distribution Income Funds derived from a particular Premium will also result in all the Units of the Distribution Cash Fund in respect of the same Premium being Switched at the same time into the specified Fund(s).

7.3.3 PruFund Funds

In addition to Provision 7.3.1, the following additional Provisions apply to Switches involving the PruFund Funds.

7.3.3.1 Only one Switch can take place, either into or out of these funds,

- between any two PruFund Quarter Dates, except for Switches from The PruFund Protected Cautious Fund to The PruFund Cautious Fund and from The PruFund Protected Growth Fund to The PruFund Growth Fund. No further Switch instruction will be accepted whilst one is in the process of being carried out in accordance with Provision 3.2.1. a) ii).
- 7.3.3.2 Switches into The PruFund Protected Funds are not allowed at any time.
- 7.3.3.3 We reserve the right to refuse, restrict or delay any Switch into any of these funds where we consider that the frequency of such Switches is excessive.
- 7.3.3.4 Switches involving these funds to any other fund will be subject to the 28 day waiting period detailed in Provision 3.2.1. a) ii) other than those Switches specifically listed in that provision. This is in addition to any period applying under Provision 10.
- 7.3.3.5 If, following a Switch, there are no Units remaining in either of the PruFund Protected Funds, the Fund Guarantee and the charge for it will cease.
- 7.3.3.6 See Provision 15.7 for details on fully cancelling Units from the PruFund Funds and their respective Accounts in the 28 days immediately following the Guarantee Date.
- 7.3.3.7 Switches into a PruFund Fund (where permitted) will initially be transferred into the corresponding PruFund Account and then Switched into the PruFund Fund on the next Quarter Date.
- Switches from The PruFund Protected Cautious Fund to The PruFund Cautious Fund or The PruFund Protected Growth Fund to The PruFund Growth Fund will be directly between those funds without using the Accounts. We will use the Bid Price of each Fund on the date of the Switch to determine the number of Units to be cancelled and credited.
- 7.3.3.8 We will not Switch Units directly out of a PruFund Account by request. There is an automatic process to Switch into the corresponding PruFund Fund on the PruFund Quarter Date, after which you may request a Switch out of the relevant PruFund Fund.
- 7.3.3.9 Upon notification of the death of the Life Assured any requests for Switches that are within the 28 day waiting period will not be applied to cancel Units.
- If any or all of the Policies are assigned within the 28 day waiting period the Switch will still take place; the assignee shall be deemed to be aware of, and have agreed to, the Switch.
- 7.3.4 Multiple Fund Switches involving PruFund Funds
- This provision explains how we carry out Switches where the Switch request involves Switches involving more than two Funds – known as "Multiple Fund Switches". It should be noted in particular that where Switching between different types of Fund, Multiple Fund Switches may be carried out in stages and on different dates.
- 7.3.4.1 Your Switch request for any existing Fund will be expressed in terms of the percentage of Units held to be Switched. Units will be credited in accordance with the Destination Fund(s) you select, in the proportions you choose where there is more than one Destination Fund.
- 7.3.4.2 If all of the requested Switches in a Multiple Fund Switch fall within Provision 3.2.1. a) i), they will be processed as one single immediate Switch as described in Provision 3.2.1 a) i) and Provision 3.1.5. If you select a PruFund Fund as a Destination Fund, Units will initially be credited in the corresponding PruFund Account. See Provision 2.3.6 and Provision 7.3.3.6.
- 7.3.4.3 Multiple Fund Switch requests that fall within both Provisions 3.2.1 a) i) and 3.2.1 a) ii) are carried out in the following order:
- 1) If the request involves Switches from The PruFund Protected Cautious Fund to the PruFund Cautious Fund (or The PruFund Protected Growth Fund to The PruFund Growth Fund, where appropriate), we first of all carry out this part of the request in accordance with section 3.2.1 a) i). We Switch the maximum amount possible between these Funds.
 - 2) We then carry out any remaining part of the request which qualifies under Provision 3.2.1. a) i), that is Switches from the Unit-Linked Funds and/or the With-Profits (Optimum Bonus) or With-Profits (Optimum Return) Funds.
 - 3) We then carry out the following types of Switch in accordance with Provision 3.2.1 a) ii):

- › From any PruFund Fund to any Unit-Linked Fund and/or the With-Profits (Optimum Bonus) Fund or the With-Profits (Optimum Return) Fund
- › The PruFund Growth Fund to The PruFund Cautious Fund
- › The PruFund Growth Fund to any Risk Managed PruFund Fund
- › The PruFund Cautious Fund to The PruFund Growth Fund
- › The PruFund Cautious Fund to any Risk Managed PruFund Fund
- › The PruFund Protected Growth Fund to The PruFund Cautious Fund
- › The PruFund Protected Growth Fund to any Risk Managed PruFund Fund
- › The PruFund Protected Cautious Fund to The PruFund Growth Fund
- › The PruFund Protected Cautious Fund to any Risk Managed PruFund Fund
- › Any Risk Managed PruFund Fund to The PruFund Growth Fund
- › Any Risk Managed PruFund Fund to The PruFund Cautious Fund
- › Any Risk Managed PruFund Fund to any other Risk Managed PruFund Fund

Units are credited in the Destination Fund(s) you select, in the proportions you choose where there is more than one Destination Fund. These will initially be to the relevant holding Account (see Provision 7.3.3.6).

- 4) Any amount remaining to be Switched from a PruFund Fund to any other type of Fund is then also dealt with in accordance with Provision 3.2.1 a) ii). Again, Units are credited in the Destination Fund(s) you select, in the proportions you choose where there is more than one Destination Fund.

7.4 Automatic Rebalancing

7.4.1

If your Plan has holdings in more than one Unit-Linked Fund you may instruct us at any time to rebalance your Unit-Linked Fund holdings through automatic Switching on each anniversary of the Commencement Date. We will make any necessary Switches between Unit-Linked Funds (excluding the Distribution Cash Fund), at no cost to yourself, to maintain the percentage of your overall Unit-Linked investment in each Unit-Linked Fund that applied when you chose this option. This option can be de-selected and re-selected at any time.

7.4.2

You can opt for Automatic Rebalancing when you pay your initial Premium, or at any time thereafter. If you opt for this when you pay your initial Premium, your holdings in the Funds will be automatically rebalanced at the end of each year back to the proportions that applied at the Commencement

Date. If you apply for Automatic Rebalancing later on, you must then choose the proportions that will apply: we will immediately rebalance your holdings in the Funds to those proportions, and rebalancing will take place thereafter at each Commencement Date anniversary.

7.4.3

In the event of receiving certain instructions from you as described below, any Automatic Rebalancing instruction then in place will cease to operate:

- › An instruction to credit Units through payment of an additional Premium where the Units to be credited to the Funds are in different proportions to those that apply under the Automatic Rebalancing instruction.
- › An instruction to make a specific Switch under Provision 7.3.
- › An instruction to take a partial Surrender (Provision 8) or Periodic Surrender (Provision 9) where the Units in Unit-Linked Funds are to be cancelled in different proportions to the Unit proportions within those Funds at the time of Surrender.

If Automatic Rebalancing is cancelled you may send us a new instruction.

7.4.4

You cannot opt for Automatic Rebalancing if either Programmed Switching (see Provision 7.5) or Interest Sweep (see Provision 7.6) is in operation.

- 7.5 Programmed Switching**
- 7.5.1 This is an option available without charge in respect of the initial Premium paid into a single Unit-Linked Fund. You must choose this option at the time you pay the initial Premium.
- 7.5.2 You must invest a minimum amount from that Premium in the particular Unit-Linked Fund which you choose for Programmed Switching. In addition, the overall investment limits and the credit and cancellation limits respectively referred to in Provisions 1.3. and 2.1.8 both apply to this option, and if continuing with a Programmed Switching instruction would mean these limits would be breached, the instruction will be treated as cancelled in its entirety.
- 7.5.3 Programmed Switching automatically cancels Units, which relate to the initial Premium, in the Fund you nominate and replaces them with Units of equal value in other Funds selected by you. These Switches take place on the third Wednesday of every month. The first Switch will take place in the calendar month immediately after investment.
- 7.5.4 If selected, Programmed Switching must operate over a period of between 3 and 24 months inclusive.
- 7.5.5 This option cannot be used to cancel Units of a With-Profits Fund, the Prudential Property Fund or Distribution Income Funds. However, apart from the PruFund Funds, it can be used to credit Units of these Funds.
- 7.5.6 This option may be cancelled by notice in writing, and will automatically cease where the value of the Units remaining is less than the amount we are instructed to Switch.
- 7.5.7 You cannot opt for Programmed Switching if you choose Interest Sweep (see Provision 7.6) or Automatic Rebalancing (see Provision 7.4).
- 7.6 Interest Sweep**
- 7.6.1 This is an option you can select without charge in respect of a Premium at the time you pay it, and is subject to payment of a minimum amount into the Prudential Cash Fund with that Premium. This option does not apply to the Distribution Cash Fund which functions as described in Provisions 2.2.8 to 2.2.12 inclusive. We can change the minimum required. See Provision 16.
- 7.6.2 Units in the Prudential Cash Fund are expected to increase in value over time. The Interest Sweep option operates as follows:
- a) Every 3 calendar months after the date the Premium is paid, the bid value (the number of the Units multiplied by the Bid Price) referable to the relevant Premium is calculated.
- b) We then again calculate the bid value of the same number of Units as applies under a), but this time using the Bid Price either at the date of the previous Interest Sweep calculation, or, if there has been no such previous calculation, at the date the Units under (a) were credited.
- 7.6.3 This option may be cancelled in respect of any Premium by notice in writing, however once de-selected this option cannot be re-selected in respect of that Premium. The option will also automatically cease if the value of your Units in the Prudential Cash Fund falls below a minimum we set, which may change without notice. See Provision 16.
- 7.6.4 Where you select Interest Sweep for more than one Premium, then for each of these Premiums the same proportion of cancelled Prudential Cash Fund Units will be invested in Units of the same Unit-Linked Funds.
- 7.6.5 You cannot opt for Interest Sweep in respect of the initial Premium if either Programmed Switching (Provision 7.5) or Automatic Rebalancing (Provision 7.4) is selected. For any additional Premium you cannot opt for Interest Sweep if Automatic Rebalancing is either already operating in respect of your Plan or you wish to select it at that time.
- c) Units in the Prudential Cash Fund equal in value to the increase in the bid value (being the amount by which the bid value calculation under a) exceeds that under b)) are then cancelled. Units equal to that value are then credited to other Unit-Linked Funds selected by you (see Key Features for the maximum number of Funds you can choose).

8. Surrender and Early Cash-In Charge

8.1 Surrender and cancellation of Units

8.1.1 You can opt to cancel all or some of your Units at any time (a total or partial Surrender).

8.1.2 Surrender of a Plan that includes Units held in any of the PruFund Funds may be subject to the 28 day waiting period detailed in Provision 3.2.1 b) ii) (unless, for a full Surrender, Provision 15.7 applies).

8.1.3 Partial Surrenders

i) Where Units are credited to more than one Fund we cancel Units so as to deduct a proportionate amount (based on the bid value of your holdings) from each Fund in your Plan, or only from those Funds that you specify.

ii) Where Units are cancelled from either the With-Profits (Optimum Bonus) Fund or the With-Profits (Optimum Return) Fund, the proportion to be taken from them will be calculated without taking into account any final bonus or Market Value Reduction.

When the amount to be taken from these With-Profits Fund(s) has been determined, we may apply final bonus and Market Value Reduction on the actual cancellation of the Units to meet the payment.

iii) If at the time of a partial Surrender request your Plan contains Units deriving from more than one Premium, we

cancel Units so as to deduct a proportionate amount (based on the bid value of your holdings) from each of those Premiums. If you have specified the Funds from which Units are to be cancelled we do this under each of those Funds only. If you have not specified any Funds we do this under each Fund in your Plan.

- iv) An early cash-in charge may apply. See Provision 8.2.
- v) Any partial Surrender which results in all the Units of the Distribution Income Funds derived from a particular Premium being cancelled will also result in all the Units of the Distribution Cash Fund in respect of the same Premium being cancelled at the same time.

8.1.4 The credit and cancellation limits referred to in Provision 2.1.8 apply to this option, and we will not carry out any instruction that would result in any of these limits being breached.

8.2 Early Cash-In Charge

8.2.1 This charge applies in respect of Units derived from a particular Premium, and it is payable on the cancellation of any of those Units in connection with a Surrender.

8.2.2 It does not apply to any Units which remain credited to your Plan for a specified period before they are cancelled. The specified period you have selected will be shown on your Policy Schedule.

8.2.3 The amount of the charge will be a specified percentage of the amount realised on the cancellation. The percentage will decrease annually over the specified period.

8.2.4 Further details can be found in your Key Features document.

9. Periodic Surrenders

9.1 You may instruct us to cancel Units at regular intervals (a Periodic Surrender), but not more frequently than monthly. If Units are credited to more than one Fund we cancel Units to deduct a proportionate amount (based on the bid value of your holdings) from each Fund in your Plan, or only from those Funds that you specify. For a Periodic Surrender which includes either the With-Profits (Optimum Bonus) Fund and/or the With-Profits (Optimum Return) Fund, the proportion to be taken from these Funds will be calculated without taking into account any final bonus or Market Value Reduction. When the amount to be taken from the With-Profits Funds has been determined, we may apply final bonus and Market Value Reduction on the actual cancellation of the Units to meet the payment.

If you decide to invest in the With-Profits (Optimum Bonus) Fund and/or the With-Profits (Optimum Return) Fund you can choose to take an amount equal to the regular bonus. We normally declare this bonus each year in advance. It is calculated and added to your Plan every day and included in the price of Units in the Funds. There are no minimum or maximum amounts for taking this regular bonus

income option however there is a maximum limit which, if breached, may result in a Market Value Reduction (see Key Features for details of this limit). Depending on the frequency of the Periodic Surrender and the rate of regular bonus, a certain percentage will be taken on each payment date, based on the bid value of the Fund at that time. The addition of final bonus, where applicable, will effectively reduce the amount of money actually deducted from the Plan to meet each payment. Additional investments will be taken into consideration automatically by basing each Periodic Surrender on the bid value of the Fund on each payment date.

For the Distribution Income Funds (see Provisions 2.2.8 to 2.2.12 inclusive) if you choose to take either a full or capped distribution, Units will be attributed to the Distribution Cash Fund (see Provision 2.2.10 b)) and will be cancelled at the regular intervals requested (subject to Provisions 7.3.2 and 8.1.4).

9.2 Provision 3.2.1 b) ii) does not apply to Periodic Surrenders. Provision 3.2.1 c) does apply.

9.3 The credit and cancellation limits referred to in Provision 2.1.8 apply to this option, and we will not carry out any instruction that would result in any of these limits being breached. In addition, there is a minimum and maximum limit that applies to the total value of the Units cancelled under this option. We will not accept a Periodic Surrender instruction that would involve the cancellation of Units below or

above these limits during any 12 month period. These limits can be found in Key Features and we can make reasonable changes to them. See Provision 16.

9.4 The early cash-in charge (Provision 8.2) does not apply to Periodic Surrender cancellations.

10. Delayed Transactions In Exceptional Circumstances

10.1 Reasons for delaying transactions

There may be a delay in buying, selling or Switching Units in any Fund. This will only happen in special circumstances which we'll tell you about at the time. There may be circumstances outside our control which prevent us from effecting these transactions immediately, and equally we may need to effect a delay where we believe that otherwise the remaining policyholders would suffer an unfair reduction in the value of their Plan, or would suffer some other form of unfair treatment. Examples include:

- where we are unable to realise sufficient investments to satisfy demand, or where to do so would mean we have to sell at prices significantly below the value reflected in the then current Unit Price
- where we are unable to cancel Units in Externally-Linked Funds due to restrictions imposed by the relevant external company
- where the need to make payments quickly could only be satisfied by selling a disproportionate amount of one type of asset, leaving

too low a proportion of what is left invested in assets of that type

This is not meant to be an exhaustive list, nor do we mean to limit delays to problems specifically of this type.

For the avoidance of any doubt, we will not use assets or cash from other Prudential funds to finance Unit cancellations. Such cancellations will instead be delayed until they can be effected on terms which are fair to all policyholders invested in the Fund.

10.2 Delay periods

Other than in very exceptional circumstances we would not expect delays to be longer than:

- six months in the case of Units in Funds (a) which hold investments in land or buildings, or (b) the value of whose investments is dependent on, or linked to the value of, buildings or land; or
- one month in the case of Units in other Funds.

However, while we will not delay transactions for longer than reasonably required, we cannot guarantee that we will never delay transactions beyond the timescales set out in the above bullet points.

10.3 Unit Prices

The Unit Prices for the deferred transaction will be those applying at the end of the period of deferment, unless, again, we believe that in the particular circumstances that would not be fair to policyholders in general.

- 10.4 Notification**
We will notify you if a transaction you have requested is affected by a delay under this Provision 10. If appropriate, we will ask for your alternative instruction.
- 10.5 Any period of deferral stated in this Provision is in addition to any that may apply under Provision 3.2 and Provision 7.3.3.
- 10.6 This Provision does not apply to the payment of the Sum Assured on Death (see Provision 12), or to payment of the Guaranteed Minimum Death Benefit (see Provision 13), or to payment of the Sum Assured on Terminal Illness (see Provision 14), but overrides all other Plan Provisions.

11. Long Term Care Benefit

- 11.1 Long Term Care Benefit gives you the right, in certain circumstances, to Surrender your Plan, or any one or more Policies, in full (not a partial Surrender) without a deduction for any early cash-in charge which may otherwise apply.
- 11.2 To be eligible to claim Long Term Care Benefit the Life Assured must have been confined to a nursing home or hospital for a period of at least 90 consecutive days starting no earlier than 90 days after the Commencement Date of your Plan.
- 11.3 If there is more than one Life Assured, references to the Life Assured mean either of the Lives Assured.

- 11.4 You cannot claim by reference to a past period of confinement to a nursing home or hospital: the Life Assured must continue to be confined to a nursing home or hospital at the date when you make a claim for Long Term Care Benefit.
- 11.5 Before you claim Long Term Care Benefit, you must provide us with written confirmation from a consultant doctor attending or treating the relevant Life Assured that, on the consultant's recommendation, the Life Assured has been confined to a nursing home or hospital for the requisite period.
- 11.6 A Market Value Reduction under Provision 3.2.2 may apply to a Long Term Care Benefit payment.
- 11.7 The Plan, or any one or more Policies, will be cancelled and no further benefits will be payable in respect of the Plan, or of any one or more Policies (as applicable), following payment of the Long Term Care Benefit.

12. Sum Assured on Death

- 12.1 The Sum Assured (see the "Definitions" section for details of the amount) is payable on the death of the Life Assured.
- 12.2 If there is more than one Life Assured, references to the death of the Life Assured mean the first or the second death of the Lives Assured as stated in the Policy Schedule.
- 12.3 The valuation terms of Provision 3.2.1 e) will apply.
- 12.4 No benefit will be payable under this Provision if a Guaranteed Minimum Death Benefit under Provision 13 is payable on death, where that amount is greater than the Sum Assured.

- 12.5 The Plan will be cancelled and no further benefits will be payable following payment of the Sum Assured on death.

13. Guaranteed Minimum Death Benefit

- 13.1 The Guaranteed Minimum Death Benefit option can only be selected at the start of the Plan. A charge may be payable (as described in Provision 6.3). See the "Definitions" section for details of how the amount is calculated.
- 13.2 If you have chosen this option, the Guaranteed Minimum Death Benefit will be payable on the death of the Life Assured, but only if the amount is greater than the Sum Assured payable on death under Provision 12.
- 13.3 If there is more than one Life Assured, references to the death of the Life Assured mean the first or the second death of the Lives Assured as stated in the Policy Schedule.
- 13.4 You may instruct us to cancel the Guaranteed Minimum Death Benefit option at any time. Once cancelled it cannot be added to the Plan again.
- 13.5 The Plan will be cancelled and no further benefits will be payable following payment of the Guaranteed Minimum Death Benefit.

14. Terminal Illness

- 14.1 If the Life Assured is diagnosed with Terminal Illness you can choose that the Sum Assured or (where applicable) the Guaranteed Minimum Death Benefit is payable then instead of at the time of death. See Provision 12 and Provision 13.
- 14.2 If there is more than one Life Assured stated in the Policy Schedule, the following will apply:
- Where the Sum Assured (or Guaranteed Minimum Death Benefit) would become payable in the event of the first death of the Lives Assured, a claim may be made on the diagnosis of Terminal Illness in respect of either of the Lives Assured.
 - Where the Sum Assured (or Guaranteed Minimum Death Benefit) would become payable in the event of the second death of the Lives Assured, the claim may be made on diagnosis of Terminal Illness in respect of the survivor of the Lives Assured, or on diagnosis of Terminal Illness in respect of both Lives Assured.
- 14.3 The valuation terms of Provision 3.2.1 e) will apply to this option.
- 14.4 The Plan will be cancelled and no further benefits will be payable under it following payment of the Sum Assured or Guaranteed Minimum Death Benefit on diagnosis of Terminal Illness.

15. Fund Guarantee

- 15.1 If you select either of the PruFund Protected Funds for any part of the initial Premium, the Fund Guarantee will apply to that part.
- It applies only on the specific anniversary of the Commencement Date selected by you at the start of the Plan for the Fund Guarantee. This is shown on your Policy Schedule as the Guarantee Date. It cannot be altered after the Plan has started.
- You cannot select either of these Funds if the 3 year early cash-in charge option is selected (see your Key Features).
- 15.2 An additional charge is applied for this option. See Provision 6.4.
- 15.3 On the Guarantee Date we will:
- a) calculate the value of the PruFund Protected Fund Units attributed to your Plan (after the deduction of any charges and any relevant Periodic Surrender due on the Guarantee Date). The Unit Price used will be that applying after any adjustments under the smoothing process (see Provision 2.3.6.8).
 - b) calculate the Guaranteed Minimum Fund Value on the Guarantee Date (after any adjustment in respect of any Periodic Surrender due on the Guarantee Date). See Provision 15.4 below.
- compare the value of a) with the value of b)

if the value of a) is less than the value of b), PruFund Protected Fund Units will be added to your Plan so that the value of the PruFund Protected Cautious Fund Units (or PruFund Protected Growth Fund Units, whichever applies) attributed to your Plan on the Guarantee Date is equal to the Guaranteed Minimum Fund Value calculated as in b) above.

If the value of a) is equal to or greater than the value of b) no Units will be added to your Plan.

Immediately following this calculation, the value of the resultant number of Units will be Switched, either from The PruFund Protected Cautious Fund to The PruFund Cautious Fund, or from The PruFund Protected Growth Fund to The PruFund Growth Fund, whichever applies.

15.4 Guaranteed Minimum Fund Value

- i) Where the Initial Charge option applies the Guaranteed Minimum Fund Value is equal to the value (at the Bid Price) of the Units credited (at the Offer Price) on the Commencement Date of your Plan to the PruFund Protected Cautious Account (or The PruFund Protected Growth Account, whichever applies), from the relevant proportion of the initial Premium (after any additions or deductions). This is the amount shown in the relevant Illustration.

Where the No Initial Charge option applies the Guaranteed Minimum Fund Value is equal to the proportion of the initial Premium (after any additions or deductions) used to buy Units at the Bid Price in the PruFund Protected Cautious Account (or The PruFund Protected Growth Account, whichever applies). This is the amount shown in the relevant Illustration.

- ii) For any partial Surrender or Periodic Surrender payment, or Switch transaction, where Units are cancelled from either of the PruFund Protected Funds or their respective Accounts, the Guaranteed Minimum Fund Value is reduced.

The reduction is in the same proportion as the value of the total number of Units cancelled from the relevant PruFund Protected Fund and its respective Account (including any cancelled to pay for an early cash-in charge under Provision 8) bears to the value of the sum of:

- › those cancelled Units from the PruFund Protected Fund and its respective Account, and

- › any Units referable to the initial Premium which remain credited to the PruFund Protected Fund or its respective Account after cancellation.

15.5 If any Surrender involving the cancellation of Units in the relevant PruFund Protected Fund is due to take place on the Guarantee Date, the calculation under Provision 15.3 will be made before the Surrender takes place.

15.6 After the Guarantee Date we will tell you how many Units (if any) have been added under this option.

15.7 If, in the 28 days following the Guarantee Date, you opt to cancel all PruFund Cautious Fund and/or PruFund Growth Fund Units credited to your Plan, Provisions 3.2.1 a) ii) and 3.2.1 b) ii) (for Switch and Surrender cancellations respectively) will not apply.

Any such request will override any cancellation of Units pending in accordance with those provisions.

16. Changes to Limits and Charges

From time to time we may change the limits and charges in this Policy Provisions document.

We may introduce charges for making Switches between funds under Provision 7. We may also introduce or increase charges if a charge is imposed on us under the Financial Services Compensation Scheme (or any other compensation scheme) as described below and in Provision 20.

Changes to limits may be necessary to take account of inflation or other factors which affect the running of our business.

We will keep any increases to charges or new charges to reasonable amounts, reflecting any increases in our reasonable costs for operating the Flexible Investment Plan. This may happen, for example:

- › If we experience an increase in the general administrative costs that we incur in operating the Plan.
- › If there is a change to the basis upon which any company from within the Prudential Group of Companies is taxed.
- › If a charge is imposed on us under the Financial Services Compensation Scheme (or any other investor compensation scheme).
- › If any external life assurance company or external fund manager or other company that performs any administrative or investment function on our behalf increases the charges that we pay them.

We will give you reasonable advance notice in writing if we make any change to limits or charges described in this Policy Provisions document, or if we introduce any new charges. If you are unhappy with any changes you should contact us. Our contact details are given in Provision 19.

17. Changes to the Plan and/or the terms and conditions in this Policy Provisions Document

17.1 Subject to Provision 17.2 immediately below we can make changes to the Plan and/or the terms and conditions set out in this Policy Provisions document providing we give you reasonable notice and obtain your consent.

17.2 We can add to, amend, modify or set aside any of the terms and conditions in this Policy Provisions document without your consent in the following circumstances:

- if it becomes impossible or unreasonable to follow them because of a change in legislation, regulations or otherwise.
- if circumstances have changed in a way which could not have reasonably been predicted at the start of the Plan.
- if there is a change to the basis upon which any company from within the Prudential Group of Companies is taxed and we can only change the Plan in such a way that, in our opinion, the balance between you and us remains as it was before the change.

- if we have given you reasonable notice, and if the addition, amendment, modification or setting aside is reasonable.
- if we do not have you up-to-date address, which will mean we cannot contact you to provide written notification of a proposed amendment that we would otherwise have given in accordance with the terms of this Policy Provisions document.

Except where it is impracticable to do so we will always notify you of any changes we have made under this provision. If you are unhappy with any changes you should contact us in accordance with Provision 19.

18. Documents

18.1 Every notice or communication to us in respect of your Plan must be in writing addressed to our Administration Office, stating your Plan number(s).

18.2 Whenever we receive an instruction in relation to your Plan we must also be given any documents we require, which may include any of the following:

- your Policy Schedule(s) or other related contractual documentation;

- the correct properly completed form(s);
- satisfactory proof of title;
- proof of death, or of Terminal Illness, or of confinement to a nursing home or hospital, as appropriate.

We may require other documents as well.

19. Complaints

You should raise any complaint as soon as possible. In the first instance please contact your Financial Adviser, as they may be able to resolve it quickly for you.

You can write to us at:

Prudential
Customer Response Unit
Stirling
FK9 4UE

Telephone: 0845 640 1000

In the unlikely event that we are unable to resolve any problem, you can contact the Financial Ombudsman Service (FOS). The address is:

South Quay Plaza
183 Marsh Wall
London
E14 9SR

Telephone: 0800 0 234 567

Your legal rights will not be affected if you make a complaint.

To ensure that we can constantly improve our service to customers we may record or monitor telephone conversations with you for staff training purposes.

20. Financial Services Compensation Scheme

Prudential policyholders are protected by the Financial Services Compensation Scheme (FSCS) against the insolvency of Prudential. As such, the policyholder may be entitled to help from the FSCS if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim.

Further information is available from:

The Financial Services
Compensation Scheme
7th Floor
Lloyds Chambers
1 Portsoken Street
London
E1 8BN

Telephone: 0800 678 1100

Website address: www.fscs.org.uk

Prudential policyholders are not protected by the FSCS against the insolvency of other companies within the Prudential Group of Companies or of an external company or external fund manager. This means that the FSCS does not provide protection:

- For Prudential Unit-Linked Funds which are provided through another company within the Prudential Group of Companies.

- for Prudential Unit-Linked Funds which are invested solely in funds operated by another company within the Prudential Group of Companies (for example, unit trusts or open-ended investment companies operated by another company within the Prudential Group); or
- for externally-linked funds that are not managed by Prudential but linked to the funds of external companies

However, it should be noted that the money policyholders invest in a fund is kept separate from the assets of the actual company that manages the fund. This is often known as "ring fencing of assets". The liabilities of these funds are normally limited to the assets owned by the fund, so the likelihood of insolvency is very low. Unit prices may fluctuate in line with the value of the assets owned by the fund, but this is normal investment risk.

If another company from within the Prudential Group of Companies or an external company becomes insolvent and we cannot recover the full value of the units, Prudential will not be liable for the shortfall.

As reflected in Provision 6.5 if a charge is imposed on us under the FSCS (or any investor compensation scheme) we may pay it by imposing on our policyholders whatever additional charges are necessary and reasonable. See Provision 16.

21. General

21.1 Assignment (Transfer of Ownership) of Plan

You must tell us in writing if you assign any policies under your Plan, setting out the date of each assignment. Unless and until we receive this notice we will treat you as the policyholder and will only take instructions from you. We are not responsible for the validity or sufficiency of any assignment.

21.2 Change Of Address

Please tell us if you change your address.

21.3 Third Party Rights

You and/or other persons entitled to benefits under the Plan have directly enforceable rights against us in respect of those benefits. Subject to this, nothing in these Policy Provisions confers or purports to confer on any third party any benefits or any right to enforce any provision of the policy pursuant to the Contracts (Rights of Third Parties) Act 1999.

21.4 Applicable Law

The law of England and Wales applies to these Policy Provisions and to any disputes between you and Prudential.



www.pru.co.uk

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