Care Plans
Immediate and Deferred
Key Features

Make a single payment to secure a regular, guaranteed benefit paid to your care provider

keyfacts®

This document gives you a summary of National Friendly's Immediate and Deferred Care Plans so you can get an idea of whether one of them is right for you.

There's more detail in our Policy Conditions which you can ask us for a copy of at any time. If you take out a policy then we'll include a copy of the Policy Conditions in your welcome pack along with a reminder of your cover details in your Policy Schedule. Your Policy Schedule will also confirm the single payment you made and the options you selected. Please keep all documents in a safe place where you or others involved in your care may find them.

We only accept applications where they have been personally recommended by a financial adviser with appropriate qualifications to advise on it. National Friendly does not currently offer advice or recommendations on this product. To check whether this product will meet your needs, you should read this Key Features document carefully.

Contents

Words that have a special meaning are in **bold** text. We try to explain their general meaning in the main text of this document, but their full meaning can be found in the Definitions section below.

Definitions

Care provider – any person (individual, partnership or organisation) who provides regulated activity registered with one or more of the following: the Care Quality Commission (CQC) in England, the Care Inspectorate Wales (CIW), Healthcare Improvement Scotland (HIS), or Regulation and Quality Improvement Authority (RQIA) in Northern Ireland.

Policy Schedule – a personalised document which shows the details of the Care Plan you choose and the cover you have. This is sent in your welcome pack when you buy a Care Plan.

Policy start date – the date on which your Care Plan begins and as stated on the Policy Schedule.

Purchased life annuity – a product that provides a guaranteed income for life in return for a single payment from you. Part of the income generated is considered a return of your single payment and so is tax-free, and the rest of it is subject to tax.

Retail Price Index (RPI) – a measure of inflation (the change in prices for goods and services over time) produced by the United Kingdom's Office for National Statistics (ONS).

UK – For the purpose of your policy cover and eligibility, this means England, Scotland, Wales, and Northern Ireland, but not Republic of Ireland, Channel Islands or the Isle of Man.

What is a Care Plan?

A Care Plan is a financial product called an annuity, where you make a single payment in return for a regular benefit paid towards your care fees for the rest of your life. The policy only covers you, the policyholder.

We offer 2 options, an Immediate Care Plan and a Deferred Care Plan. The Immediate Care Plan means your **care provider** starts getting paid the benefit straight away. For the Deferred Care Plan, you'll choose for the care payments to start after a set period of 1, 2, 3, 4 or 5 years. This is called the deferred period.

Who these plans might be suitable for

You might choose either Care Plan if you're someone who:

- is a resident in the **UK** and aged 60 or over
- wants the certainty of an agreed amount of benefit to be generated from their original single payment
- wants that benefit to be used entirely for paying their care fees
- has other assets available, such as a pension, to pay any difference between the benefit paid by the policy for care, and the actual cost of care
- can afford to pay a single payment of at least £20,000

The Immediate Care Plan might be suitable if you want care payments to be made now, and for the rest of your life.

The Deferred Care Plan might be suitable if you can afford to pay for your care for 1 or more of the first 5 years, but then want care payments to be made for the rest of your life after that.

Key features of our Care Plans

Both are designed to:

- pay a tax-free benefit towards your care costs when you need professional care due to a physical or mental impairment
- pay for care undertaken by a registered provider where you live, in a residential care home or in a care home with nursing
- keep paying for the rest of your life at the agreed amount and frequency
- pay back 100% of the single payment you made, minus any benefit payments we've paid, if you die in the first month after taking out the policy
- provide a short-term capital protection option to protect some of your original payment, minus any benefit payments we've made, if you die in months 2 to 6 after taking out the policy
- provide options to increase the amount of benefit we pay (escalation) to help keep pace with rising costs

The Immediate Care Plan

- starts making payments to your **care provider** straight away
- has a long-term capital protection option to protect some of your original payment, minus any benefit payments we've made, until the benefit payments we've made equal the amount you've covered

The Deferred Care Plan

- starts making payments after a period of 1, 2, 3, 4 or 5 years – you'll choose this if you want us to delay (defer) the payments we make
- doesn't have a long-term capital protection option
- would normally mean you pay a lower single payment than for an Immediate Care Plan as we won't be paying your care provider for a number of years

But here are some of the things you need to know:

Taking out either policy carries the following risks:

- it is possible that, when you die, you may have paid more for your policy than it pays out in benefits
- if you die after the first month, we may not pay any money back to your estate. We'll only pay back any part of your original payment which is protected by a capital protection option
- capital protection options won't protect all of your original payment after the first month
- the cost of your care may be higher than your benefit amount, even if you choose an escalation benefit. You will be responsible for paying the difference
- the cost of your care may be less than the amount of benefit paid by your policy. If this is the case we will pay the difference to you, minus tax
- any income we pay to you rather than a **care provider** may not be tax-free. The portion of income we pay to you may be taxed as a **purchased life annuity**

- any payments made to beneficiaries on your death may be subject to inheritance tax
- income paid to you may mean you're no longer entitled to means-tested benefits
- you can't cancel, change or cash in your policy for any reason once the 30-day cancellation period has passed

Additionally, under a Deferred Care Plan

- we won't pay your **care provider** in the 1 to 5 year period you select – you'll be responsible for these payments
- you won't be able to choose a benefit which increases in line with the **Retail Price Index (RPI)**
- you can't choose the long-term capital protection option and so won't be able to protect your original single payment after the first 6 months of holding the policy

Your commitment under an Immediate Care Plan

If you decide to take out this policy, you as the policyholder, or your legal representative on your behalf, commit to:

- giving us a single payment, which has no future cash-in value
- your choice of either a fixed amount of benefit or one which increases each year
- providing us with details of your **care provider**
- letting us know of any changes to your personal information or **care provider**, both before and after taking out the policy
- making sure the person who will be claiming any money when you die has our details so they can let us know as soon as possible

Your commitment under a Deferred Care Plan

As well as the above, your commitment is to:

- pay for any care fees during your chosen deferred period of 1, 2, 3, 4 or 5 years

How the Deferred option works

With an Immediate Care Plan, we start paying your **care provider** straight away. With a Deferred Care Plan, you'll have to wait a selected amount of time before we'll start paying your **care provider**. This time is called a deferred period.

You can choose to defer your benefit payments for 1, 2, 3, 4 or 5 years.

Once you've chosen your deferred period and your policy has started, you won't be able to change it.

During your deferred period you'll be responsible for any care fees. Your deferred period starts on the start date of your policy.

Example: Your policy started 1 May 2023 with a deferred period of 2 years. Your deferred period will end on 30 April 2025 and benefit payments will start on the 1 May 2025 and be paid for the rest of your life.

We'll write to you before the end of your deferred period asking you for all the details we need to make payment on the due date.

The payments we'll make will be from the end of your selected deferred period to the end of your life.

If you no longer need care when your deferred period ends, we'll pay the benefit to you as a **purchased life annuity** which will be taxable.

If you choose a Deferred Care Plan, and you also select payments which go up (escalate), we will increase the benefit amount during your deferred period, even though we aren't actually paying it at that time. Your payments will therefore be higher than first selected when we start to make them.

Deferred Care Plans don't have an option for payments to increase in line with the **Retail Price Index (RPI)** or have the long-term capital protection option.

We will make any other differences clear throughout this document.

The choices available to you when you buy a Care Plan

You will choose whether you want an Immediate Care Plan or a Deferred Care Plan.

You then have a number of options on the way we will pay the benefit and how you can protect your original payment.

Each choice will affect how much you pay as a single payment, or how much benefit we can pay. Your adviser will take this into account when advising you based on your particular needs and objectives. You should review your care funding needs regularly to ensure your arrangements continue to meet your needs.

You won't be able to change your selected options after 30 days from your **policy start date.**

You can choose:

- whether you want your benefit payments to always stay at the same level or go up each year
- to add short-term capital protection to protect part of your original payment so some of the money can be returned if you die in the first 6 months
- whether we pay your **care provider** every month or every 28 days

Additional options - Immediate Care Plans only

- to add long-term capital protection to protect part of your original payment for longer than 6 months

Choosing a level or escalating benefit

You can choose for your benefit to:

- always to be paid at the same level

or

- increase each year by between 3-10% in whole percentages

or (for Immediate Care Plans only)

- change each year on your policy anniversary in line with the **Retail Price Index (RPI)** figure set by the government. We'll use the **RPI** figure 3 months before the anniversary of you taking out your policy so we can apply it in plenty of time.

Please note you won't be able to choose a policy which goes up in line with the **Retail Price Index (RPI)** if you also want capital protection or if you want a Deferred Care Plan.

How you can protect your original payment

Both the Immediate Care Plan and Deferred Care Plan automatically include 100% protection for the amount you paid, if you die within the first month of the policy.

If you want to protect your payment for longer, when you buy a Care Plan you can choose to include capital protection. This protects some of the money you have paid in for a period of time.

Though you won't be able to add capital protection if you've chosen for your benefit payments to increase in line with the **Retail Price Index**.

Choices you can make:	Immediate Care Plan	Deferred Care Plan
Have no capital protection (after Month 1)	✓	✓
Add short-term capital protection	✓	✓
Add long-term capital protection	✓	✗
Add both short-term and long-term capital protection	✓	✗

Short-term capital protection

This option allows you to protect a percentage of your original payment if you die, in the first 6 months after taking out your policy.

The amount you can protect depends on the month after the policy starts when your death happens:

- Month 1: 100%
- Months 2-3: 50%
- Months 4-6: 25%

The amount we'll pay out is then the percentage of your original single payment as at the date of your death, minus any care fees payments we've made.

Long-term capital protection (Immediate Care Plans only)

This option allows you to protect a percentage of your original payment if you die after you've had the policy for 6 months or more.

The percentage that can be protected can be between 1% - 80% of your original single payment, in whole percentages.

The amount we'll pay out is the percentage of your original single payment you've protected minus any care benefit payments we've made up to the date you die.

If we've paid more in care benefits than you've protected, we won't pay out anything when you die.

If you die within the first 6 months and you've selected both short-term and long-term capital protection, we'll pay out the higher of the two amounts. We won't pay both of the amounts.

What happens if you don't select a capital protection option

If you die within the first month of the policy we'll pay out 100% of your original payment, minus any benefit payments we've paid. If you die after the first month and don't have capital protection, we won't pay out anything.

If you chose capital protection but you die after the period covered, we won't pay out anything.

When your Care Plan starts

Your policy will start when we receive both your acceptance of the benefit terms and your single payment. Your **policy start date** will be shown on your **Policy Schedule** which we'll send in your welcome pack.

When we'll start making your care payments

Immediate Care Plans

We'll start making payments to your **care provider** from the first day of the month after your **policy start date.**

The first payment will cover any part-month payment which may be due. So, if we receive your single payment on the 21 April, we'll make payment to your **care provider** for care received from 21 April, even though we may not make that payment until May 1.

All care payments will be made in advance.

Deferred Care Plans

We will start making payment at the end of your deferred period as set out in *'How the Deferred option works'.*

How often we'll make your care payments

We'll pay your benefit amount directly to your **care provider** every four weeks or every month in advance, as requested on the application form. This will usually be to tie in with how often your **care provider** invoices for their service. This means that in each policy year we will make either 12 payments monthly, or 13 payments every 28 days.

We'll put a payment plan in place with your **care provider** and update it as necessary.

You should make sure the payment frequency you choose ties in with the due dates of your **care provider**'s fees.

If you choose an escalating benefit, you can select the increase to coincide with your care provider's annual fee review. You can choose any month after your policy has started to be the first increased payment date. We'll then apply any further increases every 12 months from there on, at the escalation rate you choose.

You won't be able to choose the month your benefit goes up if you choose an escalating benefit in line with the Retail Price Index. These increases will be applied on your policy anniversary, based on the **RPI** rate calculated 3 months earlier.

We'll never reduce your care payments due to a negative **RPI** figure.

If you go into hospital or respite care, and your care fees are reduced as a result, you can ask us to suspend or reduce the payments to your **care provider** for this period of time. We'll make any suspended payment once we know your new care arrangements. But we'll have to pay any amount which is over and above the care fees payment directly to you.

Please see 'What you need to know about tax and state benefits' for details of what effect this has for income tax and means-tested state benefits.

What happens if you no longer need care

If you no longer need care, you must let us know so we can stop making payments to your **care provider**. We'll start making the benefit payments directly to you, but they would lose their tax-free status because your policy would be taxed as a **purchased life annuity**. See *'What you need to know about tax and state benefits'*.

If you then need care again at a later date, you must let us know and we'll make the payments to your registered **care provider**.

What to do if your circumstances change

It's important that we keep up-to-date records about your policy and **care provider**, so please let us know as soon as possible if:

- there is an error in the information provided to us
- your circumstances change between the date of your application and the date your policy starts
- you change your name or address
- you need to go into hospital or respite care and want to us to suspend or reduce the benefit payments to your **care provider**
- your **care provider** decreases your care fees
- you change care home or **care provider**
- you appoint a Power of Attorney or a Court of Protection deputy

The charges for your Care Plan

We include all of our administration charges in the cost of your policy. That means they will be covered in the original payment you make to us and we won't apply any extra charges at a later time.

If your financial adviser charges you for advice, we can add this fee to your original single payment. We can then pay the fee to your adviser from the single payment you make to us. If this is what you want, we'll include the full details on your Care Plan quote.

Or, you can pay your financial adviser directly if you'd prefer.

Who will get any money payable when you die

We will pay in accordance with law and will follow any legal instruction you give us.

The money we pay will normally form part of what's known as your estate. That means it will be counted as one of the things you owned. Your estate could be subject to inheritance tax.

We'll pay as quickly as we can, but wills, probate and letters of administration can take a while to process and lead to delays.

Making a nomination or putting your policy in trust are ways to make sure your loved ones can get the money a little quicker. You won't be able to do both of these, you'll have to choose one or the other.

A trust will cover all money from the policy, a nomination will cover £5,000 in total with a simple instruction. Any death benefits over this amount are paid to your estate through your personal representative.

If you want to put your policy in trust, you'll need to complete and return a trust form. You may want to get help from a solicitor to do this.

Please contact us if you'd like us to send you a trust form or a nomination form.

Your adviser will be able to give you advice on making sure money gets to the people you want it to go to.

What will be paid out when you die

Once we have been told about your death we won't make any further benefit payments. We'll pay any benefit amount due to your **care provider** for the period up to the date of your death.

If you selected a capital protection option and you die within the period it covers, we'll make the appropriate payment to the representatives for your estate or to your beneficiaries, as applicable.

If we're not told about your death in a timely manner, and as a result carry on paying your **care provider**, we'll reclaim these overpayments from any capital protection there is in place. If you don't have any capital protection, we'll ask for the overpayments to be repaid by your **care provider**, or your estate may need to repay them.

What you need to know about tax and state benefits

Under current law, any benefit payments we make directly to your registered **care provider** will be tax-free.

If the benefit amount is higher than your **care provider**'s fees, we'll pay the difference to you. If this happens then a proportion of the payment made to you will be considered a return of your original single payment and will not be taxed. The remainder will be treated as income for tax purposes as a **purchased life annuity**.

Lower-rate taxpayers and anyone with an unused portion of their personal allowance may be able to reclaim overpaid tax. Higher-rate taxpayers may have an additional liability.

Any income paid directly to you may affect your entitlement to means-tested state benefits.

Any money we pay out if you die within the first 30 days, or under the capital protection option if you choose this, may be liable to inheritance tax. Your financial adviser or a solicitor will be able to advise you as to the suitability of putting the death benefits into trust for your beneficiaries. We also have a limited range of trust forms to help you which you can ask us for.

This information is based on our current understanding of tax legislation and practice, and state benefits. Tax treatments and state benefits may change in future, and the information we provide here should not be relied on for your particular situation. If you want to learn more about your tax position, you should get professional advice from an accountant, solicitor or financial adviser. You may also want to speak to your local benefits office about any means-tested benefits you might receive.

If you want to cancel your policy

You can change your mind within 30 days of receiving your policy documents and we'll give you back the single payment you've made, minus any benefit we've paid out. Just let us know if you decide it isn't right for you using the contact details on the back page. We may ask you your reasons for cancelling but don't worry, there won't be any barriers to closing it if that's what you want.

Once the policy has run beyond 30 days, it cannot be cancelled and will end when you die.

How to apply to for a Care Plan

Care Plans can only be bought on the recommendation of a financial adviser who holds relevant later life advice qualifications, after assessing your financial circumstances, needs and objectives.

They'll help you or your legal representative (Power of Attorney or a Deputy under the Court of Protection) complete a quote request. This will give us all the details we need to assess your medical health and care needs and we'll then provide your quote to your financial adviser.

The quote request includes:

- details of your physical and mental health
- details of your care needs and provision, including costs
- any adviser fee which may be taken from the single payment amount you plan to pay us when you buy your plan
- the choices your adviser wants us to quote on, for example if the payments are to go up each year (escalation) or if you want to include capital protection

Your financial adviser will also ask your permission on behalf of National Friendly for us to contact any GP, **care provider,** or other care professional involved in the assessment of your care needs and state of health, to obtain their written assessment.

Using all of this information, we'll provide the quote to your financial adviser who will formalise their personal recommendation. They'll then discuss this with you or your legal representative. Where your adviser recommends this policy, you can then decide whether or not to proceed with it.

If you decide to proceed, we will then arrange to collect a single payment from you and pay any adviser fee that you ask us to pay from the money we receive. We will send you the policy documents for your policy which will include the **policy start date**, the amount of your single payment and the regular benefit amount we will pay to your **care provider**.

Further Information

Who to contact for more information

To discuss whether this policy is suitable in your circumstances, the progress of your application or to your cover, you should speak with your financial adviser.

National Friendly's details are on the back cover for any other queries you have during this period or after the policy has started.

If we get things wrong

We hope you never need to complain about your policy or the service we give you. But, you have the right to complain if you need to, and we'd like the chance to put things right.

You can tell us what's gone wrong by telephone, email or post.

- Phone us: **0333 014 6244** 8am-6pm Monday to Friday excluding bank holidays. Calls from UK landlines and mobiles cost no more than a call to an 01 or 02 number and will count towards any inclusive minutes.
- Email us: complaints@nationalfriendly.co.uk
- Write to us:
  Complaints Coordinator
  National Friendly
  11-12 Queen Square
  Bristol
  BS1 4NT

We will explain our complaints process, review your complaint and try to sort it out for you.

We aim to send you our final response in writing within three business days. For more complex complaints this could be between four to eight weeks.

If you're not happy with our response, you can make a complaint to the Financial Ombudsman Service (FOS), who look at complaints between customers and insurers.

This won't affect your legal rights and is a free service to use. You can find out more information at:
www.financial-ombudsman.org.uk

You can write to the FOS at **Financial Ombudsman Service, Exchange Tower, London E14 9SR**, phone them on **0800 023 4567**, or email them at:
complaint.info@financial-ombudsman.org.uk

Who you're protected by

National Friendly is required by our regulator, the Financial Conduct Authority, to categorise our customers to determine the level of protection they will receive. As a Care Plan policyholder we will treat you, and any person acting as legal representative, as a retail consumer. This gives the highest level of protection available under the Financial Conduct Authority rules.

Who we are

National Friendly is the trading name of National Deposit Friendly Society Ltd which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

How we do things – law, language and currency

In the event of a dispute we will try to solve any disagreements quickly and efficiently. If you are not happy with the way we deal with any disagreement, and you want to take court proceedings, you must do this within the UK.

All correspondence will be in English and all currency used will be in GB pound (£).

If you need your documents in other formats

We're able to give you all documents in Braille, large print or audio.

If you'd like a copy, please contact us using the details on the back page.

Solvency and Financial Condition Report

On our website you can download our 'Solvency and Financial Condition Report' which provides information about our performance, governance, risk profile, solvency and capital management, in the 'About Us' section.

A space to write down your adviser's details:

Here’s how you can contact us

We’re here to help

You can call us on:

0333 014 6244 8am-6pm Monday to Friday excluding bank holidays.

Calls from UK landlines and mobiles cost no more than a call to an 01 or 02 number and will count towards any inclusive minutes.

Calls are recorded for training and quality purposes.

Or email us at:

info@nationalfriendly.co.uk

Or visit us at:

www.nationalfriendly.co.uk

Or mail us at:

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