Model amber endowment re-projection letter and plan update 2011

XYZ Insurance Company
1 New Street
Birmingham NH2 1PM

HELPLINE XXX XXX XXXX
[e-mail : xyz.com]

Dear Mr and Mrs Amber

IMPORTANT INFORMATION YOU MUST READ:
Update on Your Mortgage Endowment Plan "Homebuyer"
Life Assured: A Amber and B Amber
Plan Number: UK1234567

AMBER ALERT: SIGNIFICANT RISK OF A SHORTFALL

There is a significant risk that your plan won't pay out enough to cover the target amount of £30,000. If you have not already done so, we strongly suggest you consider taking action to make sure you'll be able to repay the whole of your mortgage loan. Read the enclosed factsheet, which provides more detailed information and explains your options.

This letter and plan update contains important information about the progress your mortgage endowment plan is making towards helping repay your mortgage. They reflect current economic and investment conditions and so may be different from any earlier projections you have received. The enclosed factsheet(s) give more detailed information. Please read these documents carefully.

According to our records, your XYZplc endowment plan was set up to repay a target amount of £30,000. We enclose an update on the progress your plan is making towards reaching this target by the time your plan matures on XXXX.

Your enclosed plan update illustrates how much your plan might be worth when it matures, taking into account the actual performance of your plan up until now. It outlines the assumptions, charges and potential future investment growth rates and shows how these may affect your plan. **The growth rate projections used are not guaranteed. Investments will do better in some years than others so the situation can change, even over a short period. This means your maturity value could be lower or higher than shown in the illustrations. The impact of poor investment performance will be greater if your policy matures soon as there is less time for markets to recover and less time for you to consider what action to take.**

What should I do now?

Your policy currently has a projected shortfall of £XXXX, assuming investments grow at [mid rate]% each year. You may want to plan for a lower growth rate in the five years leading up to maturity as the [mid rate]% figure is not guaranteed. You need to think about what you would do if your policy did not reach its target amount and you should take some action now. You may want to talk to our helpline or your financial adviser.

Action you could take to make up the projected shortfall – the options

1. **Making changes to your mortgage loan,** such as switching the amount of the projected shortfall to a repayment mortgage, repaying some of your mortgage early, or switching to a repayment mortgage. Making changes to your mortgage is probably the lowest risk option to make up a shortfall. You may wish to speak to your mortgage lender about your options.

2. **Starting an additional savings plan,** to cover the expected shortfall.

3. **Varying your endowment policy**, for example by extending the term or topping it up with extra payments, where permitted.

4. **[Switching the fund you are investing in**. As you get closer to your maturity date, you may want to switch your investment into a more cautious fund so you have a better idea of the actual amount you may receive on the maturity date. If you do switch to a more cautious fund, then your investment is likely to grow at less than the growth rate assumed in your enclosed plan update. *Include this section if the plan is unit linked and can be switched]*

More information is included in the enclosed factsheet. **Do read this carefully and think about what action you need to take.** If you're not sure what option is best for you, take advice from a financial adviser. If you do not have a financial adviser you can find details of the advisers in your area at http://www.unbiased.co.uk/.

What should I do if I have other mortgage endowment plans, investments or regular savings?

If you have other endowments, investments or regular savings plans aimed at paying off part of the mortgage loan, you should take these into account when deciding what to do. You should get regular updates on the progress of your investments, and may have already taken action as a result. [All the endowment plans you have with us are included in the attached illustrations.] [If you have other endowment plans with us these will be reviewed separately.]

How can I check that my endowment is on track in future?

To make sure you are kept fully informed about the progress of your plan, we will send you a regular update, currently every [year/two years]. It is important that you check each time how your plan is performing. Investments will do better in some years than others, so the situation can change from one update to the next. You should continue to review the performance of your plan especially in the last 2 years.

Do you have any questions?

Please read this letter, and the attached plan update, very carefully. If you then have any questions, call our Helpline, on XXX XXX XXXX. [Local rate calls between 8.00 am and 8.00 pm, Monday to Saturday.]

[Do you think you have a valid complaint?

If you wish to complain about the original sale of your policy, you should take action now. If you do not complain [until after (insert date)] **or** [within X months], you will probably have lost your right to have your complaint considered and therefore any right to compensation. Enclosed with this letter is a factsheet, which explains the complaints process. *To be included where customer has had a red letter.*]

XYZ Insurance Company
Endowment Plan Update –

READ CAREFULLY AS YOU MAY NEED TO TAKE ACTION

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Your plan now…

The details and target amount of your mortgage endowment plan:

Start Date	Plan Number	Maturity Date	Payment Frequency	Current Premium	Target Amount
01/03/1989	11111111	01/03/2014	Monthly	£39	£30,000

…and what your plan may provide at maturity.

Illustrations of the benefit at the maturity of your plan assuming your investments grow in future at:

	[X]% each year	[Y]% each year	[Z]% each year	Target Amount
Projected final amount	£21,000	£25,900	£32,400	£30,000
Projected Shortfall	**£9,000**	**£4,100**		
Projected Surplus			£2,400	

Note: A surplus is the extra amount the policy might pay above the target amount. A shortfall is the part of the target amount that might not be met by the policy and which you may have to meet from other sources or savings in order to be able to repay your mortgage loan.

Note: The rate of growth needed to reach your target amount is higher than the middle rate [towards the top end for companies not using the middle rate] used for illustrating future returns. This means there is a significant risk that your plan won't pay out enough to cover the target amount of £30,000.

IMPORTANT INFORMATION TO READ:

1. The illustrations in this plan update show how much your plan might be worth when it matures, taking account of the actual performance of your plan up until now. The illustrations are based on our current charges and other assumptions affecting policy returns, which could change in the future. They are also based on three different rates of future investment growth: a middle rate of [X]% growth each year, a lower rate of [Y]% growth each year and a higher rate of [Z]% growth each year. [This range of future growth rates is set by the financial services regulator and represents long-term assumptions based on current economic conditions. O*nly use where 4/6/8% rates have been assessed as being appropriate*]. It is impossible to be certain about future investment growth and your maturity value could be lower or higher than shown in the illustrations, particularly if your policy matures soon.
2. [The XYZ Insurance Company's][Our] view is that [X%] each year is currently a reasonable assumption for the rate of long-term future investment growth. However, more conservative assumptions may be appropriate in the last 5 years of your policy. In future plan updates we will update you on our view of long-term future investment growth.
3. [The rate of future investment growth needed to meet your target amount is [X%] each year.]

[This letter and plan update and any connected communications will not affect or change your legal rights under your insurance policy]