Liver Ireland Scheme

ROYAL LONDON

How your policy works

1. Introduction

As shown in your letter, you have a *Contingent Bonus Policy* or a policy with a *With Profits* investment. This leaflet gives a reminder of how *Contingent Bonus Policies* and *With Profits* investments in the *Liver Ireland Sub-Fund* work.

We manage these policies and investments in line with our *With Profits Operating Principles* (*WPOP*) which you can read by visiting our website **royallondon.ie/LiverIreland**. You can also request a copy by calling **1800 00 11 52** (or **00 353 1 429 3301** if you're calling from outside Ireland). This leaflet sets out a summary of the key points from the *WPOP*.

We use some technical terms in this leaflet. We've highlighted them all with initial capitals and italics, e.g. *'Estate'*. You'll find these terms explained in the Glossary at the back of the **Your guide to the proposal** booklet.

Unit Linked investments

If you have a policy with a *With Profits* investment, you might also have a *Unit Linked* investment under the same policy. Since *Unit Linked* investments aren't entitled to share in distributions from the *Estate*, they aren't affected by the proposal. Therefore, your *Policy Value* as we refer to it in this information pack doesn't include any *Unit Linked* investments you might have.

2. What is a *Contingent Bonus Policy* or a *With Profits* investment?

- *Contingent Bonus Policies* and policies with a *With Profits* investment are designed to help you save for the future. We explain the different types of policies in section **3**.
- Your *Contingent Bonus Policy* or policy with a *With Profits* investment entitles you to share in distributions from the *Estate* of the *Royal Liver Sub-Fund*. We explain what the *Estate* is and how it is shared out with certain policyholders in section **4**.

- We call the underlying value of your *Contingent Bonus Policy* or *With Profits* investment your *Policy Value*. Your *Policy Value* can change over time. However, there is a *Guaranteed Minimum Amount* your policy will pay out in return for the payments you agreed to make. The way we calculate your *Policy Value* and *Guaranteed Minimum Amount* depends on what type of policy you have. We explain how we determine your *Policy Value* in section **5**.
- We explain how we determine how much to pay out when your *Contingent Bonus Policy* or *With Profits* investment is claimed in section **6**.
- A policy with a *With Profits* investment protects against short-term ups and downs in investment markets through *Smoothing*. We explain *Smoothing* in section **7**.

3. What are the different types of policy?

There are three main types of policy in the *Liver Ireland Sub-Fund* that are affected by the proposal we've written to you about. The type of policy you have is shown at the top of your letter.

Pension	***Endowment***	***Whole of Life***
• This type of policy builds up retirement savings which can be accessed when you choose to retire. • At the start of the policy, you agreed to make payments until your *Selected Retirement Age*. • However, you can normally choose to retire and take your retirement savings any time after your 60th birthday.	• This type of policy pays out a lump sum after a fixed number of years. • You make either a single payment or a series of regular payments until a specified date. • If the *Life Covered* dies during the term of the policy, the policy pays out a lump sum. • Some *Endowment* policies pay out cash payments (known as *Periodic Payments*) on a recurring basis.	• This type of policy pays out a lump sum when the *Life Covered* dies. • You make either a single payment or a series of regular payments until a specified date. • Some *Whole of Life* policies pay out cash payments (known as *Periodic Payments*) on a recurring basis.

For each type of policy above, you can choose to stop making payments early. However, the amount we'll pay out may be reduced as you would not have made all your payments.

You can also choose to transfer your *Pension* policy or cash in your *Endowment* or *Whole of Life* policy early.

4. What is the *Estate*?

We manage your *Contingent Bonus Policy* or policy with a *With Profits* investment in the *Liver Ireland Sub-Fund*. A pot of money (the *Estate*) is held back in the separate *Royal Liver Sub-Fund* to protect you and other policyholders against future risks and to meet regulatory rules. Whenever there is more money in the *Estate* than required (for example, because of strong investment returns), the excess is distributed to policyholders who are entitled to share in distributions from the *Estate*. You can think of the *Estate* as a 'rainy day fund'.

When some of the *Estate* is distributed, this is done by increasing your *Policy Value*. These distributions from the *Estate* are **not guaranteed**. In the future, if the *Estate* reduces in size (for example, because of poor investment returns), some of these distributions may be removed from *Policy Values* so that the *Estate* remains big enough. This wouldn't affect the minimum amount that your policy is guaranteed to pay out as explained further in section **6**.

Distributions from the *Estate* are applied consistently between *Contingent Bonus Policies* and policies with a *With Profits* investment.

5. How do we determine your *Policy Value*?

We call the underlying value of your *Contingent Bonus Policy* or *With Profits* investment your *Policy Value*. Remember, when we refer to your *Policy Value* throughout your information pack, it doesn't include any *Unit Linked* investments you might have.

We use your *Policy Value* to determine how much we'll pay out when your policy is claimed. There is a *Guaranteed Minimum Amount* your *Contingent Bonus Policy* or *With Profits* investment will pay out in return for the payments you agreed to make. We explain this further in section **6**.

The way we calculate your *Policy Value* depends on whether you have a *Contingent Bonus Policy* or a policy with a *With Profits* investment.

If you have a *Contingent Bonus Policy* …	If you have a policy with a *With Profits* investment …
By *Policy Value* we mean the build-up of: + your *Guaranteed Minimum Amount*, provided you've made all your payments + distributions from the *Estate* of the *Royal Liver Sub-Fund* as described in section **4**. For *Contingent Bonus Policies*, we call these distributions *Contingent Bonuses* (see note 1 below) + an allowance for the next *Periodic Payment* that your policy is due to pay out (if your policy pays out *Periodic Payments*)	By *Policy Value* we mean the build-up of: + the payments you've made into your *With Profits* investment - expenses, tax and the cost of providing benefits or guarantees to policies + distributions from the *Estate* of the *Royal Liver Sub-Fund* as described in section **4** (see note 1 below) +/- the returns earned by the investments backing your *With Profits* investment (see note 2 below)

Notes

(1) Distributions from the *Estate* are applied consistently between *Contingent Bonus Policies* and policies with a *With Profits* investment. However, for *Contingent Bonus Policies* and certain types of *With Profits* investments, your policy won't be entitled to share in future distributions from the *Estate* if you choose to stop making payments early.

(2) The investment strategy aims to achieve the best possible returns for policyholders, while still making sure that we can pay out at least the *Guaranteed Minimum Amount* for all policyholders. This is done by investing in a mixture of company shares, property, government bonds, other bonds, cash and other investments.

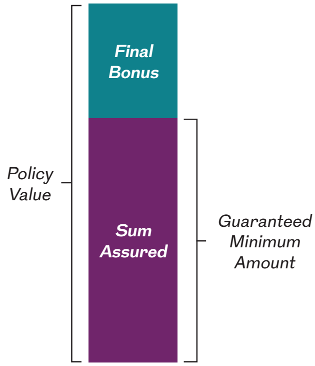
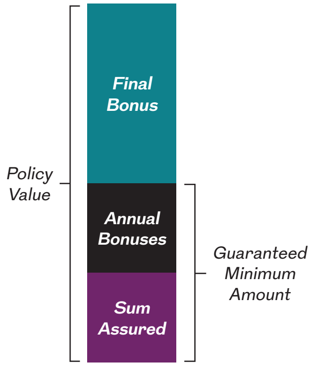
Usually, the investments that provide the best long-term return are also the most risky. Therefore, some of the fund is invested in investments where the return is more stable.

Finally, short-term investment market fluctuations are smoothed out when determining final payouts. We explain *Smoothing* in more detail in section **7**.

6. How do we determine how much to pay out?

The following diagrams show how we determine your payout if you have a *Contingent Bonus Policy* or a *With Profits* investment. The minimum amount we'll pay is known as your *Guaranteed Minimum Amount*.

When your *Contingent Bonus Policy* or policy with a *With Profits* investment is claimed, your payout may include a *Final Bonus*.

If you have a *Contingent Bonus Policy* …	**If you have a policy with a *With Profits* investment …**
	

Guaranteed Minimum Amount

The way we calculate your *Guaranteed Minimum Amount* depends on whether you have a *Contingent Bonus Policy* or a policy with a *With Profits* investment.

If you have a *Contingent Bonus Policy* …	**If you have a policy with a *With Profits* investment …**
At the start of your policy, we agreed with you the minimum amount we'd guarantee to pay out in exchange for you making payments for a specified number of years – we call this amount your *Guaranteed Minimum Amount*. You might also have heard this amount be called your *Sum Assured*. Your *Guaranteed Minimum Amount* cannot increase over time.	At the start of your *With Profits* investment, we agreed with you the minimum amount we'd guarantee to pay out in exchange for you making payments for a specified number of years – we call this amount the *Sum Assured*. *Annual Bonuses* may be added to your policy each year. Once *Annual Bonuses* have been added, they cannot be taken away. Your *Sum Assured* plus any *Annual Bonuses* that have been added to your policy is called your *Guaranteed Minimum Amount*.

Your *Guaranteed Minimum Amount* will no longer apply to your:

- *Pension* policy if you decide to transfer it or retire before your *Selected Retirement Age*;
- *Endowment* or *Whole of Life* policy if you decide to cash in your policy before making all your payments.

Final Bonuses

When your *Contingent Bonus Policy* or policy with a *With Profits* investment is claimed, your payout may include a *Final Bonus*.

The way your *Final Bonus* is calculated depends on whether you have a *Contingent Bonus Policy* or a policy with a *With Profits* investment.

If you have a *Contingent Bonus Policy* …	If you have a policy with a *With Profits* investment …
Your *Final Bonus* is the combination of the value of any distributions from the *Estate* (also known as *Contingent Bonuses*) attaching to your policy, and an allowance for the next *Periodic Payment* that your policy is due to pay out (if your policy pays out *Periodic Payments*). Both of these amounts are as at the time your policy is claimed.	A *Final Bonus* may be added to your *With Profits* investment if your *Policy Value* is more than your *Guaranteed Minimum Amount* upon claim. Depending on the type of *With Profits* investment you have, *Final Bonuses* are set either based on your individual *Policy Value*, or to reflect the *Policy Values* of a group of investments that are similar to yours. Short-term investment market fluctuations are smoothed out when determining *Final Bonuses* on *With Profits* investments. We explain *Smoothing* more in section **7**.

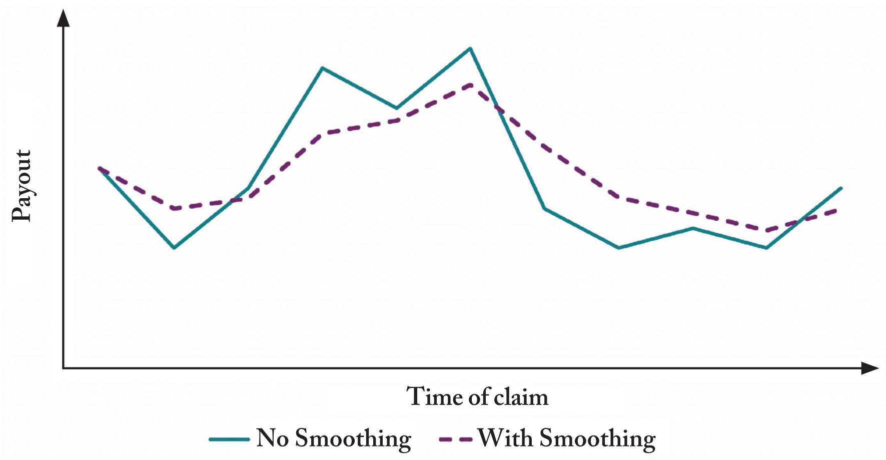
Final Bonuses are not guaranteed in any circumstances and might not be paid out at all.

7. What is *Smoothing* and how is it allowed for?

Smoothing is one of the features taken into account when setting payouts of policies with a *With Profits* investment. *Smoothing* does not apply to *Contingent Bonus Policies*.

Final Bonuses are added to policies with a *With Profits* investment in a way that aims to protect payouts from short-term variations in investment returns. Instead of adding big *Final Bonuses* in good years and no *Final Bonuses* in bad years, they are smoothed out. So, some of the investment gains earned during good years are held back and released as bonuses when returns have been poorer.

The effect of *Smoothing* is intended to cancel itself out over the long term. This means that, over time, the amounts held back in good years should offset the amounts released as bonuses in bad years.



Note: Diagram for illustrative purposes only.

We're happy to provide your documents in a different format, such as Braille, large print or audio – just ask us by calling 1800 00 11 52 (or 00 353 1 429 3301 if you're calling from outside Ireland).

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