

NFU Mutual Principles and Practices of Financial management (PPFM) Appendix

1. Introduction

This document includes additional information about NFU Mutual with-profits policies. The information contained in this appendix should be read in conjunction with the PPFM document.

2. Payouts

Annual Bonus Rates

The table below shows the declared annual bonus rates for 2008 and the interim rates for 2009.

Product	2008 Declared	2009 Interim
LIFE FUND		
Endowment and Whole Life – Pre 1/1/1983	0.7%	0.5%
– Post 1/1/1983	0.7%	0.5%
Capital Investment Bond (CIB) – Series I	3.0%#	3.0%#
– Series II	2.25%	2.25% Jan 1.75% Feb onwards
Flexibond	3.75%	3.75% Jan 2.75% Feb onwards
Impaired Life Annuities in Payment (Structured Settlements)	2.0%	N/a
PENSION BUSINESS FUND		
Conventional With-Profits Pensions – Pre 1/1/1983	0.2%	0.2%
– Post 1/1/1983	0.2%	0.2%
Unitised With-Profits Pensions – Series I	4.0%#	4.0%#
– Series II	3.25%	3.25% Jan 2.0% Feb onwards
– Series III	2.75%	2.75% Jan 1.5% Feb onwards
Annuities in Payment	2.0%	N/a
GENERAL ANNUITY FUND		
Agents' Pension Arrangements	0.7%	0.5%
ISA FUND		
Insurance ISA (Shrewd Savings Plan)	4.25%	4.25% Jan 3.0% Feb onwards

Rates quoted for Series I accumulating with-profits pensions and Series I Capital Investment Bond are inclusive of the guaranteed accumulation rates of 4% for pensions and 3% for CIB.

The following table shows the declared rates for the Capital Access Bond (CAB) for 2008 and the interim rates for 2009 to date.

	CAB: Investment Band					
With Effect From	£5,000 -£24,999	£25,000 -£49,999	£50,000 -£99,999	£100,000 -£249,999	£250,000 -£499,999	£500,000+
01/01/08 to 31/03/08	3.50%	3.65%	3.95%	4.05%	4.30%	4.35%
01/04/08 to 30/06/08	3.25%	3.40%	3.70%	3.80%	4.05%	4.10%
01/07/08 to 30/11/08	3.35%	3.50%	3.80%	3.90%	4.15%	4.20%
01/12/08 to 31/12/08	2.00%	2.15%	2.45%	2.55%	2.80%	2.85%
01/01/09 to 31/01/09	1.15%	1.30%	1.60%	1.70%	1.95%	2.00%
01/02/09 to 28/02/09	0.45%	0.60%	0.90%	1.00%	1.25%	1.30%
01/03/09 onwards	0.25%	0.40%	0.70%	0.80%	1.05%	1.10%

It is possible that changes have occurred since this document was updated. The current interim rates are shown on our website at www.nfumutual.co.uk.

How are annual bonuses added to contracts?

Annual bonuses are normally added each year to our with-profits policies.

- For conventional with-profits business, the bonus is added as a percentage addition to the basic sum assured (or pension) plus attaching bonuses.
- For *unitised with-profits business annual bonuses* are added as a percentage of the units created to date or via an upward movement in the unit price for Flexibond and Shrewd Savings Plan ISA or a combination of both for products such as personal pension plan and CIB that have a guaranteed minimum bonus rate.

How are terminal bonuses added to contracts?

Terminal bonuses are added only when the benefits under a policy become payable or when with-profits funds are switched into an alternative fund.

- For conventional with-profits business, the terminal bonus is usually calculated as a percentage of the total value of the *annual bonuses*.
- For unitised business, the *terminal bonus* is calculated as:
 - a percentage of the total unitised with-profits policy value before *terminal bonus* for Flexibond and Shrewd Savings Plan ISA business and
 - as a percentage of the total value of *annual bonus* units for all other products.

3. Investment Strategy

The asset mixes shown below were correct at 01/04/2009. It is possible that changes have occurred since that date, resulting from market movements, the investment of new money and changes in our general investment strategy.

Investment strategy for assets backing the assets shares of with-profits policies (other than the Capital Access Bond)

The *With-Profits Committee*, after considering advice from the *Actuary*, is responsible for setting asset allocation limits for the part of the long-term business fund that backs *asset shares* of with-profits policies. The *With-Profits Committee* will set a minimum and maximum % of the *asset shares* that can be invested in each category of asset. The appropriateness of these ranges will be reviewed quarterly. The current ranges, for the quarter starting on 01/04/2009, are shown in the table below:

UK equities	35-55%
Overseas equities	10-15%
Property	15-20%
Fixed interest (including cash, gilts, bonds and index-linked)	15-35%

The actual asset mix within these ranges will be set quarterly by the Investment department. The current asset mix is shown in the table below:

UK equities	42.5%
Overseas equities	12.5%
Property	15.0%
Fixed interest gilts	6.1%
Index linked bonds	6.5%
UK corporate bonds	14.4%
Overseas bonds	3.0%
Cash and other assets	0.0%
	100%

The mix of security ratings (the second highest if there is more than one rating) for our UK corporate bonds was as follows:

AAA	32.1%
AA	13.5%
A	39.7%
BBB	12.5%
Sub	2.2%
	100%

The asset mix backing the Capital Access Bond was as follows:

Floating rate notes	69.1%
Cash deposits	30.9%
	100%

4. Charges and Expenses

Flexibond – Open to New Business

The following charges apply to unitised with-profits investments in the Flexibond product.

- An annual fund management charge of 1% for policies with an original application date prior to 1st October 2005, and 1.1% for all other policies.
- Each month, part of the fund management charge will be rebated for larger policies by adding units to the Flexibond. The monthly rebate will be 1/12 of the rebate percentage shown in the table below, multiplied by the amount of fund to which the rebate applies:

Part of fund to which rebate applies	Rebate (% p.a.)
Up to £51,999.99	nil
£52,000 to £103,999.99	1/8
£104,000 to £259,999.99	1/4
£260,000 to £519,999.99	3/8
£520,000 and above	1/2

These bands will increase in April each year in line with the National Average Earnings Index as published in January of that year. The bands shown above are those that applied from 1st April 2008.

- In the event of surrender within three years of any single payment or any increase in regular payments a charge will apply. The maximum charge is 5% of the amount withdrawn, although, currently, NFU Mutual is applying, at its discretion, a reduced charge as follows:

Year of withdrawal	Surrender charge (%)
1	3
2	2
3	1
From 3 rd anniversary onwards	None

You may withdraw up to 10% per policy year of each investment made up to the date of withdrawal without incurring a surrender charge. These allowances can be carried forward if they are not used.

Shrewd Savings Plan ISA – Open to New Business

For the Shrewd Savings Plan ISA the charges are currently:

- An initial charge of 3% on each contribution paid
- An annual fund management charge, which is 1% for policies with an original application date prior to 1st October 2005, and 1.25% for all other policies.

Capital Investment Product (CIB) – Open to top ups to existing contracts only

For unitised with-profits investments in the CIB product the charges currently are:

- An initial bid offer spread of 2%.
- An implicit charge applied to asset shares equal to the explicit fund management charge under the unit-linked fund options which is currently 0.75% a year. For the With-Profits Fund, although there is no explicit fund management charge, any bonuses added will reflect an implicit charge to cover expenses

Personal Pension Plan – Closed to New Business

For unitised with-profits investments in the Personal Pension Plan, the charges currently are:

- An initial charge of up to 5% on each contribution paid for existing regular premiums. The actual initial charge currently depends on the amount of your total gross contribution, according to the table below.

Monthly Contributions	Annual Contributions	Contribution Charge
Less than £400	Less than £4,800	5%
£400 to £799	£4,800 to £9,599	4%
£800 to £1,199	£9,600 to £14,399	3%
£1,200 or more	£14,400 or more	2%

- An implicit charge applied to asset shares equal to the explicit fund management charge under the unit-linked fund options, which is currently 0.625% a year. For the With-Profits Fund, although there is no explicit fund management charge, any bonuses added will reflect an implicit charge to cover expenses
- An additional annual fund management charge is applied for capital units.
- A charge if waiver of premium benefit is selected.
- A charge if life cover benefit is selected.
- A charge applied to any capital units if the policyholder retires before his/her selected retirement date.

With-profits Personal Pension Plan – Open to New Business

The charges for the With-Profits Personal Pension currently are:

- An implicit annual charge of 1% applied to asset shares. For the With-Profits Fund, although there is no explicit fund management charge, any bonuses added will reflect an implicit charge to cover expenses.

Group Personal Pension Plans – Open to new business for existing schemes only and Executive Pension Plans - Closed to New Business

For unitised with-profits investments in the Group Personal Pension Plan and Executive Pension Plan products, the charges currently are:

- An initial charge of up to 5% on each contribution paid.

The actual initial charge currently depends on the amount of your total gross contribution, according to the table below.

Monthly Contributions	Annual Contributions	Single Contributions	Contribution Charge
Less than £400	Less than £4,800	Less than £4,800	5%
£400 to £799	£4,800 to £9,599	£4,800 to £9,599	4%
£800 to £1,199	£9,600 to £14,399	£9,600 to £14,399	3%
£1,200 or more	£14,400 or more	£14,400 or more	2%

- An implicit charge applied to *asset shares* equal to the explicit fund management charge under the unit-linked fund options, which is currently 0.625% a year. For the With-Profits Fund, although there is no explicit fund management charge, any bonuses added will reflect an implicit charge to cover expenses

AVCs – Open to New Business

For unitised with-profits investments in the AVC product the charges are:

- An initial charge of 2% on each contribution paid.
- An implicit charge applied to asset shares equal to the explicit fund management charge under the unit-linked fund options, which is currently 0.625% a year. For the With-Profits Fund, although there is no explicit fund management charge, any bonuses added will reflect an implicit charge to cover expenses.

CAB – Open to New Business

For CAB there is an implicit fund management charge, with the charge varying by band of fund size. The expenses of issuing and administering the Bond are reflected in the bonus rates added.

All products

Special terms and charges may apply to products sold within campaign periods. Any such terms will be detailed in the policy documentation.