# With-profits Investments

## A guide to the capital access bond

NFU Mutual

**This guide explains how the NFU Mutual with-profits fund works for the capital access bond. It will help you decide whether this type of investment is right for you. Please keep it in a safe place, with your other documents, to refer to in the future. It is also available on our website www.nfumutual.co.uk.**

If you would like more information on how we manage our with-profits fund, please read our principles and practices of financial management which are available at www.nfumutual.co.uk, or from our customer services team on 0800 622 323.

## 1. With-profits investments

Your capital access bond is a with-profits investment. Over the life of your capital access bond we aim to increase the value of your investment by adding regular bonuses.

There are two types of bonus. Every day we add an 'interim bonus'. Once a year our Board of Directors reviews the interim bonuses and adds a final bonus that replaces all the interim bonuses for that year. Normally the final bonus is the sum of all the interim bonuses but it can be lower (for example, if the performance of the assets is not as we expected).

Once we have added a final bonus it cannot be taken away.

## 2. How your money is invested

The capital access bond assets are mainly invested in cash deposits or other similar assets. Whilst the mix of assets may change over time, it is likely that the assets will continue to be mainly invested in low risk assets. (See our website www.nfumutual.co.uk for more information)

## 3. What affects the bonus rates?

The bonus rates for the capital access bond can go up and down and depending on investment conditions can vary considerably.

Your bonus will depend on:

1. The return on the assets we invest in and
2. The cost of selling and administering this business

Each month we review bonus rates, although changes are made less frequently. For the latest rates please look at your quarterly statements or our website www.nfumutual.co.uk

## 4. Surrendering your policy

With-profits investments often even out some of the fluctuations in investment performance. This is known as smoothing. Smoothing is not however, applied to the capital access bond.

You always get your full investment back when you want to access your money. There are no penalties.

You will get back:

- The amount you have paid in, plus
- Any final bonuses which have been added, plus
- Any interim bonuses which have been added since the last final bonus, less
- Any withdrawals you have made

## 5. Charges and expenses

When we calculate the bonus rates we take into account the costs of selling and administering capital access bonds. Larger policies receive higher bonus rates than smaller policies because the costs associated with larger policies are a lower percentage of the investment than for smaller policies.

## 6. Managing risks the with-profits fund is exposed to

The performance of the with-profits fund is affected by risks that may increase or reduce the value of the with-profits fund. These risks may change over time.

Currently the major risks facing the with-profits fund as a whole are:

- Potential losses on investments
- The cost of guarantees made on some with-profits policies being greater than expected
- Losses on our non-profit business (such as claims being more than expected)
- Expenses being higher than planned

Our Board of Directors is responsible for actively managing any risks to the with-profits fund. They approve all significant risks after considering factors including:

- Whether the risk is worth taking
- The size of our estate (see the next section)
- The size of the potential impact on our assets and our ability to pay policyholders
- Our exposure to other risks

The estate will normally absorb any profits or losses that arise from the risks the with-profits fund runs. However as a mutual organisation, with no shareholders, any losses (or profits) may ultimately be borne by (or credited to) the with-profits policyholders. Capital access bond holders do not benefit from profits arising from the sources outlined above, nor are they liable to losses occurring.

## 7. The estate and how we use it to manage your investment

The estate is the term we use to describe the excess of our assets over liabilities. Or in other words, what we own over what we owe. It provides us with the money (working capital) to operate our business. We carefully manage the estate so that it is big enough to:

- Provide enough money, so that we can continue to issue new business
- Cover the costs of smoothing
- Meet the costs of certain policy guarantees
- Meet any excess of expenses over charges to with-profits policies
- Provide investment freedom so we can invest in riskier assets which have potential for higher investment returns (for example equities and property)
- Cover one off exceptional expenses

## 8. Volumes of new business

The financial soundness of the with-profits fund can be adversely affected if the company issues too many new policies. Our estate is large enough such that currently we do not set any limits on the amount of with-profits business that we sell in any year. We regularly monitor the levels of new business. We currently have an upper limit in place, which means we would stop selling our NFU Mutual vintage and NFU Mutual classic bonds if the combined value of in force business for both bonds exceeded a certain amount. We regularly review this limit.

## To find out more

If you'd like to know more about investing in the capital access bond, you can:

- Contact your NFU Mutual financial consultant
- Call our customer service team on 0800 622 323
- Read the principles and practices of financial management (PPFM) at www.nfumutual.co.uk. The PPFM overrides the contents of this guide if there are differences between the two documents

NFU Mutual Financial Consultants advise on NFU Mutual products and services, and in special circumstances those of other providers.

NFU **Mutual**

**www.nfumutual.co.uk**

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