

Your **2004** End of Year Statement

More information about your investments

Commonly asked questions and answers

Why is my Current Fund Value different from my Surrender Value?

The Surrender Value may be different as it takes into account any early surrender penalties. Also, for Unitised With-Profit investments, it takes into account any terminal bonus the policy may be entitled to or a Market Value Adjustment (see below).

There are withdrawals shown on my statement but I haven't withdrawn anything. Why is this?

It could be that you are taking regular income payments from your policy, they will show as withdrawals. All payments out of your policy are termed withdrawals.

Single Premium Bonds

Units

Each premium you pay buys units in your chosen fund. Your statement shows the number of units you have bought in each fund within your policy.

Price

Capital Investment Bonds, Balanced Bonds, With-Profit Bonds (Series I and II)

There are two types of unit price, the bid price and the offer price. The premiums you pay buy units at the offer price. When benefits are taken from your Bond, the lower bid price is used. The values shown on your statement all use the bid price.

With-Profit Bonds (Series III – VII), Portfolio Bonds (Series I and II), Investment Bond

Premiums paid into your Bond buy units at the bid price. When benefits are taken from your Bond the bid price is also used. The values shown on your statement all use the bid price.

Transactions

Unless you have specifically asked for a detailed statement, your statement does not show the detail of individual transactions such as switching between funds or regular income plan payments.

Unitised With-Profit Investments

For premiums invested in a unitised with profit fund, the following bonuses will normally apply.

Annual Bonus

Any annual bonus is applied by increasing the unit price on a daily basis.

Your contributions are allocated to units in your plan which may grow through a discretionary annual bonus which we add through a daily increase in the unit price. The assets underlying your policy are invested in our with-profit fund. Any bonuses added are shown on your statement.

Annual Bonuses on With Profit Bonds Series II to VII were reduced to zero from 1 May 2003. Annual Bonuses on Portfolio Bonds have also been reduced. Policy holders were advised of these changes in 2003, and the reasons for the decisions.

Terminal Bonus

A terminal bonus may be added to your with-profit investment in addition to any annual bonuses when you make a claim on your policy.

Terminal Bonus (continued)

The terminal bonus depends on the economic and investment conditions when you make a claim and may be changed at any time so it cannot be guaranteed in advance.

Market Value Adjustment

In some investment circumstances we may need to apply a Market Value Adjustment (MVA) (sometimes known as a Market Value Reduction) to balance the interests of the policyholders cashing in their investments and those policyholders who remain invested in the with-profit fund. MVAs currently apply to most policies and reduce the amount that is payable on surrender or switch. MVAs do not apply on death.

MVAs apply when the value of assets is low compared with the bid value of the units held under the policy.

Endowment and Whole Life Contracts Flexible and Low Cost Mortgage Plans

Basic benefit

The 'basic benefit' figure on your statement is the sum assured shown in your policy document. The sum assured, plus the bonuses shown on the statement, are payable at the maturity date or on earlier death for Endowment contracts (including Flexible and Low Cost Mortgage Plans), and on death only for Whole Life contracts.

Series I policies were issued before 1 January 1976. Policies from this date are Series II.

Annual bonus

Annual (or reversionary) bonus is an annual addition to your policy, which, once added, forms part of the guaranteed benefits of the policy. These bonuses are added once a year and are shown on your statement.

The annual bonus rate on these policies has been reduced to zero, and it is expected to remain zero for the foreseeable future, as we communicated to policyholders in 2003. Previously declared annual bonuses are unaffected and remain added to the policy.

Terminal bonus

A terminal bonus may be added to your with-profit investment in addition to the annual bonuses when you make a claim on your policy. The terminal bonus depends on the economic and investment conditions when you make a claim and may be changed at any time so it cannot be guaranteed in advance.

Surrender of policies

Policies shown on the statement can be surrendered early. However, the sum payable is likely to be lower than the total of the benefits on your statement. This is because the benefits on your statement relate to a future date and would be surrendered early. The benefits on your statement have to be reduced to reflect the loss of:

- any future premiums which would not be paid, and
- the future investment income which is assumed in calculating benefits.

Non-profit

If you have an additional non-profit policy, this will **not** be shown on your statement, as it does not accumulate bonuses.

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