



## YOUR WITH-PROFITS POLICY

### 2019 Investment Performance

Your policy is invested in the **Liver Ireland Sub-Fund**.

On 7 February 2019, your policy transferred from The Royal London Mutual Insurance Society (Royal London) to Royal London Insurance DAC, a wholly owned subsidiary of Royal London.

We explain in the **Liver Ireland Sub-Fund With-Profits Operating Principles (WPOP)** that on transfer, policies in the Fund were reinsured back to Royal London's **Royal Liver Sub-Fund (the Royal Liver Sub-Fund)** – the fund they were in before transfer. This means that the management of the **Liver Ireland Sub-Fund** is linked with the management of the **Royal Liver Sub-Fund**. You can read more about this in the **WPOP**; please see page 3 for information on how to obtain a copy of it.

This leaflet refers to the investment mix and investment returns in the **Royal Liver Sub-Fund**. From here onwards, references to 'the Fund' are to the **Royal Liver Sub-Fund**.

#### **What is the investment mix?**

In managing the fund we aim to maximise the investment return for with-profits policyholders while also protecting their guaranteed benefits. We hold a wide range of assets to help reduce the risk that would arise if we invested in a single type of investment.

Table 1 shows the types of investments that the fund has been invested in since 2015.

**Table 1**

	Company Shares %	Property %	Alternative assets* %	Government and other bonds %	Cash and other investments %
31.12.2019	42	0	9	49	0
31.12.2018	35	0	10	50	5
31.12.2017	43	1	7	48	1
31.12.2016	40	5	8	46	1
31.12.2015	35	4	8	49	4

\*Alternative assets are complex types of assets used to help increase investment returns

We continued to invest a large proportion of the asset shares in government and other bonds. This reflects the need to ensure that the fund can always meet policyholders' guaranteed benefits when they are due.

By asset share, we mean the accumulation of premiums paid into the fund after taking off expenses, charges and tax and allowing for the profits earned by the investments.

The investment returns from government bonds, other bonds and cash tend to vary less, from year to year, than the returns from company shares and property. However, over the longer term, the returns that we expect the fund to receive from government bonds, other bonds and cash are lower than those from company shares and property.

## What was the investment return for my policy for 2019?

The investment return achieved by the with-profits policies in the fund (before tax and charges) for 2019 was +13.3%.<sup>†</sup>

Table 2 shows the investment returns, before tax and charges, applied each year from 2015 to 2019 to with-profits policies now in the fund.

**Table 2**

2019	2018*	2017	2016	2015
+13.3%	-4.0%	+9.5%	+8.6%	+5.1%

<sup>†</sup>Returns are based on fund performance and do not represent the return achieved by individual policies linked to the fund.

\*Note that we have restated the investment return for 2018 to allow for updated information.

The fund's investments outperformed our target measures during 2019, providing an overall positive return during the year. In particular, the performance of company shares and UK bonds was especially strong.

We don't know what investment returns will be in the future; you should not assume they will be the same as they were in previous years. However, we believe that the current investment mix is appropriate for the fund in current economic conditions.

## Guarantee charge

Since May 2011 we have applied a charge to asset shares each year to cover the cost of guaranteeing your benefits. The current guarantee charge is 0.5% per year for Caledonian Life With-profits Bond policies.

## How do I share in the profits and losses of the fund?

The performance of the fund is shared out to its policyholders through a system of bonuses. There are two types of bonus which we may add to your policy:

- **Annual bonuses**, which we may add during the lifetime of your policy and which increase the guaranteed minimum amount payable when your policy is encashed, and
- **Final bonuses** which we may add when your policy is encashed.

We haven't changed the annual bonus rate, so for 2019 it is still 0.5%.

Royal London is committed to paying 'fair asset value' on encashments of the With-profits Bond. In essence, paying 'fair asset value' means that we reflect the overall investment return of the underlying assets in the fund, over the period in which you are invested in the fund.

This means that over this period, if the performance of the underlying assets invested in the fund, less charges, is greater than the ongoing value of your policy, a 'Final Bonus' may be added to your investment upon encashment. However, if over this period the performance of the underlying assets, less charges, is less than the ongoing value, a deduction known as a 'Financial Adjustment' may be applied upon encashment.\*

Final Bonus rates and/or Financial Adjustments are reviewed on a monthly basis or as required, and are adjusted, if necessary, to reflect movements in asset values.

\*Financial adjustments do not apply:

- On partial or full encashment, if they are made on the 10<sup>th</sup> anniversary or each 5<sup>th</sup> anniversary thereafter.
- On regular withdrawals of up to 7.5% per annum of the initial capital and the option was selected at the outset of the policy or selected subsequently, provided no Financial Adjustment was being applied at the time of the regular withdrawal 'set-up' request.
- On death at any time.

## **Distribution of Estate**

We aim to distribute the estate of the fund to relevant policyholders fairly over time. By estate, we mean the amount by which the investments of the fund are greater than the guaranteed benefits and bonuses already promised to policyholders.

If at any time this estate is more than we think is needed to allow for unexpected events occurring, we may decide to reduce it by distributing some of the surplus. We do this by enhancing asset shares which normally leads to increased bonuses. Our overall aim is to make sure all eligible policyholders are treated fairly.

## **Where can I find out more information?**

You can view and download the following documents from our website [www.royallondon.ie](http://www.royallondon.ie):

- ‘**With Profits Operating Principles (WPOP)**’ which sets out the principles we use to manage the with-profits policies in the Liver Ireland Sub-Fund.
- A document setting out the charges we apply to cover the cost of providing guarantees on with-profits policies in the fund.
- Some of Royal London’s documentation, such as the Royal Liver Sub-Fund Principles and Practices of Financial Management (PPFM) and directors reports which continue to be relevant to other policy holders.

To find these documents please click on ‘Customer Support’ then ‘With Profits Operating Principles (WPOP)’. If you prefer, or would like large print versions of these documents, you can ask us to send you the copies by calling us on 01 429 3333.

## **Royal London PPFM**

Some amendments have been made to the Royal Liver Sub-Fund PPFM to reflect the transfer of your policy (which was originally held in the Royal Liver Sub-Fund) from Royal London to Royal London DAC on 7 February 2019. Minor changes were also made on 31 December 2019 to improve clarity. Details of the changes can be found on Royal London’s website [www.royallondon.com](http://www.royallondon.com). Please click on ‘About Us’, ‘About Royal London’, ‘Corporate Information’, ‘Corporate Governance’ then ‘PPFM’.

**Warning:** Past performance is not a reliable guide to future performance.

**Warning:** The value of your investment may go down as well as up.

**Warning:** This product may be affected by changes in currency exchange rates.



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Royal London Insurance DAC is regulated by the Central Bank of Ireland.

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