# With Profit Endowment policy holders see reduced annual bonuses

Recently, many of the UK's leading insurance companies announced reduced annual bonuses for With Profit Endowment policy holders, yet another blow for homeowners who took out endowments during the 1980s and 1990s, as they will now see increased shortfalls on their mortgage liabilities.

Some of the big names that have declared reduced annual bonuses are Scottish Widows, Friends Provident, Norwich Union and Scottish Life, while some have bucked the trend, and increased payouts – these include Standard Life, Prudential and Legal and General.  But unfortunately for many endowment policy holders, payouts are down.

Annual bonus declarations vary from insurance company to insurance company because they are influenced by a number of factors, which include past investment performance, previous bonus announcements and the financial strength of the company.

For example, those who have policies with Scottish Widows, Friends Provident, Norwich Union and Scottish Life will see reduced annual bonuses in 2008 compared with the previous year. Based on a male policy holder with a 25 year endowment policy who was aged 30 when he took out the policy paying £50 per month, a Scottish Widows endowment would see a reduction of £442 between 2007 and 2008. A Friends Provident policy would see a payout of £37,540 in 2007 reduced to £36,425 in 2008, Norwich Union's payout would decrease by £2,776 and a Scottish Life policy would decrease by more than 8 per cent – from £37,132 in 2007 to £34,196 in 2008.

Where a policyholders' endowment continues to under-perform, the insurance company should write to them, warning them of the potential shortfall. However, there are things that can be done to address this potential shortfall before it is too late.

Make a complaint – Many endowment policy holders have successfully won complaints cases against insurance companies because they say the potential risks of endowment were not explained properly to them when they took the policy out. The FSA has more information about endowment complaints.

Surrender – Because of the bad press that endowments have received over the last 10 years or so, many policyholders are trying to get rid of them, and will often just settle for the surrender value offered to them in the hope of cutting their losses and getting back cash.

Sell - There is now a fairly healthy secondhand market for endowments and those who have sold their endowment policy on to an investor have found that they got a lot more than they would have if they had settled for the surrender value – up to 45% in some cases. The reason is, potential investors see endowments as an attractive investment, due to relatively low risk investment strategy and partially guaranteed return.

But the best advice is to get advice; if you are uncertain about what to do, seek independent advice from a specialist.

## About the Author

Isla Campbell is an online, freelance journalist and avid traveler and pilates devotee.  When not on the road she lives on the outskirts of Oban.