

**SCOTTISH EQUITABLE
PERSONAL PROTECTION
POLICY CONDITIONS
IP6**



**Scottish Equitable
Protect**



INTRODUCTION

The Policy Schedule issued along with and referring to this Booklet, together with the following Policy Conditions and subsequent Endorsements which are executed by Scottish Equitable, constitutes a Contract of Assurance between Scottish Equitable plc ('Scottish Equitable') and the Policyholder(s) specified in the Policy Schedule and is based on the Application made to Scottish Equitable by the Policyholder(s) and the acceptance of that Application.

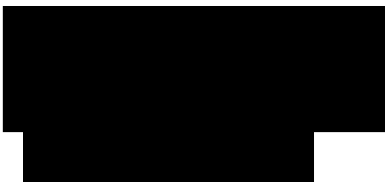
Scottish Equitable will in respect of the Policy pay the benefits provided by the Policy in accordance with the following Policy Conditions.

Before paying the benefits Scottish Equitable will require to be satisfied of:

1. the occurrence of the event or contingency on which the benefits are to become payable;
2. the title of the person(s) claiming the benefits; and
3. the age or ages of the Life or Lives Assured named on the Policy Schedule.

THE CODE NUMBER FOR THIS BOOKLET OF POLICY CONDITIONS IS 'IP6'.

Executed on behalf of Scottish Equitable on the Date of Execution shown on the Policy Schedule.



Managing Director
Scottish Equitable plc



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The Policies of Assurance Act 1867

If this Policy is assigned by the Policyholder to any third party, written notice of the date of, the parties to and the effect of the Assignment/ Assignment must be given in duplicate to Scottish Equitable's office at Ballam Road, Lytham St Annes, Lancashire FY8 4JZ or to its Registered Office from time to time.

1. Definitions

In this Policy, unless the context sets out something different:

- (a) words implying the masculine include the feminine, and vice versa;
- (b) words in the singular include the plural, and vice versa;
- (c) where the context allows, words and expressions used in the Policy Schedule shall have the same meaning when used in these Conditions;
- (d) the following terms and expressions have the following meanings:

'The Actuary' shall mean the Appointed Actuary of Scottish Equitable from time to time.

'Benefit Amount' shall mean the Benefit Amount specified in the Policy Schedule as varied either pursuant to any of the following Conditions or otherwise agreed by Scottish Equitable and the Policyholder.

'Benefit End Date' shall be the date or dates, referred to on the Policy Schedule, on which the Life Assured will cease to be covered for the specified benefit.

'Benefit Start Date' shall mean the date or dates on which the Life Assured starts to be covered for a particular benefit.

'Controlling Director' shall have the same meaning assigned to it as that contained in the Income and Corporation Taxes Act 1988, as amended or re-enacted from time to time.

'Critical Illness' shall mean one of the Critical Illnesses as more particularly defined in the Appendix to these conditions.

'Guaranteed Insurability Option' shall mean each of the individual guaranteed insurability options under the Policy that are described in Condition 5(e).

'Health Professional' shall mean a Consultant Physician, Consultant Psychiatrist, Psychologist, Occupational Therapist, Physiotherapist or any other suitably qualified specialist that Scottish Equitable considers to have expertise relevant to the Life Assured's incapacity.

'Index' shall mean the index commonly known as the Retail Price Index (or, in the event that this index ceases to be published, such other index in the United Kingdom as the Actuary may reasonably and in good faith select for this purpose).

'Irreversible' shall mean a condition which cannot be cured by medical treatment and/or surgical procedures used by the National Health Service in the UK at the time of making a claim. **'Irreversibly'** shall have an equivalent meaning.

'Life Assured' shall mean the Life Assured specified in the Policy Schedule.

'Main Benefit' shall mean any of the main benefits under the Policy that are described in Condition 4.

'Material and Substantial duties' shall mean those duties that are normally required for the performance of the Life Assured's own occupation and cannot be reasonably omitted or modified by the Life Assured or his employer.

'Permanent' shall mean a condition that is expected to last throughout the Life Assured's life, irrespective of when the cover ends or the Life Assured retires. **'Permanently'** shall have an equivalent meaning.

'Policy' shall mean and comprise:

- (i) a Policy Schedule which refers to the Policyholder;
- (ii) these Policy Conditions (the code number of which is referred to on the Schedule); and
- (iii) any endorsement to the Policy Conditions and/or to the Policy Schedule.

'Policyholder' shall mean the policyholder or policyholders named in the Schedule or his or their absolute assignees or, where the Policy is written under trust, the trustees from time to time thereof or their absolute assignees.

'Policy Schedule' shall mean the Policy Schedule issued herewith.

'Policy Start Date' shall mean the date when the contract started and is stated on the Schedule.

'Special Condition' shall mean such Special Condition(s) as stated on the Policy Schedule or otherwise intimated to the Policyholder.

'Terminal Illness' shall be as more particularly defined in the list of Critical Illness Definitions contained in the Appendix to these Conditions.

2. Discretionary Powers

- (a) The provisions of the Policy set out situations where Scottish Equitable has discretionary powers, but do not generally set out the limits, or all the limits, which apply when those powers are used.

- (b) The effect of this Condition is to set out the general approach which Scottish Equitable will take for the powers set out below when exercising those powers under the Policy.

(c) Evidence of Health and Other Information

- (i) The provision of benefits under the Policy depends on, among other things, Scottish Equitable getting clear and material evidence and information (eg evidence of health of the Life Assured).
- (ii) Scottish Equitable shall ask for such evidence in good faith and in a reasonable manner. The evidence or information asked for shall not be unreasonably excessive or unreasonably onerous and shall be consistent with the gathering of information which is material to a fair assessment by Scottish Equitable of the risk presented by the contingency on which any benefits are to be payable and bearing in mind the amount of any benefit that may become payable.

(d) Long-Term Business

The Policy is a policy which is regarded as long-term business. Owing to this long-term nature, it is impossible to foresee all the possible changes in legislation or other law that may occur during the term of the Policy. Where there are any changes or new provisions, and these relate to these Conditions, Scottish Equitable may amend, in good faith, these Conditions to take account of those changes. The amendment may be made by Scottish Equitable without the consent of any party having a real or contingent right to benefits under the Policy.

3. *Payment of Premiums and Escalation of Benefit Amount*

(a) Premium Payment

Premiums shall be due and payable on the dates specified in the Policy Schedule. Premiums shall be paid by direct debit on an account with a bank approved by Scottish Equitable or otherwise as Scottish Equitable may, from time to time, require or agree to.

(b) Premium Review

- (i) Where it is stated on the Policy Schedule that premiums will be reviewed then Scottish Equitable will, in good faith, based on normal actuarial principles vary the premium payable in respect of the Policy and its underlying benefits to a level that is appropriate to maintain the benefits under the Policy at the same level as prior to the review.

- (ii) Premium reviews, where applicable, will take effect on the fifth anniversary (first anniversary for premiums payable for Lifetime Protection) of the Policy Start Date and thereafter every five years (every year for premiums payable for Lifetime Protection) on the anniversary of the Policy Start Date.

(c) Days of Grace

- (i) Thirty days of grace will be allowed for payment of any premium due hereunder. If the Benefit Amount becomes payable within the days of grace and before payment of the premium, the amount of such premium will be deducted from the Benefit Amount payable.
- (ii) If any premium is not paid within the days of grace the Policy shall lapse.
- (iii) Scottish Equitable may, at its sole discretion, agree to reinstate a Policy that has lapsed subject to such additional terms and conditions that it may apply and to the payment of all outstanding premiums.

(d) Escalation of Benefit Amount (Indexation Option)

- (i) Where the Policy Schedule indicates that the Benefit Amount will escalate, then the Benefit Amount specified in the Policy Schedule shall increase on the first anniversary of the Policy Start Date and on each following anniversary by the percentage increase in the Index for the period of 12 months ending three months prior to the end of the relevant anniversary of the Policy Start Date, subject to a maximum increase of 10% per annum.
- (ii) Where the Benefit Amount escalates in terms of (i) above the premium will, at the same time, escalate by the same percentage increase as is applied to the Benefit Amount.
- (iii) If, for any reason, the Policyholder waives the application of the provisions of this Condition to escalate the Benefit Amount at any time then, thereafter, these provisions shall not apply unless the Policyholder has made application to recommence and Scottish Equitable has accepted such application in writing after obtaining such financial information from the Policyholder and evidence of good health of the Life Assured as Scottish Equitable may require.

4. *Main Benefits*

This part of the Policy Conditions details all of the available Main Benefits to all policyholders with a Personal Protection policy.

The Policyholder will only be covered for such Main Benefits that he has applied for, that Scottish Equitable has accepted him for and where the Benefit is specifically included in the Policy Schedule issued in connection with these Conditions. In the event that a Benefit described in these Conditions is not included in the Policy Schedule then the part of these Policy Conditions relating to that Benefit shall not apply to the Policy or to the Policyholder.

Where a claim is paid in relation to any Main Benefit then no further claim for that Main Benefit will be admitted (except for Income Protection) and any Additional Benefits and Options (excluding Life Buyback Option) relating to that Main Benefit which have not previously terminated shall terminate immediately on payment of the claim.

(a) Life Protection

- (i) In the event that the Life Assured dies prior to the Benefit End Date, or is diagnosed as having a Terminal Illness and where death is expected within 12 months and before the Benefit End Date, then the Benefit Amount will become payable.
- (ii) For the purposes of this Condition, in the event that there is more than one Life Assured, from time to time, then the Benefit Amount will be payable either (a) on the first death, or diagnosis of a Terminal Illness, of the Lives Assured or (b) on the second death, or diagnosis of a Terminal Illness, in relation to the surviving Life Assured.

The basis of the cover will be as applied for and accepted by Scottish Equitable and as shown on the Policy Schedule.

(b) Critical Illness Protection

In the event that the Life Assured, or one of the Lives Assured if more than one, is, prior to the Benefit End Date, diagnosed as suffering from a Critical Illness and does not die within 14 days following such diagnosis then the Benefit Amount will become payable.

(c) Life With Critical Illness Protection

In the event that the Life Assured, or one of the Lives Assured if more than one, dies or is diagnosed as suffering from a Critical Illness prior to the Benefit End Date then the Benefit Amount will become payable.

(d) Family Income Benefit

- (i) In the event that the Life Assured, or one of the Lives Assured if more than one, dies prior to the Benefit End Date, or is diagnosed as having a Terminal Illness and where death is expected within 12 months and before the Benefit End Date, then the

Benefit Amount will become payable as described in the Policy Schedule.

- (ii) In the event that the Benefit Amount becomes payable in terms of (i) above then, on request in writing to Scottish Equitable by the person having title to the Policy, Scottish Equitable may, at its sole discretion, allow the monthly payments of the Benefit Amount to be commuted to a lump sum payment which sum will be lower than the total of the monthly payments.

(e) Critical Illness Family Income Benefit

- (i) In the event that the Life Assured, or one of the Lives Assured if more than one, is, prior to the Benefit End Date, diagnosed as suffering from a Critical Illness and does not die within 14 days following such diagnosis, then the Benefit Amount will become payable as described in the Policy Schedule.
- (ii) In the event that the Benefit Amount becomes payable in terms of (i) above then, on request in writing to Scottish Equitable by the person having title to the Policy, Scottish Equitable may, at its sole discretion, allow the monthly payments of the Benefit Amount to be commuted to a lump sum payment which sum will be lower than the total of the monthly payments.

(f) Life with Critical Illness Family Income Benefit

- (i) In the event that the Life Assured, or one of the Lives Assured if more than one, dies or is diagnosed as suffering from a Critical Illness prior to the Benefit End Date, then the Benefit Amount will become payable as described in the Policy Schedule.
- (ii) In the event that the Benefit Amount becomes payable in terms of (i) above then, on request in writing to Scottish Equitable by the person having title to the Policy, Scottish Equitable may, at its sole discretion, allow the monthly payments of the Benefit Amount to be commuted to a lump sum payment which sum will be lower than the total of the monthly payments.

(g) Lifetime Protection

In the event that the Life Assured, or one of the Lives Assured if more than one, dies prior to the Benefit End Date, or is diagnosed as having a Terminal Illness and where death is expected within 12 months and before the Benefit End Date, then the Benefit Amount will become payable.

(h) Gift Inter Vivos

- (i) In the event that the Life Assured dies prior to the Benefit End Date then the Benefit Amount will become payable.

- (ii) On the third anniversary of the Benefit Start Date, the Benefit Amount will reduce to 80% of the Benefit Amount at the Benefit Start Date and on the three subsequent anniversaries the Benefit Amount will be reduced to 60%, 40% and 20% respectively of the Benefit Amount at the Benefit Start Date.

(j) **Income Protection**

- (i) In the event that the Life Assured suffers a loss of Income due to becoming Incapacitated prior to the Benefit End Date then the Benefit Amount, as stated on the Policy Schedule and as varied in accordance with these Conditions, will become payable from the end of the Deferred Period. The Benefit Amount is payable on a calendar month basis in arrears and will cease to be paid on the earlier of:

- (a) the Benefit End Date,
- (b) the date of death of the Life Assured,
- (c) the Life Assured no longer satisfying the definition of Incapacity, or
- (d) the Life Assured no longer suffering a loss of Income.

(ii) **Definitions**

In this Condition the following terms and expressions shall have the following meanings:

'Deductions' shall mean the following amounts which are deductible from the calculation of the Benefit Amount payable:

- (a) Any continuing Income.
- (b) Benefits payable under any other illness, injury or income protection policy (or policies) on the life of the Life Assured.
- (c) Pensions or pension benefits payable in the event of illness.
- (d) Waiver of premium benefits payable on the life of the Life Assured under any policy or creditor insurance where the benefits, at outset, under such contracts are potentially payable for more than two years.

'Deferred Period' shall mean the continuous period of Incapacity as stated on the Policy Schedule as being the Deferred Period, beginning on the day the Life Assured is Incapacitated in terms of these Conditions.

'Incapacity' for the purposes of this Main Benefit (and the term 'Incapacitated' shall have an equivalent meaning) shall mean one of the following three definitions as selected by the Policyholder and stated on the Policy Schedule:

'Own Occupation'. The Life Assured is unable to do the Material and Substantial duties of their own occupation as a result of accident or sickness and is not following any other occupation. Material and substantial duties are those duties that are normally required for the performance of the Life Assured's own occupation and cannot reasonably be omitted or modified by them or their employer.

'Any Suited Occupation'. The Life Assured is unable to do their own occupation and unable to do all other occupations to which they are reasonably suited by education, training or experience as a result of accident or sickness.

'Activities of Daily Work'. The Life Assured will be deemed to be incapacitated if they are unable to perform three or more of the following criteria or if they satisfy either the Mental Incapacity or Mental Ill-health definitions.

Walking – the ability to walk a distance of 200 metres on a level surface without stopping due to breathlessness, angina or severe discomfort, and without the assistance of another person but including the use of appropriate aids, eg walking stick.

Climbing – the ability to walk up and down a flight of 12 stairs with the use of a handrail and taking a rest.

Bending – the ability to get into or out of a standard saloon car, or the ability to bend or kneel to pick up a tea cup (or similar object) from the floor and straighten up again without the assistance of another person but including the use of appropriate aids.

Communicating – the ability to:

- a) clearly hear (with a hearing aid or other aid if normally used) conversational speech in a quiet room; or
- b) understand simple messages; or
- c) speak with sufficient clarity to be clearly understood

Reading – having eyesight, even after correction by spectacles or contact lenses, sufficient to read a standard daily newspaper or to pass the standard eyesight test for driving. Failure for this activity would include being certified blind or partially sighted by a registered ophthalmologist.

Dexterity – the physical ability to use hands and fingers, such as being able to communicate effectively using a pen, pencil or keyboard.

Responsibility and independence – the ability to independently make arrangements to see a doctor and take regular medication as prescribed by a medical practitioner, or similarly qualified medical doctor.

Financial competence – the ability to recognise the transactional value of money and the handling of routine financial transactions such as paying bills or checking change when shopping.

‘Mental Incapacity’ is defined as:

‘Organic brain disease or brain injury (confirmed by neurological investigation) which has affected the ability of the Life Assured to reason and understand and has caused deterioration to an extent that they can no longer look after themselves without the need for continual supervision and assistance of another person.’

‘Mental Ill-health’ is defined as:

‘Severe Mental Illness Classification ICD-10 Code. To qualify, the Life Assured will be required to be under the supervision of the mental health team Care Programme Approach (CPA) at its highest level (with or without Supervision Register) or equivalent.’

‘Income’ for the employed means gross taxable earnings in the 12 months before Incapacity. Taxable earnings can include annual salary, bonuses, commission which is part of the Life Assured’s normal remuneration, the value of all P11D benefits that the Life Assured will lose in the event of Incapacity and overtime that the Life Assured can prove has formed part of their normal remuneration over the 12 months before Incapacity,

‘Income’ for the self-employed means the net profit from their occupation averaged over the three years before Incapacity as assessed for Income Tax and as shown on an agreed notice of assessment provided by the Inland Revenue.

(iii) *Limitation of Benefit Amount*

- (a) The Benefit Amount payable per annum will be restricted to the lower of:
- an amount equal to 55% of the Life Assured’s Income, less any applicable Deductions; and
 - £130,000.

Where the Life Assured is a house person or is not in paid employment the Benefit Amount payable will be restricted to the lower of £1,250 per month and the selected Benefit Amount as shown on the Policy Schedule. State benefits will not be deducted from the Benefit Amount.

- (b) In the event of a claim, where the Life Assured’s Income at the time when a claim is made is less than the Income used to calculate the Benefit Amount at the Benefit Start Date, then the Benefit Amount payable will be reduced to reflect the reduction in Income and will take account of any applicable deductions. In these circumstances the Policyholder will not be entitled to a refund of premiums or any proportion of premiums paid.
- (c) In the event that the Life Assured has two (or more) occupations, Income from both (or all) can be taken into account for the purposes of calculating the maximum Benefit Amount payable.

(iv) *Unemployed/Houseperson’s Benefit*

In the event that the Life Assured, in respect of whom Income Protection is being claimed, is not in paid employment prior to Incapacity (or their declared occupation as stated on the Policy Schedule is that of a house person) then the Deferred Period will be a minimum of 13 weeks or such greater period as stated on the Policy Schedule, and the Incapacity definition applicable will be ‘Activities of Daily Work’ notwithstanding the definition selected by the Policyholder and as stated on the Policy Schedule. In such cases the Benefit Amount payable will be subject to the limitation described in (iii)(a) above.

(v) *Proportionate Benefit*

In the event that the Life Assured suffers a reduced Income due to becoming Incapacitated prior to the Benefit End Date, and is following an alternative occupation at a lower Income level, then a Proportionate Benefit Amount will become payable from the end of the Deferred Period, or such later

date that the Life Assured first starts to follow an alternative occupation. The Benefit Amount is payable on a calendar month basis in arrears and is calculated according to the following formula:

$$\text{Proportionate Benefit} = \frac{[(\text{Income} - \text{reduced Income}) \times \text{Benefit Amount}]}{\text{Income}}$$

– applicable Deductions

The Benefit will cease to be paid on the earliest of the following:

- (a) the Benefit End Date,
- (b) the date of death of the Life Assured,
- (c) the Life Assured no longer satisfying the definition of Incapacity, or
- (d) the Life Assured no longer suffering a reduced Income.

For Proportionate Benefit, the Life Assured must satisfy the definition of Incapacity as selected by the Policyholder and as shown on the Policy Schedule and must be following an alternative occupation or have obtained different work at a lower Income level.

Proportionate Benefit will not be payable in the event that the 'Activities of Daily Work' definition of Incapacity has been selected by the Policyholder and is stated on the Policy Schedule.

Income Protection need not have been paid in respect of the Life Assured in order to claim for Proportionate Benefit.

(vi) *Rehabilitation Benefit*

In the event that the Life Assured suffers a reduced Income due to becoming Incapacitated prior to the Benefit End Date, but returns to work in a reduced capacity, then a Rehabilitation Benefit Amount will become payable from the end of the Deferred Period, or such later date that the Life Assured returns to work in a reduced capacity. The Benefit Amount is payable on a calendar month basis in arrears and is calculated according to the following formula:

$$\text{Rehabilitation Benefit} = \frac{[(\text{Income} - \text{reduced Income}) \times \text{Benefit Amount}]}{\text{Income}}$$

– applicable Deductions

Rehabilitation Benefit will cease to be paid on the earliest of the following:

- (a) the Benefit End Date,
- (b) the date of death of the Life Assured,
- (c) the Life Assured no longer satisfying the definition of Incapacity, or
- (d) the Life Assured no longer suffering a reduced Income.

For Rehabilitation Benefit the Life Assured must satisfy the definition of Incapacity as selected by the Policyholder and as shown on the Policy Schedule but may have returned to the same occupation as the Life Assured was carrying out before the Incapacity, in a reduced capacity or on different terms which has resulted in reduced Income.

(vii) *Career Break Option*

- (a) In the event that the Life Assured takes a company career break that he/she is entitled to in terms of his/her contract of employment, then the Deferred Period will be 13 weeks or such greater period as stated on the Policy Schedule and the Benefit Amount will be either the maximum level applicable to a house person as detailed in (iii)(a) above, or the Benefit Amount stated on the Policy Schedule, whichever is lower.
- (b) When the option as described in (a) above is exercised, the applicable definition of 'Incapacity' shall be Activities of Daily Work notwithstanding the definition selected by the Policyholder and stated on the Policy Schedule.
- (c) Scottish Equitable must be informed in writing where this option is to be exercised. Following receipt by Scottish Equitable of written notification from the Policyholder, the premium payable in respect of Income Protection (and Waiver of Premium Benefit) may be reduced in line with the Benefit Amount payable under this Condition.
- (d) Where the Life Assured returns to work within five years of taking a career break, the Benefit Amount, premium and definition of Incapacity may be restored to that applying before the career break without the requirement of further medical underwriting.
- (e) In the event of a re-instatement in terms of section (vii)(d) above, where the Policy Schedule indicates that the Indexation Option, as described in Condition 3(d) is applicable to the Policy, the Benefit Amount may be set

to the level that it would have reached had the Life Assured not taken a career break, subject to the equivalent increase in premiums.

(viii) *Claims in Payment*

All provisions of the Policy shall continue when Income Protection is being paid except where otherwise stated to the contrary.

(ix) *Linked Claims Benefit*

Where there is a recurrence of Incapacity from the same or a related cause, it shall be deemed to be a continuation of the Incapacity and no Deferred Period shall be applicable thereto unless an intervening period of six months has elapsed.

(x) *Notification of Incapacity*

(a) Income Protection shall not be provided in respect of any period occurring before Scottish Equitable receives written intimation of the claim and evidence, satisfactory to Scottish Equitable, of Incapacity.

(b) (1) Where the Policyholder wishes to make a claim for Income Protection, Scottish Equitable must be notified as soon as possible and in any event at least in accordance with the following criteria:

| Deferred period | Notification period |
|-----------------|---------------------|
| 4 or 8 weeks | by week 2 |
| 13 weeks | by week 4 |
| 26 weeks | by week 6 |
| 52 weeks | by week 12 |

(2) In the event that the Policyholder fails to notify Scottish Equitable within the above time limits, the decision on the claim could be affected and / or any Benefit Amount payable may be subject to delay.

(3) The Policyholder must make notification by telephone on 0845 6000493 or in writing to Scottish Equitable Claims, Ballam Road, Lytham St Annes, Lancs FY8 4JZ.

(xi) *Evidence of Incapacity*

Scottish Equitable shall be entitled to seek and obtain evidence of Incapacity and any other evidence as Scottish Equitable may require from time to time for the purpose hereof and, without prejudice to the foregoing generality, the following provisions shall apply:

(a) Written evidence of Incapacity and such other evidence as Scottish Equitable may require shall be provided not later than one month after the end of the Deferred Period.

(b) If entitled to Income Protection, the Policyholder shall submit reports relating to the Incapacity of the Life Assured in a form prescribed by Scottish Equitable at such intervals as Scottish Equitable may reasonably decide and shall submit himself from time to time to medical examination by a medical officer appointed by Scottish Equitable. Where appropriate Scottish Equitable will arrange a specialist assessment or home visit by a medical or health professional relevant to the Life Assured's condition.

(c) The Policyholder will not be entitled to Income Protection if the Life Assured fails to seek or follow the advice of his Personal Medical Attendant or Consultant.

(d) All evidence of Incapacity or other evidence as Scottish Equitable may require in terms of this provision shall be produced free of expense to the Policyholder and the Life Assured.

5. Options

When any of the following options are exercised, the premiums for the Main Benefit, to which the option is being applied, will be increased to such a level as Scottish Equitable, based on normal actuarial principles, deems appropriate in order to reflect the extension of the Benefit End Date or increase to the Benefit Amount as applicable.

When an option is exercised by the Policyholder, Scottish Equitable shall retain the right to amend, vary or substitute these Policy Conditions with alternative conditions in order to reflect current terms and conditions available to new policyholders at the time of exercise of the option.

(a) **Renewal Option**

(i) Where it is stated on the Policy Schedule that a Renewal Option applies to a particular benefit then, at the Benefit End Date, the Policyholder will have the Option, without giving any further evidence of health of the Life Assured, to extend the term of the Policy in relation to that benefit for a further term of the same duration as originally selected.

(ii) This option can be exercised on more than one occasion subject to the new Benefit End Date being no later than the 65th birthday of the Life Assured, on whose life the benefit is assured.

- (iii) This option will terminate, in relation to a particular Life Assured that has the benefit of this option, immediately after the last anniversary of the Policy Start Date prior to the 65th birthday of that Life Assured.
- (iv) The Benefit Amount applicable after the exercise of the option will be no more than the Benefit Amount applicable immediately prior to the exercise of the option.
- (v) The Policyholder must notify Scottish Equitable in writing of the intention to exercise this Option at least 14 days prior to the applicable Benefit End Date. Failure to do so will result in the option lapsing and the right to exercise the option will terminate.

(b) Legislation Option

In the event that the Policy includes both the Gift Inter Vivos Benefit as described in 4(h) above and the Legislation Option, then the Policyholder may, on one occasion only, increase the Benefit Amount applicable to the Gift Inter Vivos Benefit subject to the following restrictions

- (i) A change in Inheritance Tax legislation must have taken place within six months prior to the request to exercise this Option which change caused a potential increase in the Inheritance Tax liability of the Policyholder in the event of the death of the Life Assured.
- (ii) The increase in the Benefit Amount must be no greater than the amount required to meet the estimated increase in the Inheritance Tax liability as described in (i) above.
- (iii) As a result of the exercise of this option the Benefit Amount cannot at any time be increased to more than 200% of the Benefit Amount applicable at the Gift Inter Vivos Benefit Start Date.
- (iv) As a result of the exercise of this option the Benefit End Date will be extended by seven years in relation to the increase in the Benefit Amount but will remain the same in relation to the existing Benefit.
- (v) This option shall not be exercisable after the 80th birthday of the Life Assured.

(c) Life Buyback Option

In the event that the Policy includes both a Life Buyback Option and Life with Critical Illness Protection (but excluding policies with a Renewal Option for that benefit) then the Policyholder will have the option to effect Life Protection (which Life Protection will exclude all Guaranteed Insurability Options as described in Condition 5(e) below) after the payment of a successful claim for benefit under Life with Critical Illness

Protection as a result of the diagnosis of a Critical Illness or Total and Permanent Disability (if applicable) subject to the following conditions:

- (i) The option can only be exercised in the event that the Life Assured, on whom the claim as described above was made, survives for 12 months after the date on which the benefit was paid to the Policyholder.
- (ii) In the event that the Critical Illness, in respect of which the claim was made, falls within the definition of Terminal Illness then this option cannot be exercised at any time.
- (iii) The Life Protection effected as a result of exercising this option shall not include any right to payment of an accelerated benefit as result of the Life Assured being diagnosed at any time as suffering from a Terminal Illness. Any references to Terminal Illness contained in Condition 4(a) Life Protection and in the Policy Schedule that is issued in relation to the Life Protection shall be held to be deleted.
- (iv) The Benefit Amount applicable to the Life Protection shall be no more than 100% of the Benefit Amount paid to the Policyholder under Life with Critical Illness Protection.
- (v) The premium for the Life Protection will be at such a rate as Scottish Equitable deems appropriate to the age of the Life Assured and the term of the Life Protection.
- (vi) The Benefit End Date of the Life Protection shall be no later than the Benefit End Date applicable to the Life with Critical Illness Protection for which the claim was made.
- (vii) The Policyholder must apply in writing to Scottish Equitable to exercise this option no later than 30 days after the survival period stated in (i) above otherwise the option shall be held to have lapsed and shall not thereafter be re-instated.
- (viii) The Life Protection resulting from the exercise of this option shall commence on the anniversary of the Life with Critical Illness Protection benefit being paid by Scottish Equitable and premiums will be payable from this date regardless of when the application referred to in (vii) above is made.
- (ix) The Life Protection resulting from the exercise of this option shall be set up on the life or lives of the same Life/Lives Assured as for the Life with Critical Illness Protection. Where there is more than one Life Assured, in the event that the Life Assured, who was not the subject of the Critical Illness claim, dies during the period of 12 months described in (i) above then the Life

Protection will be set up on the life of the surviving Life Assured.

(d) Income Option

In the event that a successful claim is made under this Policy for any of Life Protection, Critical Illness Protection, Life with Critical Illness Protection or Lifetime Protection then, where the Benefit Amount is for at least £250,000, the Policyholder or his personal representatives may, on written application to Scottish Equitable prior to any benefit being paid, elect to take the benefit in five equal annual instalments to which interest, at a rate to be determined by Scottish Equitable at the time, will be added. The Policyholder or his personal representatives will be liable for paying any income tax that is due on the interest. Where obliged, by law, to do so Income Tax will be deducted by Scottish Equitable and paid direct to the Inland Revenue. Where this is no such obligation then Scottish Equitable may still make this deduction, at its discretion, and pay direct to the Inland Revenue.

(e) Guaranteed Insurability Options

This option will only apply in the event that the Life Assured has been accepted at ordinary rates. It can only be exercised when the Benefit End Date for the Main Benefit, in respect of which this option is being exercised, is at least one year after the date on which the increase in the Benefit Amount is due to be effective.

The Policyholder shall have the option (unless this option has been excluded, as stated on the Policy Schedule), by application in writing to Scottish Equitable, within six months of the happening of the relevant event described below to increase the Benefit Amount applicable to a Main Benefit subject to the following conditions:

(i) Birth or adoption of a child

- (a) In the case of the birth of a child of the Life Assured or the legal adoption of a child by the Life Assured, the Benefit Amount may be increased. This option may be exercised on more than one occasion but the total aggregate increase in the Benefit Amount as a result of exercising this option, and any other Guaranteed Insurability Option, shall be restricted to the lowest of 50% of the Benefit Amount (excluding any part of the Benefit Amount that has arisen from the previous exercise of any Guaranteed Insurability Option) as at the date of receipt by Scottish Equitable of the application to exercise this option, 50% of the Benefit Amount as at the Benefit Start Date as escalated in terms of Condition 3(d) above, if

applicable, and £150,000 (£10,000 per annum for Family Income Benefit, Critical Illness Family Income Benefit and Life with Critical Illness Family Income Benefit or £10,000 per annum for Income Protection subject always to the maximum Benefit Amounts in Condition 4(j)(iii) not being exceeded at any time).

Where an option is exercised on more than one occasion then the percentage increases in Benefit Amount on each occasion shall be added together. When the combined percentages reach 50% then no further exercise of this option is permitted.

- (b) This option shall be exercisable in relation to all Main Benefits described in Condition 4 above under exception of Gift Inter Vivos.
- (c) The Policyholder will be required to produce an extract copy of the birth or adoption certificate (from the Registrar of Births, Deaths and Marriages) of the child born or adopted before the increase in the Benefit Amount can be effected. A photocopy of the certificate is not acceptable.
- (d) This option can only be exercised in relation to Critical Illness Protection and/or Life with Critical Illness Protection when the Benefit End Date for these benefits is at least five years after the date on which the increase in the Benefit Amount is due to be effective.

(ii) Marriage

- (a) In the case of the legal marriage of the Life Assured, the Benefit Amount may be increased. This option may be exercised on more than one occasion but the total aggregate increase in the Benefit Amount as a result of exercising this option, and any other Guaranteed Insurability Option, shall be restricted to the lowest of 50% of the Benefit Amount (excluding any part of the Benefit Amount that has arisen from the previous exercise of any Guaranteed Insurability Option) as at the date of receipt by Scottish Equitable of the application to exercise this option, 50% of the Benefit Amount as at the Benefit Start Date as escalated in terms of Condition 3(d) above, if applicable, and £150,000 (£10,000 per annum for Family Income Benefit, Critical Illness Family Income Benefit and Life with Critical

Illness Family Income Benefit or £10,000 per annum for Income Protection subject always to the maximum Benefit Amounts in Condition 4(j)(iii) not being exceeded at any time).

- (b) Where an option is exercised on more than one occasion then the percentage increases in Benefit Amount on each occasion shall be added together. When the combined percentages reach 50% then no further exercise of this option is permitted.
 - (c) This option shall be exercisable in relation to all Main Benefits described in Condition 4 above under exception of Gift Inter Vivos.
 - (d) The Policyholder will be required to produce an extract copy of the marriage certificate (from the Registrar of Births, Deaths and Marriages) of the Life Assured before the increase in the Benefit Amount can be effected. A photocopy of the certificate is not acceptable.
- (iii) *Change of Home, Change of Mortgage, Home Improvement or Home Extension*
- (a) This option is only available in the event that the Main Benefit – Life with Critical Illness Protection is applicable to the Policy and shown on the Policy Schedule.
 - (b) In the case of the Life Assured increasing his mortgage over his main residence as a result of either changing home, changing mortgage, making home improvements or carry out a home extension, the Benefit Amount for Life with Critical Illness Protection may be increased. This option may be exercised on more than one occasion but the total aggregate increase in the Benefit Amount as a result of exercising this option, and any other Guaranteed Insurability Option, shall be restricted to the lowest of 50% of the Benefit Amount (excluding any part of the Benefit Amount that has arisen from the previous exercise of any Guaranteed Insurability Option) as at the date of receipt by Scottish Equitable of the application to exercise this option, 50% of the Benefit Amount as at the Benefit Start Date as escalated in terms of Condition 3(d) above, if applicable, and £150,000.
- (c) Where an option is exercised on more than one occasion then the percentage increases in Benefit Amount on each occasion shall be added together. When the combined percentages reach 50% then no further exercise of this option is permitted.
 - (d) The Policyholder will be required to produce written evidence from the Life Assured's lender and previous lender (if applicable), that is satisfactory to Scottish Equitable, which clearly shows the increase in the mortgage of the Life Assured before the increase in the Benefit Amount can be effected.
 - (e) As a result of exercising this option, the Benefit End Date for the additional Benefit Amount must be no later than the 70th birthday of the Life Assured or, where there is more than one Life Assured, the 70th birthday of the elder of the Lives Assured.
- (iv) *Career change/promotion*
- (a) In the case where the Life Assured changes his employer, or is promoted by his existing employer, and as a direct result of such change in employer or promotion the Life Assured receives an increase of at least 10% per annum to his basic salary (ie salary before deduction of income tax and National Insurance contributions but excluding any other taxable benefits that may be payable and any employer contributions to any pension arrangements) then this option may be exercised.
 - (b) In cases where (a) above applies, then the Benefit Amount may be increased by no more than four times the increase in basic salary described in (a) above. This option may be exercised on more than one occasion but the total aggregate increase in the Benefit Amount as a result of exercising this option, and any other Guaranteed Insurability Option, shall be restricted to the lowest of 50% of the Benefit Amount (excluding any part of the Benefit Amount that has arisen from the previous exercise of any Guaranteed Insurability Option) as at the date of receipt by Scottish Equitable of the application to exercise this option, 50% of the Benefit Amount as at the Benefit Start Date as escalated in terms of Condition 3(d) above, if applicable, and £150,000 (£10,000 per annum for Family Income Benefit, Critical Illness Family

Income Benefit and Life with Critical Illness Family Income Benefit or £10,000 per annum for Income Protection subject to the maximum Benefit Amounts in Condition 4(j)(iii) not being exceeded at any time).

- (c) Where an option is exercised on more than one occasion then the percentage increases in Benefit Amount on each occasion shall be added together. When the combined percentages reach 50% then no further exercise of this option is permitted.
- (d) This option shall be exercisable in relation to all Main Benefits described in Condition 4 above under exception of Gift Inter Vivos.
- (e) The Policyholder will be required to produce written evidence from the employer and/or previous employer of the Life Assured, that is satisfactory to Scottish Equitable, which clearly shows the increase in the basic salary of the Life Assured before the increase in the Benefit Amount can be effected.
- (f) This option cannot, under any circumstances be exercised where at the time of exercise the Life Assured is self-employed, is a Controlling Director of the company in which he is employed or where the Life Assured has control over setting the rate of his basic salary.
- (v) *Increase in Partner's/Shareholding Director's Interest or Key Person's Value or Increase in Business Loan*

- (a) Where the Life Assured is either an equity partner in a partnership, a shareholding director in a company or a key person in a business or when the Policyholder or the Life Assured increases a business loan that it has effected then, subject to the following conditions, this option to increase the Benefit Amount may be exercised.
- (b) (1) Where the Life Assured is either an equity partner in a partnership or a shareholding Director in a company then this option may be exercised where, at the time of exercising this option, there has been an increase in the percentage amount of equity, or value of such an interest, that the Life Assured holds in the partnership or company.
- (2) In cases where (1) above applies then, subject to (e) below, the

Benefit Amount may be increased by no more than the amount of the increase in capital that the Life Assured has invested in the partnership or company as appropriate.

- (c) (1) Where the Life Assured is a key person in a business then this option may be exercised where, at the time of exercising this option, there has been an increase in the value of the Life Assured to the business based on an increase to the Life Assured's basic salary (ie salary before deduction of income tax and National Insurance contributions but excluding any other taxable benefits that may be payable and any employer contributions to any pension arrangements).
- (2) In cases where (1) above applies then, subject to (e) below, the Benefit Amount may be increased by no more than five times the increase in the basic salary, as described in (i) above, of the Life Assured.
- (d) In cases where either the Policyholder or the Life Assured increases a business loan that it has effected then, subject to (e) below, the Benefit Amount may be increased by no more than the amount of the increase in the business loan.
- (e) This option may be exercised on more than one occasion, but the total aggregate increase in the Benefit Amount as a result of exercising this option, and any other Guaranteed Insurability Option, shall be restricted to the lowest of 50% of the Benefit Amount (excluding any part of the Benefit Amount that has arisen from the previous exercise of any Guaranteed Insurability Option) as at the date of receipt by Scottish Equitable of the application to exercise this option, 50% of the Benefit Amount as at the Benefit Start Date as escalated in terms of Condition 3(d) above, if applicable, and £250,000 (£10,000 per annum for Family Income Benefit, Critical Illness Family Income Benefit and Life with Critical Illness Family Income Benefit, or £10,000 per annum for Income Protection subject to the maximum Benefit Amounts in Condition 4(j)(iii) not being exceeded at any time).

- (f) Where an option is exercised on more than one occasion then the percentage increases in Benefit Amount on each occasion shall be added together. When the combined percentages reach 50% then no further exercise of this option is permitted.
- (g) This option shall be exercisable in relation to all Main Benefits described in Condition 4 above under exception of Gift Inter Vivos.
- (h) The Policyholder will be required to produce a declaration from the Life Assured as to his continued good health together with any financial underwriting information that Scottish Equitable may request that is relevant to this option. No increase to the Benefit Amount will be effected unless Scottish Equitable confirms in writing to the Policyholder that the financial information provided together with the declaration of continued good health are satisfactory and that Scottish Equitable is prepared to go on risk for the increased Benefit Amount.
- (vi) *Sole Trader*
- (a) In the case where the Life Assured is a sole trader then this option to increase the Benefit Amount may be exercised in the event that the annual net relevant earnings of the Life Assured have increased or the Life Assured has increased the amount of a business loan.
- (b) In cases where (a) above applies then, subject to (c) below, the Benefit Amount may be increased by no more than either five times the increase in net relevant earnings or the amount of the increase in a business loan as appropriate.
- (c) This option may be exercised on more than one occasion but the total aggregate increase in the Benefit Amount as a result of exercising this option, and any other Guaranteed Insurability Option, shall be restricted to the lowest of 50% of the Benefit Amount (excluding any part of the Benefit Amount that has arisen from the previous exercise of any Guaranteed Insurability Option) as at the date of receipt by Scottish Equitable of the application to exercise this option, 50% of the Benefit Amount as at the Benefit Start Date as escalated in terms of Condition 3(d) above, if applicable, and £150,000 (£10,000 per annum for Family Income Benefit, Critical Illness Family Income Benefit and Life with Critical Illness Family Income Benefit, or £10,000 per annum for Income Protection subject to the maximum Benefit Amounts in Condition 4(j)(iii) not being exceeded at any time).
- Where an option is exercised on more than one occasion then the percentage increases in Benefit Amount on each occasion shall be added together. When the combined percentages reach 50% then no further exercise of this option is permitted.
- (d) This option shall be exercisable in relation to all Main Benefits described in Condition 4 above under exception of Gift Inter Vivos.
- (e) The Policyholder will be required to produce relevant financial accounts for the business of the Life Assured or written evidence from the Life Assured's lender and previous lender (if applicable), that is satisfactory to Scottish Equitable, which clearly shows the increase in the business loan of the Life Assured before the increase in the Benefit Amount can be effected.
- (vii) The above Guaranteed Insurability Options will cease to be exercisable by the Policyholder when the Life Assured or, if there is more than one Life Assured, the elder of the Lives Assured has attained the age of 55 years.
- (viii) No evidence of the good health of the Life Assured shall be required when exercising any of the above Guaranteed Insurability Options under exception of the option in (v) above. Scottish Equitable reserves the right to obtain from the Policyholder, prior to the exercise of the option becoming effective, such evidence as to the residency, occupation, smoking activity and leisure pursuits of the Life Assured as Scottish Equitable deems necessary in order to calculate the additional premium required in relation to the exercise of any of the above Guaranteed Insurability Options.
- (f) **Termination of Guaranteed Insurability Option**
- On diagnosis of a Critical Illness or Total and Permanent Disability, in respect of which a claim for a Main Benefit (other than Income Protection) is subsequently paid, the right to exercise any of the options included in this Condition shall terminate immediately on such diagnosis. On the date of Incapacity, in respect of which a claim for

Income Protection is subsequently paid, the right to exercise any of the options included in this Condition shall terminate immediately on that date; however, the options under this Condition shall be reinstated in the event that the Life Assured ceases to suffer from the Incapacity.

6. Additional Benefits

(a) Total and Permanent Disability Benefit

- (i) Where it is shown on the Policy Schedule that Total and Permanent Disability Benefit applies to a particular Main Benefit then, in the event that a Life Assured becomes Totally and Permanently Disabled as a result of sickness or accident as defined in the Policy Schedule, provided that that Life Assured survives for six months after the date on which Total and Permanent Disability is confirmed in writing to Scottish Equitable, the Benefit Amount in relation to the Main Benefit will become payable.

For the purposes of this Condition, 'Total and Permanent Disability' (the term 'Totally and Permanently Disabled' shall have an equivalent meaning) shall mean one of the three following definitions as selected by the Policyholder and stated on the Policy Schedule.

'Own Occupation'. The Life Assured must be Permanently and Irreversibly disabled from carrying out the Material and Substantial duties of their occupation and there must be no reasonable prospect of there ever being any improvement sufficient to enable a return to their occupation, despite optimal appropriate medical and rehabilitation intervention. This disability must have already existed for a continuous period of six months.

'Any Occupation'. The Life Assured must be Permanently and Irreversibly disabled from carrying out any occupation and there must be no reasonable prospect of there ever being any improvement sufficient to enable a return to any occupation of any kind at all despite optimal appropriate medical and rehabilitation intervention. This disability must have already existed for a continuous period of six months.

'Activities of Daily Living'. The Life Assured has been unable, by reason of bodily injury or mental or physical illness, to carry out any three of the following five activities of daily living, because of total and permanent disability lasting for a continuous period of six months and are and will continue to be unable to perform any

three of these activities without the use of special equipment or the physical assistance of another person throughout the entire activity:

Washing – the ability to wash in the bath or shower (including getting into and out of the bath or shower) or wash satisfactorily by other means.

Dressing – the ability to put on and take off all garments and / or braces, artificial limbs or other surgical appliances, and to secure and unfasten the garments or devices.

Feeding – the ability to feed oneself once food has been prepared and made available.

Toileting – the ability to use the lavatory or otherwise manage bowel and bladder function so as to maintain a satisfactory level of personal hygiene.

Mobility – the ability to move indoors from room to room on level surfaces.

In addition, Activities of Daily Living shall be deemed to include the permanent and irreversible mental impairment, as defined below, of the Life Assured. Permanent and irreversible mental impairment will be determined by clinical evidence and recognised tests of mental capacity and shall mean material deterioration in or loss of mental capacity which results from an identifiable organic cause evidenced by a deterioration in the ability to think, perceive, reason and remember, which results in a requirement for continual care and supervision.

- (ii) In the event that the Life Assured, in respect of whom Total and Permanent Disability Benefit is being claimed, is not in paid employment (including self-employment where regular drawings are being taken) at any time during the term of the Policy or when he reaches age 60, then the definition of Total and Permanent Disability for the purposes of this Condition shall be deemed to be the 'Activities of Daily Living' definition. In the event that the Life Assured recommences paid employment, prior to age 60, then the definition of Total and Permanent Disability will revert to the definition in place prior to the previous change.

In the event that the survival period of six months, as described in (i) above, commences within the period of six months prior to the relevant Benefit End Date, then Scottish Equitable will make payment of the Benefit Amount, subject to the conditions stated in (i) above, at the end of the survival

period and the relevant Benefit End Date will be extended accordingly for that purpose and for no other purpose.

Where a claim is paid for Total and Permanent Disability Benefit then no further claim for this Benefit, or the Main Benefit to which it is related, will be admitted.

(b) Children's Critical Illness Protection

- (i) Where the Policy includes as a Main Benefit any cover for Critical Illness then Children's Critical Illness Protection will apply to the Policy.
- (ii) In the event that any natural or legally adopted child of the Life Assured suffers from a Critical Illness between the age of 30 days and his 18th birthday inclusive, then Scottish Equitable will pay to the Policyholder a sum amounting to the lower of 50% of the total of all Benefit Amounts (relating to Main Benefits that include Critical Illness cover) applicable to the Policy or £20,000. This benefit can be paid for more than one child of the Life Assured.
- (iii) This benefit will only be paid on one occasion in relation to any particular child, although where both parents of the child are each the Life Assured under separate single life benefits under this policy, this benefit may be paid on no more than two occasions. If, at any time, the Life Assured is the life assured under more than one policy with Scottish Equitable that contains Children's Critical Illness Protection, then this Condition (b) will be deemed to apply to all such policies as if they were, together, one single policy.
- (iv) In the event that a claim is paid in respect of any of the Main Benefit(s) to which this benefit relates then this benefit will terminate immediately after the claim is paid.
- (v) No claim will be admitted in relation to this benefit where, in the opinion of a medical adviser appointed by Scottish Equitable, the Critical Illness in respect of which the claim is made has resulted directly or indirectly from a condition that the child was suffering from before the date on which the child was covered under this Policy.

(c) Waiver of Premium Benefit

- (i) Where it is shown on the Policy Schedule that Waiver of Premium Benefit applies then the following conditions in respect of Waiver of Premium Benefit shall apply to the Life or Lives Assured stated on the Policy Schedule as having this benefit.

- (ii) In this Condition 6(c) the following terms and expressions shall have the following meanings:

'Benefit Period' shall mean a continuous period of Incapacity of the Life Assured commencing at any time after the Policy Start Date and ending no later than the relevant Benefit End Date but excluding:

- (a) any Deferred Period or part of any Deferred Period; and
- (b) any period of Incapacity after the anniversary of the Policy Start Date that occurs before the 65th birthday of the Life Assured.

'Deferred Period' shall mean the continuous period of Incapacity as stated on the Policy Schedule as being the Deferred Period.

'Incapacity' shall mean (and the term 'Incapacitated' shall have an equivalent meaning), in respect of the Life Assured, one of the following definitions as selected by the Policyholder and stated on the Policy Schedule:

'Own Occupation'. The Life Assured has been unable to do the Material and Substantial duties of their own occupation as a result of accident or sickness and is not following any other occupation. Material and substantial duties are those duties that are normally required for the performance of the Life Assured's own occupation and cannot reasonably be omitted or modified by them or their employer.

'Any Suited Occupation'. The Life Assured is unable to do their own occupation and unable to do all other occupations to which they are reasonably suited by education, training or experience as a result of accident or sickness.

'Activities of Daily Work'. The Life Assured will be deemed to be incapacitated if they are unable to perform three or more of the following criteria or if they satisfy either the Mental Incapacity or Mental Ill-health definitions.

Walking – the ability to walk a distance of 200 metres on a level surface without stopping due to breathlessness, angina or severe discomfort, and without the assistance of another person but including the use of appropriate aids, eg walking stick.

Climbing – the ability to walk up and down a flight of 12 stairs with the use of a handrail and taking a rest.

Bending – the ability to get into or out of a standard saloon car, or the ability to bend or kneel to pick up a tea cup (or similar object) from the floor and straighten up again without the assistance of another person but including the use of appropriate aids.

Communicating – the ability to:

- a) clearly hear (with a hearing aid or other aid if normally used) conversational speech in a quiet room; or
- b) understand simple messages; or
- c) speak with sufficient clarity to be clearly understood

Reading – having eyesight, even after correction by spectacles or contact lenses, sufficient to read a standard daily newspaper or to pass the standard eyesight test for driving. Failure for this activity would include being certified blind or partially sighted by a registered ophthalmologist.

Dexterity – the physical ability to use hands and fingers, such as being able to communicate effectively using a pen, pencil or keyboard.

Responsibility and independence – the ability to independently make arrangements to see a doctor and take regular medication as prescribed by a medical practitioner, or similarly qualified medical doctor.

Financial competence – the ability to recognise the transactional value of money and the handling of routine financial transactions such as paying bills or checking change when shopping.

‘Mental Incapacity’ is defined as:

‘Organic brain disease or brain injury (confirmed by neurological investigation) which has affected the ability of the Life Assured to reason and understand and has caused deterioration to an extent that they can no longer look after themselves without the need for continual supervision and assistance of another person.’

‘Mental Ill-health’ is defined as:

‘Severe Mental Illness Classification ICD-10 Code. To qualify, the Life Assured will be required to be under the supervision of the mental health team Care Programme Approach (CPA) at its highest level (with or without Supervision Register) or equivalent.’

In the event that the Life Assured in respect of whom Waiver of Premium Benefit is being claimed is not in paid employment (including self-employment where regular drawings are being taken) at the start of a Benefit Period then the definition of Incapacity for the purposes of this Condition shall be deemed to be the Activities of Daily Work definition.

- (iii) During any Benefit Period all monthly premiums due for payment under the Policy, for Main Benefits and Additional Benefits applicable to the Life Assured that Waiver of Premium Benefit is being claimed for, shall be provided and credited as paid by Scottish Equitable.
- (iv) (a) Where premiums are payable annually, one twelfth of the amount of each annual premium shall be provided and credited as paid by Scottish Equitable on the first day of each calendar month during the Benefit Period.
(b) When an annual premium falls due during a Benefit Period, the Policyholder may withhold payment of the premium on the due date but will pay, at the end of the Benefit Period, the amount, if any, by which the annual premium or annual premiums due during said Benefit Period exceeds or exceed the aggregate amount so provided by Scottish Equitable during such Benefit Period.
(c) Where no annual premium falls due during a Benefit Period (or the sums provided by Scottish Equitable, as aforesaid, exceed the annual premium or premiums falling due) the sums so provided (or such excess if applicable) shall be deducted from the annual premium next due after termination of the Benefit Period.
- (v) All provisions of the Policy shall continue during any Benefit Period except where otherwise stated to the contrary.
- (vi) Where there is a recurrence of Incapacity from the same or a related cause, it shall be deemed to be a continuation of the Incapacity and no Deferred Period shall be applicable thereto unless an intervening period of six months has elapsed.
- (vii) Waiver of Premium Benefit shall not be provided in respect of any period occurring before Scottish Equitable receives written intimation of the claim and evidence, satisfactory to Scottish Equitable, of Incapacity.

(viii) *Evidence of Incapacity*

Scottish Equitable shall be entitled to seek and obtain evidence of Incapacity and any other evidence as Scottish Equitable may require from time to time for the purpose hereof and, without prejudice to the foregoing generality, the following provisions shall apply:

- (a) Written evidence of Incapacity and such other evidence as Scottish Equitable may require shall be provided not later than one month after the end of the Deferred Period;
- (b) If entitled to Waiver of Premium Benefit, the Policyholder shall submit reports relating to the Incapacity of the Life Assured in a form prescribed by Scottish Equitable at such intervals as Scottish Equitable may reasonably decide and shall submit himself from time to time to medical examination by a medical officer appointed by Scottish Equitable. Where appropriate Scottish Equitable will arrange a specialist assessment or home visit by a medical or health professional relevant to the Life Assured's condition.
- (c) The Policyholder will not be entitled to any Waiver of Premium Benefit hereunder if the Life Assured fails to seek or follow the advice of his Personal Medical Attendant or Consultant.
- (d) All evidence of Incapacity or other evidence as Scottish Equitable may require in terms of this provision shall be produced free of expense to the Policyholder and the Life Assured.

7. Exclusions

(a) General Exclusions

- (i) Scottish Equitable will not pay a claim for any of the following benefits – Critical Illness Protection, Life with Critical Illness Protection, Critical Illness Family Income Protection Benefit, Life with Critical Illness Family Income Benefit and Total and Permanent Disability Benefit – in the event that the Critical Illness, Total and Permanent Disability or Incapacity in respect of which the benefit is being claimed is caused directly or indirectly from any of the following:

Drug abuse: alcohol or solvent abuse, or the taking of drugs except under the direction of a registered medical practitioner;

Failure to follow medical advice:

unreasonable failure to seek or follow medical advice;

War and civil commotion: war, invasion, hostilities (whether war is declared or not), civil war, rebellion, revolution or taking part in a riot or civil commotion.

- (ii) Scottish Equitable will not pay a claim for Income Protection (which shall include Proportionate Benefit and Rehabilitation Benefit) or Waiver of Premium Benefit in the event that the Incapacity in respect of which the benefit is being claimed is caused directly or indirectly from either of the following:

Drug abuse – as defined above

War and civil commotion – as defined above

(b) Suicide Exclusion

- (i) Scottish Equitable will not pay a claim for any of the following benefits – Life Protection, Life with Critical Illness Protection, Family Income Benefit, Life with Critical Illness Family Income Benefit, Lifetime Protection and Gift Inter Vivos – in the event that the Life Assured has died as a result of their own actions (whether or not at the time of such action they were sane or insane) within 12 months of the Policy Start Date or, if later, the date on which a particular benefit starts or the Sum Assured for a particular benefit is increased.
- (ii) This exclusion shall not apply, to the extent of the amount required to redeem the loan, where the Policy is either assigned to or deposited with a lender in security of a loan or where a lender is able to provide to Scottish Equitable evidence that it was a pre-condition of a loan being granted that the Policy be taken out, which Policy would provide sufficient funds to enable the loan to be repaid in the event of the death of the Life Assured during the term of the loan.

(c) HIV and AIDS Exclusions

- (i) (a) No Income Protection (which shall include Proportionate Benefit and Rehabilitation Benefit), Total and Permanent Disability Benefit or Waiver of Premium Benefit will be payable if the Total and Permanent Disability or Incapacity, as defined in the Policy Schedule and in Conditions 4(j), 6(a) and 6(c), in respect of which the claim is made, is caused directly or indirectly from infection with Human Immunodeficiency Virus (HIV) or conditions due to any Acquired Immune Deficiency Syndrome (AIDS).

- (b) The exclusion in (a) above will not apply in the event that infection was caused by one of the following:

(1) *Physical Assault*

Where the Life Assured is the victim of a physical assault involving involuntary contact with either a hypodermic needle or an infected sharp instrument or sexual assault (without consent). The following conditions will apply for this exemption to the above exclusion to apply:

- The incident of physical assault must have taken place in the UK, Channel Islands or Isle of Man, following the Policy Start Date.
- The incident must be reported to a UK, Channel Islands or Isle of Man Police Station within five days of it taking place.
- A test showing no HIV or HIV antibodies must be made within five days of the incident.
- A second test showing infection by HIV or AIDS must be made within 12 months of the incident.

(2) *Blood Transfusion*

Where the Life Assured is infected with HIV or AIDS and has contracted the infection from a blood transfusion in the UK, Channel Islands or Isle of Man after the Policy Start Date.

(3) *Occupation*

Where the Life Assured contracts the HIV or AIDS infection during the normal course of their duties of any occupation which provides accident and emergency, medical, dental or nursing services to the general public, armed forces, police force or prison services. The infection must have resulted from contact with an infected person or medical instrument in the UK after the Policy Start Date. The infection must be reported, investigated and documented according to the relevant notification requirements relating to the particular occupation.

- (ii) No Critical Illness Protection Benefit and Critical Illness Family Income Benefit will be payable if the Critical Illness, in respect of which the claim is made, is a Terminal Illness and is caused directly or indirectly from infection with Human Immuno-deficiency Virus (HIV) or conditions due to any Acquired Immune Deficiency Syndrome (AIDS).

(d) **Residency Exclusions**

- (i) A Life Assured will only remain covered for any of Critical Illness Protection, Life with Critical Illness Protection, Critical Illness Family Income Benefit, Life with Critical Illness Family Income Benefit, Income Protection, Total and Permanent Disability Benefit and Waiver of Premium Benefit while he is a permanent resident of either the United Kingdom, the Channel Islands or the Isle of Man.
- (ii) (a) In the event that a Life Assured travels or lives temporarily outwith the United Kingdom, the Channel Islands or the Isle of Man for a period exceeding 13 weeks during any 12-month period then cover for the benefits stated in (i) above will be excluded.
- (b) The exclusion detailed in (ii)(a) above shall not apply to Life with Critical Illness Protection or Life with Critical Illness Family Income Benefit in the event of the death of the Life Assured unless the Policy Schedule states otherwise.
- (iii) The 13-week period stated in (ii) will be extended to 26 weeks during any 12-month period where the Life Assured is travelling within or is living temporarily in any one or more of the following countries:
- Andorra, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Liechtenstein, Luxembourg, Monaco, the Netherlands, Norway, Portugal, the Republic of Ireland, San Marino, Spain, Sweden, Switzerland, Turkey, the Vatican City State, the USA, Canada, Australia, New Zealand.
- (iv) On written application by the Policyholder to Scottish Equitable the periods stated in (ii) and (iii) above may, at Scottish Equitable's sole discretion, be extended by such additional period as Scottish Equitable deems appropriate and subject to such additional terms and conditions as Scottish Equitable may require at the time.

8. Special Circumstances

If, during the term of the Policy, legislation (including delegated legislation and statutory instruments) or other circumstances make it impractical or impossible to give full effect to these Conditions and the provisions of the Policy or if the basis of taxation applicable to Scottish Equitable is altered, Scottish Equitable may make such alterations to the Policy and the Conditions as the Actuary deems appropriate in the circumstances.

9. Miscellaneous

(a) Notices and Claims

Scottish Equitable will not be required to accept or act upon any claim under the Policy, request or instruction validly made under these Conditions until it has received at its office at Ballam Road, Lytham St Annes, Lancashire FY8 4JZ or at its Registered Office from time to time, written notification thereof and any documents and information which Scottish Equitable may require.

(b) Evidence of Critical Illness or Total and Permanent Disability

Scottish Equitable shall be entitled to seek and obtain evidence of the Critical Illness or Total and Permanent Disability and any other evidence as Scottish Equitable may reasonably require and, without prejudice to the foregoing generality, the following provisions shall apply:

- (i) Written evidence of Critical Illness or Total and Permanent Disability and such other evidence as Scottish Equitable may reasonably require shall be produced not later than one month after written notification of the Critical Illness or Total and Permanent Disability is received by Scottish Equitable.
- (ii) The Policyholder shall submit reports relating to the Critical Illness or Total and Permanent Disability of the Life Assured in a form approved by Scottish Equitable and the Life Assured shall submit himself to a medical examination by a medical officer appointed by Scottish Equitable.

All evidence of Critical Illness or Total and Permanent Disability or other evidence as Scottish Equitable may require shall be produced free of expense to the Policyholder and the Life Assured.

(c) Notification of Occupation prior to Claim

- (i) This condition shall apply in the event that the Policyholder is at any time covered for any of Critical Illness Protection, Life with Critical Illness Protection, Critical Illness

Family Income Benefit, Life with Critical Illness Family Income Benefit, Income Protection, Total and Permanent Disability Benefit and Waiver of Premium Benefit.

- (ii) In the event that the Life Assured changes his occupation, from that disclosed to Scottish Equitable on the application for any of the benefits stated in (i) above, then the Policyholder shall be under an obligation to notify Scottish Equitable, in writing, at the time of making a claim for any of these benefits of the precise details of the occupation that he was carrying out immediately prior to the claim being made for any of these benefits.
- (iii) Scottish Equitable will assess claims for any of the benefits stated in (i) above on the basis of the ability of the Life Assured to carry out the occupation that he was doing immediately prior to the claim being made.

(d) Agreement of Scottish Equitable

Where under these Conditions, the agreement, consent or approval of Scottish Equitable is required, such agreement, consent or approval shall not be deemed given unless and until same is confirmed in writing by Scottish Equitable.

(e) Law and Jurisdiction

- (i) Every assurance effected with Scottish Equitable by any person described in the Policy evidencing the same as of any place in the United Kingdom shall be deemed to have been effected in that part of the United Kingdom with an insurance company having its domicile and head office there, notwithstanding that it may appear on the face of the policy that the assurance was not in fact effected in that part of the United Kingdom, and in regard to every such assurance and all matters connected therewith Scottish Equitable shall be subject to the jurisdiction of the courts of law in the part of the United Kingdom in which it is deemed to have been effected.
- (ii) Any assurance effected with Scottish Equitable which does not fall within the preceding sub-paragraph (i) shall be governed by the Law of Scotland and the Policyholder and Scottish Equitable shall submit to the non-exclusive jurisdiction of the Scottish courts.

APPENDIX

Critical Illness Definitions

Alzheimer's Disease

Deterioration or loss of intellectual capacity or abnormal behavior (as evidenced by the clinical state and accepted standardised questionnaires or tests) arising from Alzheimer's disease or irreversible organic degenerative disorders, excluding neurosis and psychiatric illnesses, resulting in significant reduction in mental and social functioning requiring continuous supervision. The diagnosis must be made by a consultant neurologist holding an appointment at a major hospital in the UK.

Angioplasty

The undergoing of any interventional technique, on the advice of a Consultant Cardiologist, involving the use of transluminal coronary catheters to correct significant stenosis (at least 50% diameter narrowing) of two or more coronary arteries. Appropriate angiographic evidence to support the necessity of the above operation will be required.

Aorta Graft Surgery

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

Aplastic Anaemia

Permanent bone marrow failure, which results in all of anaemia, neutropenia and thrombocytopenia requiring treatment with at least one of the following:

- Blood transfusion
- Marrow stimulating agents
- Immunosuppressive agents
- Bone marrow transplant

Bacterial Meningitis

Diagnosis of inflammation of the meninges of the brain, associated with bacterial infection. The disease may take a primary, post-infectious or parainfectious form. The inflammation must result in significant complications lasting at least three months, which include permanent neurological deficit, which must be confirmed by a Consultant Neurologist. Permanent neurological deficit must include at least one of the following: blindness, deafness, speech disorders or hemiplegia.

Benign Brain Tumour

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

Blindness

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

Cancer

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

- All tumours which are histologically described as pre-malignant, as non-invasive or as cancer in situ.
- All tumours of the prostate unless histologically classified as having a Gleason score greater than six or having progressed to at least TNM classification T2N0M0.
- All forms of lymphoma in the presence of any Human Immunodeficiency Virus.
- Kaposi's sarcoma in the presence of any Human Immunodeficiency Virus.
- Any skin cancer other than invasive malignant melanoma.

Cardiomyopathy

The unequivocal diagnosis by a Consultant Cardiologist of Cardiomyopathy causing impaired ventricular function and resulting in physical impairments to the degree of class IV of the New York Association Classification of cardiac impairment. Additionally, an ejection fraction of less than 25% should be sustained over at least six months when stabilised on therapy advised by the Consultant. Cardiomyopathy directly related to alcohol or drug misuse is excluded.

Coma

A state of unconsciousness with no reaction to external stimuli or internal needs, persisting continuously with the use of life support systems for a period of at least 96 hours and resulting in permanent neurological deficit.

Coronary Artery Bypass Surgery

The undergoing of open-heart surgery on the advice of a Consultant Cardiologist to correct narrowing or blockage of one or more coronary arteries with bypass grafts, but excluding laser relief or any other procedures.

Refer also to *Angioplasty* definition.

Creutzfeldt-Jakob Disease (CJD)

Deterioration or loss of intellectual capacity or abnormal behaviour (as evidenced by the clinical state and accepted standardised questionnaires or tests) arising from Creutzfeldt-Jakob disease or irreversible organic degenerative disorders, excluding neurosis and psychiatric illnesses, resulting in significant reduction in mental and social functioning requiring continuous supervision. The diagnosis must be made by a Consultant Neurologist holding an appointment at a major hospital in the UK.

Deafness

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

Dementia

Deterioration or loss of intellectual capacity or abnormal behaviour (as evidenced by the clinical state and accepted standardised questionnaires or tests) arising from Dementia or irreversible organic degenerative disorders, excluding neurosis and psychiatric illnesses, resulting in significant reduction in mental and social functioning requiring continuous supervision. The diagnosis must be made by a Consultant Neurologist holding an appointment at a major hospital in the UK.

Heart attack

The death of a portion of heart muscle, due to inadequate blood supply, that has resulted in all of the following evidence of acute myocardial infarction:

- typical chest pain
- new characteristic electrocardiographic changes
- the characteristic rise of enzymes, troponins or other biochemical markers

where all of the above show a definite acute myocardial infarction. Other acute coronary syndromes, including but not limited to angina, are not covered under this definition.

Heart Valve Replacement or Repair

Undergoing open-heart, closed or keyhole surgery from medical necessity to replace or repair one or more heart valves.

HIV/AIDS as a result of a physical assault

Infection with the Human Immuno-deficiency Virus (HIV) where infection is acquired as a result of a physical assault on the Life Assured in the UK, Channel Islands or Isle of Man, involving a needlestick injury, injury with a sharp instrument or by mucous membrane exposure to blood or blood-stained body fluid. The incident must be reported to the police within five days of its occurrence. A test showing no HIV or HIV antibodies must be carried out within five days of the incident and this must be followed up by another test within 12 months indicating the presence of infection by HIV or AIDS.

HIV/AIDS for named occupations

Infection by Human Immuno-deficiency Virus (HIV) only if the Life Assured's occupation is in the list opposite and if we are satisfied that the infection was caused by an accidental injury by a sharp instrument, or by exposure to blood or blood-stained body fluid, which occurred during the 12 months preceding diagnosis but after the Policy Start Date and that it occurred while the Life Assured was following the normal duties of that occupation. In addition, it shall be a particular condition that the procedures below are followed by the Life Assured after the accident occurs:

- (a) The accident was reported in accordance with the established procedures for such an accident and that any subsequent actions or measures detailed within those procedures were followed. For this purpose, the definition of 'established

procedures' are procedures which have been put in place by an appropriate authority at the location of the accident in question.

- (b) Within five days of the accident, the Life Assured underwent a blood test and this blood test indicated the absence of any HIV or antibodies to such a virus.
- (c) Within 10 days of the accident, the circumstances of the accident were reported in full to Scottish Equitable plc at Ballam Road, Lytham St Annes, Lancashire FY8 4JZ and it was reported that the blood test referred to in (b) above had been undergone.
- (d) A further blood test, within 12 months of the accident, indicated the presence of HIV or of antibodies to such a virus.

In the event that the above procedures are not followed, any claim under this section will be automatically voided.

The list of occupations referred to above comprises:

- hospital doctors, surgeons and consultants
- hospital nurses
- hospital laboratory technicians
- hospital porters
- hospital caterers
- hospital cleaners
- general practitioners and nurses employed by them
- fire brigade workers
- dental surgeons
- dental nurses
- district nurses
- midwives
- paramedics
- ambulance workers
- hospital laundry workers
- policemen and policewomen
- prison officers

HIV/AIDS from blood transfusion

Contraction of any Human Immuno-deficiency Virus (HIV) through blood transfusion, received in the UK, Channel Islands or Isle of Man after the Policy Start Date. There must be clear evidence satisfactory to Scottish Equitable's Chief Medical Officer that the virus was acquired in this way.

Kidney Failure

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

Liver Failure

End-stage liver failure due to cirrhosis and resulting in all of the following:

- Permanent jaundice
- Ascites
- Encephalopathy

Loss of Limbs

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

Loss of Speech

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

Major Organ Transplant

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

Motor Neurone Disease

Confirmation by a Consultant Neurologist of a definite diagnosis of Motor Neurone Disease.

Multiple Sclerosis

A definite diagnosis by a Consultant Neurologist of Multiple Sclerosis which satisfies all of the following criteria:

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

Paralysis/Paraplegia

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

Parkinson's Disease

Confirmation by a Consultant Neurologist of a definite diagnosis of Parkinson's Disease.

Progressive Supra Nuclear Palsy

Confirmation by a Consultant Neurologist of a definite diagnosis of Progressive Supra Nuclear Palsy.

Stroke

A cerebrovascular incident resulting in permanent neurological damage. Transient Ischaemic Attacks are specifically excluded.

Terminal Illness

Advanced or rapidly progressing incurable illness where, in the opinion of an attending Consultant and Scottish Equitable's Chief Medical Officer, the life expectancy is no greater than 12 months.

Third-Degree Burns

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



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