

5.(1)(C) Description of SAIF linked contracts continued

- (i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.
- (j) Contracts which were written up to and including 26 July 2000 as increments to FlexiPension (Series 1) contracts have the same Guaranteed Annuity Option as the FlexiPension (Series 1) contract (see 4(C)(c)B on page 30).
- (k) These contracts ceased to be available in 1990, except for FlexiPension (Series 3) and IndePension (Series 1) which ceased to be available in 1988.
- (l) There were no increases in the rates of charges during the report period.

(v) *Series 2 pensions*

- (a) This category comprises MaxiPension (Series 2), OmniPension (Series 2), ExtraPension (Series 2), FlexiPension (Series 5 and Series 6) and IndePension (Series 3 and Series 4).
- (b) These are non-profit pure endowment contracts.
- (c) Single or regular (annual or monthly) premium.
- (d) MaxiPensions and OmniPensions are designed for exempt approved schemes and ExtraPensions for free standing AVCs. MaxiPension and OmniPensions have slightly different charges and are designed to appeal to different markets.

FlexiPensions and IndePensions are personal pension contracts for those in self-employment and employment respectively. FlexiPension (Series 5) and IndePension (Series 3) are for increments to FlexiPension (Series 1, 2 and 3) and to IndePension (Series 1 and 2) respectively, effected in terms of Chapter III of Part XIV of the Income and Corporation Taxes Act 1988.

A group personal pension version, Group IndePension (Series 2), is included with IndePension (Series 4).

Policies are written either to a normal retirement age (NRA) or a selected retirement age (SRA).

On retirement at the NRA or SRA the fund available is the value at the bid price of the units allocated.

On death before the NRA or SRA, the policyholder may receive:

- (i) the value at the bid price of the units allocated to the policy, or
- (ii) in the case of MaxiPension (Series 2), ExtraPension (Series 2), FlexiPension (Series 6) and IndePension (Series 4), the greater of a specified sum assured and the value at the bid price of the units allocated to the policy, or
- (iii) in the case of MaxiPension (Series 2), OmniPension (Series 2), ExtraPension (Series 2), FlexiPension (Series 6) and IndePension (Series 4), a specified sum assured in addition to the value at the bid price of the units allocated to the policy.

The personal pension contracts have a facility for waiver benefit, under which premiums are waived in respect of any period of incapacity, excluding the first six months and excluding periods of sickness when HIV positive or suffering from AIDS.

Accumulating with-profits versions of these contracts are also available as described in 4(C)(a)(1)D (page 29).

- (e) Not applicable.

5.(1)(C) Description of SAIF linked contracts continued

- (f) With effect from 6 April 2001 some charges were removed from IndePension (Series 4), FlexiPension (Series 6) and ExtraPension (Series 2) contracts. Following the changes, the allocation factor is 100% or, if greater, the original allocation factor less 5% bid/offer spread, premiums are allocated at bid price and no installation or annual member charges apply. Additional non unit reserves have been established where this results in future expenses exceeding charges.

Regular premium policies:

Acquisition expenses and initial commission are recouped by an additional management charge of 1.8% per annum for a period of up to 25 years, of the units bought in the first three years of each benefit. This charge is met by the cancellation of units at the end of each policy year. Subject to the removal of charges with effect from 6 April 2001 referred to above, an installation charge is also applied at the set up of a policy.

Subject to the removal of charges with effect from 6 April 2001 referred to above, renewal expenses and renewal commission are met from the combination of the bid/offer spread and the allocation factor, from the annual management charge and from an annual member charge which is applied to one of each member's policies.

After 10 years the premium deemed to be allocated after allowing for the bid/offer spread and the allocation factor may exceed the amount of the premiums received. Any such enhancement is met from the annual management charge.

The cost of any sum at risk (i.e. the excess of the death benefit over the bid value of the units) is met by the monthly cancellation at the bid price of sufficient units to meet the cost for that month.

The cost of providing waiver of premium benefit is met by the monthly deallocation of units.

Single premium policies (including DSS rebate only contracts):

Subject to the removal of charges with effect from 6 April 2001 referred to above, acquisition expenses and initial commission are recouped from the combination of the bid/offer spread and the allocation factor.

Subject to the removal of charges with effect from 6 April 2001 referred to above, renewal expenses are met from the annual management charge and from an annual member charge which is applied to one of each member's policies.

There may be instances, for longer term policies, where the amount of premiums deemed to be invested, after allowing for the effect of the allocation factor and bid/offer spread, is greater than the amount of the premiums. Any such enhancement is recouped from the annual management charge.

The annual management charge is currently 0.875% per annum, with the exception of the Exempt Global Balanced (US View) fund for which the annual management charge is 1.125% per annum.

- (g) Increases in member charges are normally restricted to increases in line with inflation unless it can be demonstrated that costs have increased by more than this. There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.

The mortality rates used to calculate the cost of the death benefit may be changed if there is a significant change in the expected mortality experience of the Company's policyholders.

The rates used to calculate the charges for waiver of premium benefit can be changed if there is a significant change in the expectation that the Company's policyholders will suffer an accident or illness that leads to a claim.

5.(1)(C) Description of SAIF linked contracts continued

(h) Regular premium policies:

The value of the policy on early retirement or surrender before the NRA or SRA is the bid value of the units less an early retirement charge and a discontinuance charge.

The early retirement charge is equivalent to the value of units that would have been cancelled by the future additional management charges assuming early retirement had not taken place.

A discontinuance charge may also be applied if the contributions under a regular premium policy are reduced or stopped prior to the attainment of NRA or SRA.

Single premium policies:

The benefit on retirement or surrender before the NRA or SRA is the bid value of units less an early surrender charge which is calculated by reference to the outstanding proportion of the policy term.

- (i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.
- (j) Contracts which were written up to and including 26 July 2000 as increments to FlexiPension (Series 1) contracts have the same Guaranteed Annuity Option as the FlexiPension (Series 1) contract (see 4(C)(c)B on page 30).
- (k) These contracts were closed to new business in 1994, except for FlexiPension (Series 5), IndePension (Series 3), MaxiPension (Series 2) and OmniPension (Series 2), which were available in SALAS until the transfer date. FlexiPension (Series 5) and IndePension (Series 3) are available for incremental business in SAIF. MaxiPension (Series 2) and OmniPension (Series 2) are available in SAL for non-contractual incremental business and new entrants to existing schemes, and in SAIF for contractual increments.
- (l) There were no increases in the rates of charges during the report period.

(vi) *Series 3 pensions*

- (a) This category comprises MaxiPension Plus, OmniPension Plus, ExtraPension (Series 3), FlexiPension (Series 7) and IndePension (Series 5).
- (b) These are non-profit pure endowments.
- (c) Single or regular (annual or monthly) premium.
- (d) MaxiPension Plus and OmniPension Plus are for contracted-in exempt approved schemes only. ExtraPension (Series 3) is used for free standing AVCs. FlexiPension (Series 7) and IndePension (Series 5) are personal pensions contracts for those in self-employment and employment respectively. A group personal pension version, Group IndePension (Series 3), is included with IndePension (Series 5).

Policies are written either to a normal retirement age (NRA) or a selected retirement age (SRA).

On retirement at the NRA or SRA the fund available is the value at the bid price of the units allocated.

On death before the NRA or SRA, the policyholder may receive:

- (i) the value at the bid price of the units allocated to the policy, or
- (ii) in the case of MaxiPension Plus, ExtraPension (Series 3), FlexiPension (Series 7) and IndePension (Series 5), the greater of a specified sum assured and the value at the bid price of the units allocated to the policy, or

- (iii) in the case of MaxiPension Plus, OmniPension Plus, ExtraPension (Series 3), FlexiPension (Series 7) and IndePension (Series 5), a specified sum assured in addition to the value at the bid price of the units allocated to the policy.

The personal pension contracts have a facility for waiver benefit, under which premiums are waived in respect of any period of incapacity, excluding the first six months and excluding periods of sickness when HIV positive or suffering from AIDS.

Accumulating with-profits versions of these contracts are also available as described in 4(C)(a)(1)E (page 30).

- (e) Not applicable.
- (f) With effect from 6 April 2001 some charges were removed from IndePension (Series 5), FlexiPension (Series 7) and ExtraPension (Series 3) contracts. Following the changes, the allocation factor is 100% or, if greater, the original allocation factor less 5% bid/offer spread, premiums are allocated at bid price and no installation or annual member charges apply. Additional non-unit reserves have been established where this results in future expenses exceeding charges.

Subject to the removal of charges with effect from 6 April 2001 referred to above, acquisition expenses and initial/level commission are recouped by a combination of the bid/offer spread and allocation factor, and an installation charge which is deducted at the set up of each policy.

For single premium policies where full or part fund-related commission is selected, a service charge, met by quarterly deallocation of units, is applied to recoup the fund-related commission payable.

Subject to the removal of charges with effect from 6 April 2001 referred to above, renewal expenses and commission (where applicable) are met by the combination of the bid/offer spread and the allocation factor, an annual charge which applies to one of each member's policies and an annual management charge. (For regular premium-paying policies in up to the final 10 years of the policy, this is net of a rebate of 0.75% pa which applies to units in investment linked funds).

If the amount of premiums deemed to be invested after allowing for the effect of the allocation factor and bid/offer spread is greater than the amount of the premiums, any such enhancement is recouped from the annual management charge.

The cost of the sum at risk (i.e. the difference between the death benefit and the bid value of units) is met by the monthly cancellation at the bid price of sufficient units to meet the cost for that month.

The cost of waiver benefit is met by the monthly cancellation of units.

The annual management charge is currently 0.875% per annum, with the exception of the Exempt Global Balanced (US View) fund for which the annual management charge is 1.125% per annum.

- (g) Increases in member charges are normally restricted to increases in line with inflation except where it can be demonstrated that costs have increased by more than this. There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.

The mortality rates used to calculate the cost of the death benefit may be changed if there is a significant change in the expected mortality experience of the Company's policyholders.

The rates used to calculate the charges for waiver of premium benefits can be changed if there is a significant change in the expectation that the Company's policyholders will suffer an accident or illness that leads to a claim.

5.(1)(C) Description of SAIF linked contracts continued

(h) Regular premium policies:

The benefit on retirement or transfer before the NRA or SRA is the bid value of units less a discontinuance charge. This charge varies according to the term of the policy, premiums paid and the level and type of commission paid.

Single premium policies:

The benefit on retirement or transfer before the NRA or SRA is the bid value of units less an early retirement charge. This charge is based on the difference in allocation factors for the original term and reduced term.

- (i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.
- (j) Not applicable.
- (k) These contracts were open to new business in SALAS before the transfer date and continued to be issued by SAL thereafter.
- (l) There were no increases in the rates of charges during the report period.

(vii) Section 32 Buy-Out Plan

- (a) Section 32 Buy-Out Plan.
- (b) These are non-profit pure endowments.
- (c) Single premium.
- (d) The contract is designed to accept a transfer value from an occupational pension scheme. An accumulating with-profits version of this contract is also available as described in 4(C)(a)(1)F (page 30).

The contract is written with a normal retirement age (NRA) equal to that of the scheme from which the transfer is received.

Where GMP is to be provided, part of the transfer value must be invested in the Exempt With-Profits Fund and cannot subsequently be switched to any of the various internal linked funds. There is a guarantee that the accrued fund will be sufficient to meet all GMP liabilities at and after State Pension Age or on the investor's earlier death. A test of the adequacy of the transfer value to meet this guarantee is performed at the outset of the policy.

On death before benefits are taken, the sum available is the value at the bid price of the units allocated to the policy subject to a minimum of the GMP death benefit.

- (e) Not applicable.
- (f) Acquisition expenses and commission are recouped by a combination of the bid/offer spread and allocation factor, and an installation charge which is deducted at the set up of a policy.

Renewal expenses are met from the annual management charge. Prior to 6 April 2001 a member charge may also have been deducted annually. Member charges were discontinued with effect from 6 April 2001. Additional non-unit reserves have been established where this results in future expenses exceeding charges.

Where full or part fund-related commission is selected, a service charge, met by a quarterly deallocation of units, is applied to recoup the fund-related commission payable. In these cases, a higher allocation factor applies.

5.1(C) Description of SAIF linked contracts continued

For longer term policies, the amount of premiums deemed to be invested after allowing for the effect of the allocation factor and bid/offer spread may be greater than the amount of the premiums. Any such enhancement is recouped from the annual management charge.

The annual management charge is currently 0.875% per annum, with the exception of the Exempt Global Balanced (US View) fund, for which the annual management charge is 1.125% per annum.

- (g) Increases in member charges are normally restricted to increases in line with inflation unless it can be demonstrated that costs have increased by more than this. There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.
- (h) The value of the policy on early retirement or surrender before the NRA is the bid value of units less an early retirement charge. This charge is based on the difference in allocation factors for the original term and reduced term to retirement.
- (i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.
- (j) Not applicable.
- (k) This contract was open to new business in SALAS before the transfer date, and continued to be issued by SAL until November 1998.
- (l) There were no increases in the rates of charges during the report period.

(viii) Phased Retirement Plan Income Drawdown Plan

- (a) Phased Retirement and Income Drawdown Plans.
- (b) These are non-profit pure endowments.
- (c) Single premium.
- (d) These contracts are designed to accept a transfer value from an existing tax-exempt pension arrangement.

For Phased Retirement, a partial encashment of the plan is allowed at any time, with part of the proceeds available as tax free cash and the remainder used to purchase an annuity.

For Income Drawdown, tax free cash may be taken at outset. Regular income is then withdrawn from the remaining fund, subject to minimum and maximum limits specified by the Inland Revenue.

Contracts are normally written to age 75 when the residual value must be used to buy a pension annuity.

The value of the fund on death prior to age 75 is the bid value of the units. This is used to provide benefits in accordance with the relevant Inland Revenue regulations.

Accumulating with-profits versions of these contracts are also available as described in 4(C)(a)(1)G (page 30).

- (e) Not applicable.

5.(1)(C) Description of SAIF linked contracts continued

- (f) Acquisition expenses and commission are recouped by the allocation factor and also from an establishment charge. This latter charge is equal to 0.13% per month of the amount invested and applies for the first five years of the contract, or to age 75 if earlier.

If the amount of premium deemed to be invested is greater than the amount of the premium, acquisition expenses and commission are still recouped from the establishment charge. This will occur only if the amount of initial commission selected is less than the 'basic' commission structure.

Fund-related commission is met by the annual management charge. A rebate of units is applied if the amount of commission is less than the 'basic' commission structure. Similarly a service charge, met by quarterly deallocation of units, is applied if higher commission is selected.

The annual management charge is currently 0.875% per annum, with the exception of the Exempt Global Balanced (US View) fund for which the annual management charge is 1.125% per annum.

- (g) There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.
- (h) For full surrenders, a surrender charge is applied equivalent to the total of the outstanding establishment charges described in paragraph (f) above.
- (i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.
- (j) Not applicable.
- (k) These contracts were open to new business in SALAS before the transfer date and continued to be issued by SAL thereafter.
- (l) There were no increases in the rates of charges during the report period.

5. (1)(D) United Kingdom direct written linked contracts in SAA

(i) *Capital Investment Bond*

- (a) Capital Investment Bond.
- (b) These are non-profit whole life assurance contracts.
- (c) Single premium.
- (d) The death benefit is normally 101% of the bid value of units. However, for Capital Investment Bond contracts effected prior to May 1986, the death benefit is calculated as a percentage of the bid value of units according to age at death. This percentage varies from 250% at age 30 to 101% at ages 75 and above.
- (e) Not applicable.
- (f) Acquisition expenses and initial commission are recouped by a combination of the allocation factor and the bid/offer spread.

In addition, for initial investments of less than £5,000, a shortfall charge is deducted based on the size of the investment.

Renewal expenses and commission are met from the annual management charge.

The annual management charge is currently 0.75% per annum, with the exception of the Global Balanced (US View) Fund for which the annual management charge is 1.00% per annum.

- (g) There are no restrictions on increases in the annual management charge other than that imposed by the need to meet policyholders' reasonable expectations.
- (h) The surrender value at any time is the value at the bid price of the units allocated to the policy.
- (i) Linked benefits under these contracts are wholly reinsured with Scottish Amicable Life plc who refund the whole of the annual management charge. Benefits are determined by reference to the value of internal funds of the reinsurer.
- (j) Not applicable.
- (k) These contracts were closed to new business in 1997, although increments to existing Capital Investment Bond policies can still be accepted.
- (l) There were no increases in the rates of charges during the report period.

(ii) *Capital Investment Bond (Series 2)*

- (a) Capital Investment Bond (Series 2).
- (b) These are non-profit whole life assurance contracts.
- (c) Single premium.
- (d) For Capital Investment Bond (Series 2) policies issued after 15 January 1996, the death benefit is 101% of the surrender value. For policies issued prior to this date, the death benefit is 101% of the bid value of the units.
- (e) Not applicable.
- (f) Acquisition expenses and initial commission are recouped by an establishment charge of 1.25% per annum of the fund for the first four years of the policy. For Capital Investment Bond (Series 2) policies issued before 15 January 1996, the establishment charge is 0.75% per annum of the fund for 5 years. The charge is met by deallocation of units on a monthly basis.

