NEDGROUP LIFE
ASSURANCE COMPANY LIMITED

PRINCIPLES AND PRACTICES OF FINANCIAL MANAGEMENT

MAKE THINGS HAPPEN

NEDGROUP
LIFE

A member of the Nedbank group

CONTENTS

NEDGROUP LIFE

Nedgroup Life Assurance Company Limited Reg No 1993/001022/06, First Floor, Ridgeside Campus, 2 Ncondo Drive, Umhlanga, 4320. We support resolution for unresolved disputes via the Ombudsman for Long-term Insurance.
We are an authorised financial services provider (licence number 40915). We are a registered credit provider in terms of the National Credit Act (NCR Reg No NCRCP61).

A member of the Nedbank group

INTRODUCTION

1.1 Background

Nedgroup Life Assurance Company Limited (Nedgroup Life) is a wholly owned subsidiary of Nedbank Group, and has been operating since 1977. Nedgroup Life currently offers a comprehensive range of life assurance and savings products.

The Universal range of products, which included a smoothed-bonus portfolio, is no longer open to new business. The products covered are summarised in Annexure 2.

This document sets out the principles and practices governing the smoothed-bonus portfolio. The approval, and ultimate responsibility for this, rests with the board of directors, who rely on the Committee for Customer Affairs and input from the Statutory Actuary of Nedgroup Life. The Committee for Customer Affairs is a subcommittee of the board of directors and the members of this subcommittee are responsible for ensuring that clients are treated fairly.

1.2 Purpose of the principles and practices of financial management

As Nedgroup Life utilises its discretion for both the investment strategy and the declaration of bonuses, this document sets out how this discretion applies in practice.

For the purpose of this document **principles** are the long-term standards used by Nedgroup Life in managing the smoothed-bonus portfolio. As a result, **principles** are expected to change infrequently.

Practices are those short-term actions taken by Nedgroup Life, based on the current environment, to achieve the long-term **principles**.

Any changes to the **principles** or **practices** are approved by the board of directors and Statutory Actuary, and communicated to the Financial Services Board (FSB) and policyholders within three months from the approval of any of the changes.

POLICYHOLDER AND SHAREHOLDER FUNDS

2.1 Background

The assets backing the smoothed-bonus portfolio are part of policyholder funds.

The regulatory capital required by Nedgroup Life to manage this portfolio is part of shareholder funds.

2.2 Principles

Policyholder and shareholder funds are clearly demarcated and managed separately. Investment returns accrue where they are earned.

2.3 Practices

The assets within each of these funds are managed separately by different portfolio managers, with their own specific investment mandates.

Should there be any short-term funding mismatch as a result of funding monthly surrenders or withdrawals, these will be cleared within a month through the management of the funds.

SMOOTHED-BONUS MANAGEMENT

3.1 Background

Surpluses arise from the differences between the actual investment return earned on the underlying assets and the bonuses added to policyholder investment accounts. The surpluses are reduced by approved management charges, investment fees, capital charges and taxation.

The bonus-smoothing account (BSA) represents the accumulated value of these surpluses over time. The costs of investment guarantees are debited to the BSA.

While the intention is to maintain a positive BSA, there are times when it may become negative. A negative BSA balance means that more bonuses have been declared than have been earned up to a particular date (as a consequence of the smoothing process). Where this happens, the shortfall will be recovered in future bonus declarations (ie future bonuses will be less than the net return earned). This is in line with the best-practice methodology for smoothed-bonus funds in an attempt to treat all policyholders equitably.

3.2 Principles

The underlying assets are invested to provide a real return over the lifetime of the policyholder. Nedgroup Life's intention is to maintain a long-term BSA of 2,5% of the unit account, and distribute the balance in the form of bonuses.

Nedgroup Life will never declare a negative Bonus. There may, however, be times when the actual Bonus is lower than the **interim Bonus** and/or lower than the investment returns for the year.

3.3 Practices

As actual investment performance tends to be volatile, Nedgroup Life aims to smooth the Bonus rates from one period to the next. To achieve this the BSA may fluctuate around the benchmark from time to time.

SMOOTHED-BONUS DECLARATIONS

4.1 Background

Bonuses are declared once a year. An **interim Bonus rate** is used for the period between the normal Bonus declarations, for the purpose of paying benefits during that period. It should be noted that, once the actual Bonus has been declared, the **interim Bonus** will fall away.

Actual Bonus declarations are set to reflect the long-term investment performance of the underlying assets, and will therefore smooth out the volatility of the actual performance. In years when above-average investment returns are earned, the bonuses declared may be lower than the net investment return earned and the opposite is often the case when below-average investment returns are earned.

There are two types of bonuses, namely vested (which are guaranteed) and non-vested (which are not guaranteed) bonuses. Once declared, vested bonuses form part of the guaranteed benefits of the smoothed-bonus policies and cannot be removed for normal contractual claims. Non-vested bonuses (which are also known as final bonuses, claim bonuses or capital bonuses – depending on the product) are not guaranteed and may be removed wholly or in part to ensure the solvency of the policyholder fund.

Declaring part of the Bonus in non-vested form enables Nedgroup Life to give policyholders the benefit of higher exposure to more volatile growth assets (such as equities and property), which may earn higher returns in the longer term.

A summary of past bonuses is provided in Annexure 3.

4.2 Principles

The main objective of the Nedgroup Life Bonus declaration policy for smoothed-bonus business is to distribute the BSA equitably over the lifetime of policyholders.

Bonuses are declared such that:

- the BSA balance remains within acceptable limits under prevailing and prospective economic and market conditions after the Bonus declaration;
- an appropriate proportion of policy value is held in a non-vested form; and
- the returns provided to policyholders are competitive in comparison with other closed funds (subject to the above).

Non-vested balances will be removed wholly or in part by the board of directors, on the recommendation of the Statutory Actuary, if the BSA balance becomes unacceptably negative. When non-vested bonuses are removed, they will be added back to the BSA and are therefore still part of policyholder funds.

4.3 Practices

Vesting and non-vesting bonuses for any year are declared within three months of the year-end to which they are relevant, by the board of directors on recommendation of the Statutory Actuary. An interim Bonus is set at the beginning of each year and remains valid for the particular year, unless conditions warrant that a revised rate be declared.

The expected average BSA for smoothed-bonus business is between 0% and 5% in the long term, while it could vary between -5% and +20% in the short term.

Policies must have a non-zero balance in the relevant smoothed-bonus fund on the date on which the Bonus is credited to policies in order to qualify for a declared Bonus.

When setting the vested-Bonus rate, Nedgroup Life will consider the following:

- The extent to which the performance is made up of realised returns versus unrealised returns.
- The level of vested bonuses in the smoothed-bonus portfolio.
- The economic outlook.
- The asset mix and potential impact a fall in asset values would have on the smoothed-bonus portfolio.

The target level of non-vested bonuses is 30% to 40% of the smoothed-bonus portfolio.

Interim Bonus rates, where applicable, apply where a relevant Bonus declaration has not been made. The following aspects are taken into account when setting interim Bonus rates:

- The **interim Bonus** should provide (as far as possible) a reasonable return compared with the expected returns earned on the fund in respect of the period from the last Bonus declaration date for policies in terms of which claims are submitted before the next Bonus declaration date.
- **Interim Bonus rates** are reviewed quarterly and may be changed retrospectively at any time between Bonus declaration dates based on investment returns actually earned.
- **Interim Bonus rates** are set prudently to minimise the possibility that declared bonuses may be lower than **interim bonuses**, so that policyholders are treated equitably.

TERMINATIONS AND ALTERATIONS

5.1 Background

Policy contracts usually specify how the benefits payable on normal contractual events such as maturity or death are determined. Contracts (particularly older contracts) do not usually specify how the benefits payable on **termination** of the contract by the client will be determined, nor do they usually specify how benefits will be amended when a policy contract is amended. Nedgroup Life therefore usually has discretion in determining **termination** values and amended benefits when a contract is amended.

5.2 Principles

Nedgroup Life aims to provide **termination**, **paidup** and other **alteration** values that provide reasonable values to affected policyholders, without prejudicing those policyholders who continue to meet their contractual obligations, subject to any regulatory or legal constraints.

5.3 Practices

5.3.1 Terminations

Termination values are determined at the discretion of Nedgroup Life, in accordance with section 52 of the Long-term Insurance Act, 52 of 1998 (the Act), and part 5 of the regulations under the Act. **Termination** values take into account the recovery of unamortised initial expenses (where relevant), and are reduced when asset values are depressed (via a **market value adjustment**). These regulations regarding maximum allowable deductions are taken into account, where applicable.

A **market value adjustment** is applied on early **termination** of smoothed-bonus business if the BSA is negative and is set by reference to the value of the underlying assets in which the fund is invested. It is necessary to apply a **market value adjustment** to ensure that neither the security of nor the return to continuing policyholders is adversely affected by paying **termination** values significantly in excess of the value of the underlying assets. The size of any **market value adjustment** applying to **terminations** will vary as the value of the underlying assets changes. If **termination** values are adjusted downwards because of depressed asset values, the consequent reduction in **termination** values paid out will be credited to the BSA.

SPECIAL CONSIDERATIONS FOR SPECIFIC PRODUCTS

Adaptability policies

For these policies the amount paid on **surrender** is based on the total policyholder account, including vested and non-vested bonuses where applicable, less:

- a **market value adjustment** (when applicable);
- the value of the unrecouped-initial-expense account (an internal account that represents commission and other initial expenses, less policy charges earmarked for covering these initial expenses, plus accumulated interest); and
- a disinvestment charge, on a sliding scale, which decreases linearly from 5% to 0% of the difference between the fund value (after the application of the **market value adjustment**) and the unrecouped-initial-expense account, over the term of the contract.

All other Universal policies

For these policies the amount paid on **surrender** is based on the total policyholder account, including vested and non-vested bonuses where applicable, less:

- a **market value adjustment** (when applicable);
- the value of the unrecouped-initial-expense account (an internal account that represents commission and other initial expenses, less policy charges earmarked for covering these initial expenses, plus accumulated interest); and
- a disinvestment charge, on a sliding scale, which decreases linearly from 2% to 0% of the difference between the fund value (after the application of the **market value adjustment**) and the unrecouped-initial-expense account, over the term of the contract.

5.3.2 Alterations

Alteration values are determined at the discretion of Nedgroup Life, in accordance with section 52 of the Act and part 5 of the regulations under the Act.

Policy values following policy **alterations** (including making a policy **paidup** and increasing or reducing the sum assured or premiums payable under the policy) are calculated:

- to be supportable by the asset share[1] of the policy at the alteration date on the basis of expected future experience;
- to take into account the recovery of unamortised initial expenses (where relevant);
- to allow for an **alteration** fee; and
- as far as possible, to be consistent with -
  - projected maturity values, at later durations; and
  - current termination values (ie result in termination values immediately before and after the alteration being similar).

These regulations regarding maximum allowable deductions are taken into account where applicable.

SPECIAL CONSIDERATIONS FOR SPECIFIC PRODUCTS

All Universal policies

A reduction in the contractual premium payable (including making a policy **paidup**) will result in a reduction in policy benefits. This reduction in benefits is calculated to recover charges in respect of commission and other initial expenses, which will no longer be received partially or wholly due to the reduction in the contractual premium. **Market value adjustments** are also taken into account, where applicable.

Notes

1. See Annexure 1 for definitions.

INVESTMENT POLICY

6.1 Background

Asset allocation between different asset classes (ie equities, bonds, property and cash, as well as local and international assets) has a significant effect on investment returns earned and therefore on benefits paid in respect of smoothed-bonus business.

6.2 Principles

The investment policy in respect of investment portfolios backing **smoothed-bonus business** is aimed at maximising net long-term investment returns for policyholders in accordance with the risk/return profile selected by the policyholder, subject to:

- the nature of the liabilities (including guarantees, policy terms and matching requirements);
- prevailing regulatory requirements (including limitations on the concentration of assets in a particular share/bond);
- holding a diversified portfolio of assets (within an asset class, as well as between asset classes [where applicable]); and
- the availability of suitable assets.

6.3 Practices

6.3.1 Asset allocation and mandates

The underlying assets within Nedgroup Life's smoothed-bonus portfolio are invested in accordance with a mandate, which in particular provides asset allocation limits. The mandates allow the asset manager to depart to some specified extent from the long-term asset allocation, based on his/her view of the markets and where he/she expects to earn higher returns.

The asset allocations of smoothed-bonus business are influenced by the level of guarantees provided and the desired risk profile. These portfolios are generally comprised of a mix of local assets, in a range of asset classes such as listed equities, interest-bearing assets (eg bonds), direct property and alternative assets (such as private equity). Asset-liability modelling techniques are used to set the investment mandates, which aim to balance the reasonable expectations of policyholders with the capital considerations arising out of the guarantees provided. In addition to representing sound financial management, this also complies with section 31(2) of the Act regarding asset-liability matching. Mandate managers represent the interests of policyholders in setting and reviewing investment mandates, in consultation with the asset manager.

Although the mandates are not expected to change frequently, Nedgroup Life may adjust these if changes occur in the regulatory, economic or investment environment, or if a change occurs in the standards of capital management (whether internal or external).

The current investment objectives and mandate of the smoothed-bonus funds, as well as the range within which the asset allocation of those funds can change, are provided in Annexure 5.

6.3.2 Portfolio management

The portfolio managers responsible for policyholder funds have been clearly instructed that all investment decisions taken with respect to the policyholder funds must be in the long-term best interests of policyholders, within the constraints of the specified investment mandates.

All potential conflicts of interest arising out of proposals that policyholder funds invest in a company or fund in which shareholders have an interest must be disclosed to the Statutory Actuary (who will report these to the board of directors' Committee for Customer Affairs. These conflicts of interest, if material, require approval by the board of directors. Any such transactions are conducted on arm's length terms, and only when it is clearly demonstrated that such investments are in the interests of policyholders.

BUSINESS RISKS

7.1 Background

The main risk to which holders of smoothed-bonus policies are exposed is investment risk (including credit risk and investment guarantees). Holders of smoothed-bonus policies are not directly exposed to any other business risks (eg mortality, expense and persistency risks). These other business risks are borne by shareholders. However, Nedgroup Life may vary mortality and expense charges if justified and in accordance with policyholder documentation and the recommendation of the Statutory Actuary.

Nedgroup Life has discretion to take action in adverse investment conditions to ensure the ongoing viability of smoothed-bonus funds.

7.2 Principles

In adverse investment conditions Nedgroup Life will adjust the benefits payable to policyholders such that the benefits paid to departing policyholders do not unfairly affect the benefits of the remaining policyholders.

7.3 Practices

Business risk is managed through the asset allocation process, credit risk guidelines and restrictions on the use of derivatives. The practice of smoothing investment returns cushions holders of smoothed-bonus policies against the risk of adverse fluctuations in investment returns in the short term. In the long term, however, declared bonuses reflect the actual net investment returns earned by each smoothed-bonus fund.

In adverse conditions management actions (as approved by the board of directors) will be taken to ensure the ongoing viability of smoothed-bonus business. The aim of these management actions is to restore the level of the BSA to its long-term target range. Adverse conditions include adverse investment conditions (such as a significant fall in asset values). While Nedgroup Life has internal guidelines (see Annexure 4), there are no absolute BSA threshold levels at which particular management actions are automatically taken to restore the BSA to its long-term target range, as this will depend on the specific circumstances at the time.

If the BSA becomes increasingly negative, the extent of management action will become more pronounced, and will include the following remedial steps, taking due consideration of the economic and investment environment at all times:

- **Termination** values will be reduced by the application of **market value adjustments** when the BSA is negative (as described in section 5.3.1).
- **Interim bonuses** may be reduced.
- Low or zero bonuses may be declared.
- The non-vested portion of a policy (or part thereof) may be removed when the BSA becomes unacceptably negative (as described in section 4.2).

If, after the removal of non-vested balances, the board of directors does not consider it possible to restore the level of the BSA to its long-term target range during the ensuing three years, shareholder capital will be used to provide support to the portfolio for as long as this is necessary. If and when the BSA position improves, the capital provided will be returned to shareholder funds with any returns earned on that capital.

CHARGES

8.1 Background

Expense charges include management fees and investment fees/expenses. For some policies risk charges are levied in respect of the cost of death, disability, illness or other such benefits provided by the policy. These charges may be set or reviewed at the discretion of Nedgroup Life's board of directors, based on the recommendation of the Statutory Actuary.

The tax payable in respect of policyholder funds is based on a complex formula that has three main components – the investment return earned, expenses incurred and transfers to the shareholder fund. Nedgroup Life is responsible for ensuring that the correct tax is paid and has discretion as to how this tax is recovered from policyholder funds.

8.2 Principles

Nedgroup Life aims to:

- amend rand-based expense charges in line with inflation, where policy contracts permit this;
- amend charges for expenses and risk in line with actual past and expected future experience, if these are different from the prevailing charges, where policy contracts permit this;
- allocate tax to policyholders in line with the expected tax payable in respect of policyholder funds; and
- ensure that investment fees charged by asset portfolio managers are reasonable and in line with those of the market.

8.3 Practices

8.3.1 Expense and risk charges

Certain policy contracts permit charges for expenses and risk to be amended periodically. This is subject to the Statutory Actuary being satisfied that such adjustments are reasonable in the light of actual past and expected future experience. Increasing profit margins to shareholders is not sufficient reason to increase charges.

Expense charges expressed as a rand amount are reviewed annually with reference to the rate of inflation.

8.3.2 Tax charges

Taxes on investment income and capital gains are deducted from taxable investment income and capital gains at the applicable policyholder fund tax rates.

In the event of changes to tax formulae or new taxes being imposed, a fair basis of allocation of tax charges to policyholders will be derived, based on input from the Statutory Actuary.

NEW BUSINESS

The smoothed-bonus portfolio is no longer open to new business.

POLICY REVIEWS

10.1 Background

Smoothed-bonus policies were priced on a set of mortality, economic, lapse and expense assumptions. However, we reserve the right to change these assumptions as experience unfolds, which may impact the level of the premiums we charge policyholders.

10.2 Principles

Nedgroup Life may change the underlying charges or premium rates of its in-force smoothed-bonus business if the current premiums are insufficient to support the full policy benefits.

10.3 Practices

If the combined effect of economic, investment and claims experience is worse than expected, Nedgroup Life will, on the advice of its Statutory Actuary, review the adequacy of the premiums. Any changes will be communicated to the policyholder and Nedgroup Life will advise the policyholder should an adjustment be required. If the policyholder chooses not to pay the adjusted premium, the benefits of the policy will be adjusted accordingly.

Nedgroup Life may not alter premiums during any premium guarantee periods of the policy.

DEFINITIONS

Actuarial liabilities

These are the liabilities determined according to the statutory valuation method as prescribed in the Long-term Insurance Act and associated regulations and notices, as applied in South Africa.

Alteration

A policyholder may initiate a contractual change to a policy, such as an increase in premium, an extension of term or a part surrender. Any such change must be agreed by the insurer and will result in an addendum to the policy document.

Asset share

This is the theoretical amount that would be accumulated in respect of a policy if investment performance and other applicable surpluses were allocated to a policy on an individual basis.

Bonus-smoothing account (BSA)

This value is an amount reflecting the difference between the value of the assets in the underlying portfolio and the amounts accumulated in the policies (ie net amounts invested plus bonuses). It represents the difference between surpluses earned and bonuses declared.

Book value

This is the total value of the policy, based on bonuses declared for the policy, net of charges and tax. In general terms, for a linked policy, the book value and the market value would be the same, whereas for a smoothed-bonus policy the book value would differ from the market value, with the difference being reflected in the bonus-smoothing account.

Credit risk

This is the risk of loss as a result of default by counterparties or a reduction in asset values as a consequence of the credit impairment of a counterparty.

Interim bonus

For many products bonuses are declared annually only. To enable some investment return to be paid out when processing a claim between these annual Bonus declarations an interim Bonus rate is used. The interim Bonus rate tends to be set at a conservative level, and may be changed at any time.

Investment risk

This is the risk that policy benefits are adversely impacted when low or negative investment returns are earned.

Market value

This is the portion of total asset value attributable to a policy, based on the actual investment return earned in respect of the policy, net of charges and tax. In general terms, for a linked policy, the book value and the market value would be the same, whereas for a smoothed-bonus policy the book value would differ from the market value, with the difference being reflected in the bonus-smoothing account.

Market value adjustment (MVA)

If a policyholder surrenders a smoothed-bonus policy at a time when the bonus-smoothing account for the class of business is negative, a market value adjustment is applied to the book value to provide a surrender value equivalent to the market value of the policy. This adjustment is credited to the bonus-smoothing account and as such serves to protect the remaining policyholders.

Mortality risk

This is the risk that policy benefits are impacted by the number of deaths being greater or smaller than allowed for in the pricing of the contract.

Nedgroup Life

This refers to Nedgroup Life Assurance Company Limited.

Paidup

This is when a policyholder stops paying the contractual premiums in respect of a policy. In this case the benefits of the policy will be adjusted.

Reserve

A reserve is a provision established for meeting future claims, net of future premiums.

Surrender

This is when a policyholder decides to cancel a policy before maturity and takes the proceeds in cash.

Termination

This is another term for a surrender, where a policyholder withdraws all or part of his/her money from his/her policy before a normal contractual claim occurs.

PRODUCTS INCLUDED IN SMOOTHED-BONUS BUSINESS

Pure endowment
Endowment with life cover
Adaptability
Whole-life maximum cover
Whole-life maximum investment
Joint life
Retirement annuity

PAST BONUS DECLARATIONS

Bonus declaration periods for smoothed-bonus business

The Bonus declaration periods for the various smoothed-bonus products are given below.

PRODUCT	BONUS DECLARATION PERIOD	PERIOD ENDING
Universal smoothed-bonus business	Annual in arrear	31 December

YEAR	TOTAL BONUS
December 2002	4%
December 2003	3%
December 2004	9%
December 2005	15%
December 2006	15%
December 2007	9%
December 2008	3%
December 2009	6%
December 2010	5%
December 2011	5%

MANAGEMENT ACTION POLICY

Smoothed-bonus management action policy

Nedgroup Life will under extremely adverse investment conditions, such as would result in a negative smoothed-bonus stabilisation reserve (SBSR), follow a course of action based on, but not restricted to, the guidelines set out below in an effort to restore the SBSR to a positive position:

- **-5% >= SBSR > -10% (percentages as a proportion of the unit liabilities of the fund)**
  Implement a 5% market value adjustment (MVA) on all surrender benefits payable and on portfolio switches in respect of policies invested in the smoothed-bonus fund.

- **-10% >= SBSR > -15%**
  Implement a 10% MVA on all surrender benefits payable and on portfolio switches in respect of policies invested in the smoothed-bonus fund.

- **-15% >= SBSR > -20%**
  Implement a 15% MVA on all surrender benefits payable and on portfolio switches in respect of policies invested in the smoothed-bonus fund.

- **-20% >= SBSR**
  Implement at least a 20% MVA on all surrender benefits payable and on portfolio switches in respect of policies invested in the smoothed-bonus fund. The extent of the MVA would depend on the level of the SBSR at the time.

In addition to the above, consideration will be given to reducing interim bonuses. In addition future smoothed-bonus declarations may be set at levels lower than the achieved fund performance. And lastly, consideration will be given to removing a portion of accumulated non-vested bonuses should asset values decline in accordance with the above and not subsequently recover within a few months. The portion of non-vested bonuses removed would be set broadly to reflect the market decline.

INVESTMENT MANDATE

Investment objectives and mandates for smoothed-bonus business

Nedgroup Life's smoothed-bonus business is invested in a 50%/50% split in the Nedgroup Investments Positive-return and Stable Funds.

Both funds aim to offer total returns that are in excess of inflation over the medium term. The Positive-return Fund also places considerable emphasis on capital protection by guaranteeing that it would not have negative returns over a rolling 12-month period.

CHARGES

Charges applying to smoothed-bonus business

The profit charges that apply to **smoothed-bonus business** are given below.

NEDGROUP LIFE PROFIT CHARGE
Investment management fees (deducted at source by asset manager)
10% of after-tax returns
1,5% management fee for capital guarantee
Bid offer spread: 5%
Policy fee: product-specific – ranges from R60 pa to R90 pa
Allocation percentages: product-specific – ranges from 0% to 30%
Risk charges: depends on the difference between the sum assured and the investment accounts at a given time

How charges are deducted for smoothed-bonus business

Some charges (such as profit charges, management fees and investment fees/expenses) are deducted from the returns earned by the smoothed-bonus fund. These charges are deducted from the returns earned **before** bonuses are declared (and are therefore reflected implicitly in the bonuses declared). These charges were not disclosed in the relevant contracts.

Other charges are deducted explicitly, separately from the bonuses declared. These charges may be deducted from premiums paid before these are invested and/or from policy fund values on a monthly basis. These charges, which may be expressed as a rand amount and/or as a proportion of the premium paid and/or as a proportion of fund value, are specified in the relevant policy contracts to the extent described under 'Special considerations'.