UNDERWRITING DECISIONS

In this document we have explained how your client's underwriting decision may impact their application for the Estate Planning Bond, Generation Planning Bond or Evolution, Selection, Delegation Discounted Gift Trust conversion schemes. We have also provided alternative options if your client receives a nil discount, declined or postponed underwriting decision.

As part of the application process we use information regarding your client's health to make an underwriting decision. The following pages explain the types of underwriting decisions and their effect on the application.

The types of underwriting decisions fall into 5 categories:

1. STANDARD TERMS
2. AGE ADJUSTED
3. AGE ADJUSTED (90-94) WHERE ONLY NIL-DISCOUNT TERMS ARE AVAILABLE
4. DECLINED
5. POSTPONED

Whilst we have followed current HMRC guidelines for the valuation of discounted gift trusts, HMRC reserves the right to review or challenge any valuation given.

For further information regarding discounted gift trust schemes, refer to our **Product Guides** and the **Discounted Gift Trust Conversion Guide**.

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1

STANDARD TERMS

Your client can proceed with the application and will receive a 'discount' to UK Inheritance Tax.

Standard terms means the discount offered is based on your client's actual age, with no age adjustment. If your client has had a birthday during the application process this will be reflected in the final discount received.

2

AGE ADJUSTED

Your client can proceed with the application and will receive a 'discount' to UK Inheritance Tax.

An age adjustment means the discount is based on your client's actual age plus some additional years that compensate for their current state of health. This will not affect the regular withdrawals that they have requested, but it will result in a smaller discount to UK Inheritance Tax.

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AGE ADJUSTED 90-94, 'NIL-DISCOUNT' TERMS

If your client's adjusted age is between 90 and 94 we are unable to offer a discount but the policy can proceed on a 'nil-discount' basis.

WHAT ARE THE BENEFITS OF CONTINUING ON A NIL-DISCOUNT BASIS?

- Although there will be no immediate discount, your client will still be able to benefit from the fixed withdrawals of capital throughout their lifetime (subject to bond value), whilst also gifting their investment into trust
- If your client survives seven years after making the gift into trust, the entire investment will be outside of their estate and not liable to UK Inheritance Tax (IHT)
- Any growth on the investment is outside your client's estate for IHT purposes
- The bond does not end upon the death of your client and can be used as a flexible investment by the trustees/beneficiaries after your client's death.

WHAT ARE THE RISKS OF CONTINUING ON A NIL-DISCOUNT BASIS?

- The value of your client's gift into trust will be the entire investment value (on the date of transfer). Therefore, if your client dies within seven years of making the gift this value will form part of their estate with no discount (though taper relief may apply)
- If your client dies within the seven year period, the value of the gift on which IHT is assessed may be higher than the value of the bond at that time. This could occur if the growth on the funds does not exceed the withdrawals combined with any charges on the bond. Whilst this could also occur if your client received a discount, it is less likely (as the gift itself would be smaller).

For full details of the risks associated with your client's chosen product, refer to the relevant **Key Features Document** and the applicable **Discounted Gift Trust Conversion Guide**.

If your client does not wish to proceed on a nil-discount basis, you may wish to explore alternative IHT planning options, including the trusts described in the next section.

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DECLINED

In some circumstances, where your client is not in good health, we must decline the application.

If the application is for joint lives and one applicant is accepted, it is possible to proceed on a single life basis.

If the application was for a single life and cannot proceed (or it was for joint lives and your clients do not wish to proceed on a single life basis) you may wish to arrange an alternative form of IHT planning for your client. We are able to offer other trusts that do not require underwriting. You and your client may wish to consider using these trusts in combination with one of our bonds:

LOAN TRUST

By using the Loan Trust, in combination with a bond, any growth is held under the trust for the beneficiaries and is outside your client's estate for IHT purposes. Your client will still be able to access their original capital (the loan) by taking withdrawals from the bond.

If your client has an existing bond it cannot be placed in a Loan Trust as the trust and loan agreement must be established before the bond.

Our Loan Trust deed uses a Discretionary Trust and is only available on a single applicant basis. For more information, refer to the **Guide to the Loan Trust**.

GIFT TRUST

By using our Discretionary Trust or Absolute Trust, in combination with a bond, your client can make a gift into trust for their beneficiaries. The whole investment is held for your client's beneficiaries and your client will not have any access to it. Any growth on the bond is immediately outside of your client's estate for IHT purposes. The gifted amount will also be outside your client's estate after seven years. If they die within seven years the gift into trust will be assessed for IHT along with any other relevant gifts.

A Gift Trust will not be appropriate if your client requires any access to their original capital.

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POSTPONED

In some cases we will be unable to assess your client's life expectancy at the time of application. With some health events, our underwriters will set a postponement period that must pass before we can make an underwriting decision. The postponement period allows sufficient time for any treatment to have its full effect. After this time has passed we will proceed with the underwriting process accordingly.

WHAT ARE THE OPTIONS IF MY CLIENT'S APPLICATION IS POSTPONED?

A postponed decision does not necessarily mean that your client cannot take out one of our underwritten schemes in the future. There are several options which you could discuss with your client:

1. If the application is for joint lives and one applicant is accepted, it is possible to proceed on a single life basis.
2. If the application was for a single life (or it was for joint lives and your clients do not wish to proceed on a single life basis), one option is for them to wait until the postponement period has elapsed and reapply. Your clients will be required to go through the underwriting process again. You should be aware that there are risks in taking this option and these should be explained to your client:
   - There is no guarantee that we will be able to offer your client a discount when they reapply in future and your client may still be declined
   - By waiting, your clients are delaying other IHT planning which they could have otherwise put in place.
3. You may wish to explore alternative IHT planning options, including the trusts described on the previous page.
4. If your client would like to be invested during the postponement period, the following options are available:
   - Where the application was for an Utmost International Isle of Man Limited Estate Planning Bond, your client can invest in an Utmost International Isle of Man Limited Evolution Bond on a capital redemption basis
   - Where the application was for an Utmost PanEurope dac Generation Planning Bond, your client can invest in an Utmost PanEurope dac Selection or Delegation bond on capital redemption basis.

   After the postponement period and once the bond has been held for 12 months, your clients can apply to gift the bond into a Discounted Gift Trust conversion scheme subject to the terms and conditions of the scheme. We will then proceed to underwrite the application and assess your client's health at the time.

   Again, you should explain the risks of taking this option. Whilst your client may benefit from the tax treatment of the bond, it is possible that they will not be able to transfer it into a Discounted Gift Trust conversion scheme in the future if a declined decision is reached after underwriting.

For more information, read the **Discounted Gift Trust Conversion Guide** for the relevant bond being converted and any restrictions that may apply.

CONTACT US

If you would like to find out more about our underwriting process and the solutions we can offer, contact us on:

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