

Open Annuity Policy Provisions

1 Definitions

In this Contract:

1.1 Unless inconsistent with the context the following expressions bear the following meanings:

“Annuitant” the person for the time being entitled to receive the Annuity.

“Annuity” a yearly sum calculated in accordance with Clause 5 and payable to an Annuitant in accordance with Clauses 2 and 3.

“Annuity Consideration” the amount identified as such in the Schedule.

“Appendix” the Appendix annexed to this Contract.

“Company” London & Colonial Assurance PLC and (unless the context otherwise requires) any successors in title.

“First Life” the person named as such in the Schedule.

“Inland Revenue” HM Revenue & Customs in the United Kingdom.

“Managed Funds” such pooled funds or portfolios of investments as are described in the Insurance Companies Regulations 1994 Schedule 10, Part I paras 5,7,10 and 11 and as are designated by the Company (whether managed by the Company or by a duly authorised external investment manager), and as regulated under the Gibraltar Insurance Companies Ordinance 1987.

“Market Rate” the amount of annuity obtainable for the Annuitant in the open market by applying to the capital sum specified the average of the three best annuity rates available for

- (a) in any case where Clause 6 does not apply, a level annuity at the date specified, assuming an annuity for the Second Life (if any) at the same level as the annuity for the First Life;
- (b) where Clause 6 applies, the type of annuity selected by the Annuitant (which may be level or indexed at any rate up to the rate of increase in RPI over the same period, single life or continuing after the death of the Annuitant to the Second Life, if any, with any amount payable to the Second Life up to but not exceeding the amount payable to the Annuitant), or in default of

such selection after written notice, by the Company.

“Maximum Amount” subject to the requirements of Clause 9.1, the Minimum Amount or such higher amount as the Company may agree.

“Minimum Amount” subject to the requirements of Clause 9.1 and unless redefined as provided in Clause 6.2, the Market Rate at the most recent Review Date (or at the Commencement Date if no Review Date has yet arisen), by reference to the value of the Specified Account on that date, or 35% of the Market Rate at the Commencement Date if higher.

“Net Amount” an amount equal to a percentage of the Annuity Consideration calculated as described in the Appendix.

“Pension Business Fund” that part of the long term business fund of the Company which is maintained in respect of the pensions business of the Company.

“Policy Year” any period of one year ending on the day before an anniversary of the Commencement Date.

“Principal Annuity” the annuity payable to the First Life in accordance with the terms hereof.

“Quarter Day” 31 March, 30 June, 30 September and 31 December.

“Review Date” every third anniversary of the Commencement Date or such other more frequent date as may be agreed or as the Company may require.

“RPI” the index of retail prices published by the UK Government or whatever index may supersede it.

“Schedule” the Schedule annexed to this Contract.

“Secondary Annuity” the annuity (if any) payable to the Second Life in accordance with the terms hereof.

“Second Life” the person (if any) named as such in the Schedule.

“Specified Account” the account specified in Clause 5.

“Termination Event” such event if any as is described in an endorsement to the Schedule (being an event which is acceptable to the Inland Revenue as one which can terminate the payment of the Secondary Annuity before the death of the Second Life).

1.2 Words denoting the singular number shall include the plural and vice versa.

1.3 Words denoting any gender shall include all genders.

2 Annuity

2.1 In consideration of the Annuity Consideration (receipt of which is hereby

acknowledged) the Company agrees to pay out of the Specified Account the Principal Annuity to the First Life and, if the Second Life survives the First Life, the Secondary Annuity to the Second Life (if any), subject to the terms hereof.

3 Commencement, duration and frequency

- 3.1 The Principal Annuity shall commence on the Commencement Date and shall expire on the death of the First Life.
- 3.2 The Secondary Annuity shall commence on the date of death of the First Life and shall expire on the death of the Second Life or on the earlier happening of any Termination Event.
- 3.3 The Annuity payable in any Policy Year shall be payable as a single payment at the end of the Policy Year unless otherwise agreed in which case it may be paid as a single payment at any time during the Policy Year or by instalments during the Policy Year.

4 Termination of the Annuity

- 4.1 Upon the death of the First Life or if later upon the death of the Second Life or upon the happening of a Termination Event after the death of the First Life, this Contract shall cease and determine and no further payment shall be made hereunder.

5 Calculation of Annuity

- 5.1 The Company shall open an account ('the Specified Account') in the Pension Business Fund, which shall be kept separate and distinct from all other accounts of the Company in the Pension Business Fund and shall form a separate annuity fund solely for the purpose of calculating the benefits payable under this Contract.
- 5.2 That proportion of the monies belonging to the Company corresponding to the amount from time to time attributable to the Specified Account shall be invested in such Managed Funds of the Company as may be selected by the Annuitant (which selection may from time to time subsequently be varied in accordance with such terms and conditions as the Company may from time to time impose), or in default of such selection, by the Company or anyone whom the Company may appoint to manage the investments of the Specified Account, to the intent that the exercise of such investment functions shall be part of the management of the Pension Business Fund of the Company.
- 5.3 The Specified Account shall be credited with:
 - 5.3.1 the Net Amount; and
 - 5.3.2 the value of all gains (both income and capital) arising from investment of the Specified Account, as and when they arise.
- 5.4 The Specified Account shall be debited with:
 - 5.4.1 all payments of the Annuity, as and when they arise;

- 5.4.2 all sums (if any) payable by the Company in respect of reinsurance of the liabilities under this Contract;
 - 5.4.3 the value of all losses (both income and capital) arising from investment of the Specified Account, as and when they arise;
 - 5.4.4 tax at the appropriate rate on the gross amount of any income received (this deduction shall include any income tax retained at source, and any tax credit attributable to any such income shall be taken into account in computing such deduction); and
 - 5.4.5 all costs, fees and expenses incurred or chargeable by the Company in respect of the administration and investment of the Specified Account, in accordance with the details set out in the Appendix hereto, or in any revised Appendix notified by the Company to the Annuitant.
- 5.5 The Annuity shall not in any Policy Year be more than the Maximum Amount nor less than the Minimum Amount but subject to the deduction of any relevant tax or levies that we are required to account for by the Inland Revenue or by any other authority or regulatory body that has legal jurisdiction over the payments. Subject thereto the Annuity shall be such annual amount as the Annuitant may require by written notice to the Company given at any time before the first Quarter Day in that Policy Year (or otherwise as the Company may permit), and in default of such notice, shall be equal to the Minimum Amount.
- 5.6 This Contract has been entered into by the Company to provide for UK residents the payment of benefits which are property linked benefits as defined in Chapter 11 of Volume 1 of the Interim Prudential Sourcebook for Insurers Instrument 2001 made by the UK Financial Services Authority on 21 June 2001. All monies investments or assets belonging to the Company which are identified (as that term is understood in section 28 of the UK Insurance Companies Act 1982) with the Specified Account for the purpose of determining the measure of such property linked benefits payable under this Contract, and all other monies and investments of the long term business fund of the Company, are equally available for appropriation by the Company in or towards satisfaction by the Company of its liability to its policyholders at large. Accordingly (for the purpose only of resolving any doubts on the matter) the Company declares that although the amounts which may from time to time be attributed to the Specified Account shall form the basis upon which the benefits mentioned in Clause 2 are to be calculated nevertheless the Annuitant shall have no greater or lesser right or entitlement to any of the monies investments or assets in or belonging to the Company and held by it as aforesaid than any other policyholders.

6 Conversion to fixed or indexed rate

- 6.1 Subject to the provisions of Clauses 6.2 and 6.3, if the Annuitant so requests in writing, or if the Company on actuarial advice so decides, or if the Minimum Amount falls to 35% of the Minimum Amount at the Commencement Date the Company shall substitute for the amount payable under Clause 5 an amount equal to the annual income purchased

or secured under either (a) or (b) of Clause 6.2 below as the case may be.

- 6.2 If a substitution is to be made as provided in Clause 6.1 the Company shall realise all the investments attributable to the Specified Account and apply the proceeds together with any cash already held to the credit of the Specified Account as described in either (a) or (b) below as requested by the Annuitant in writing:
- (a) to purchase in the name of the Annuitant an annuity with any other authorised insurance company as defined in s659B of the UK Income and Corporation Taxes Act 1988 operating within the European Economic Area in which case Clause 6.3 shall apply or
 - (b) to secure from the Company payment of income for the remainder of the life of the Annuitant at a rate calculated in accordance with such terms as may be offered by the Company at that date.

Provided that where the Company purchases an annuity from another authorised insurance company as described in (a) above the Company may request the Annuitant to nominate the insurance company with which the annuity is to be effected and if the Annuitant should fail to notify the Company of such nomination within 10 days of such request or if the nominated insurance company proves for any reason to be unable to bring the required annuity into effect the Company shall secure the income in such manner as it considers appropriate.

Provided further that where income is secured from the Company under (b) above "Minimum Amount" shall thereafter mean the income so secured but subject to the deduction of any relevant tax or levies that the Company is required to account for by the Inland Revenue or by any other authority or regulatory body that has legal jurisdiction over the payments.

- 6.3 If an annuity is purchased from another authorised insurance company as provided in Clause 6.2, that purchase shall be a full discharge of all liability of the Company to the Annuitant under this contract and in particular for the avoidance of doubt the Company shall be under no obligation either to supplement the proceeds of the Specified Account so as to secure income at a level equal to the Minimum Amount or to make good any deficiency arising for any reason in any payments made by that insurance company that become due under the contract purchased from it.

7 Loans

- 7.1 The Company will not grant any loans on the security of this Contract at any time during the currency of this Contract.

8 UK Financial Services and Markets Act 2000

- 8.1 In the event of the imposition during the currency of this Contract of one or more long term business levies pursuant to the UK Financial Services and Markets Act 2000 or pursuant to any subsequent similar legislation the Company may on actuarial advice make such deduction or deductions from the Specified Account as it shall consider fair and appropriate.

9 Compliance with Inland Revenue requirements

- 9.1 Notwithstanding anything to the contrary herein expressed or implied the Annuitant shall not be entitled to any benefits in excess of the benefits permitted from time to time by the Inland Revenue.
- 9.2 Except as expressly provided in this Contract or with the prior written consent of the Inland Revenue neither the Principal Annuity nor the Secondary Annuity nor any part of either shall be capable of assignment surrender or commutation.

10 Age and sex

- 10.1 If for any reason the age or sex of the First Life and/or the Second Life was mis-stated in the proposal and the error has not been previously adjusted the amount payable and every benefit accruing under this Contract shall be such as would have applied on the basis of the correct ages and sexes. The age of the First Life and the Second Life will be admitted if due proof is furnished to the Company.

11 Suicide

- 11.1 The Company shall not avoid this Contract on the death by suicide at any time of the First Life or the Second Life as the case may be.

12 Supply of information

- 12.1 The Annuitant is entitled to receive from the Company on an annual basis and within seven months of the end of each Policy Year a statement containing the following information:
- (a) details identifying the investments, cash and any other assets attributed to the Specified Account and their values both at the beginning and end of the Policy Year;
 - (b) all items credited to and debited from the Specified Account during the Policy Year; and
 - (c) the Maximum Amount where appropriate and Minimum Amount applying for the following Policy Year.
- 12.2 The Company is entitled to require, in a form acceptable to it, evidence of the continued existence, death or identity of any relevant person before making any payment under this Contract and the Company is further entitled to require any other information or evidence necessary from time to time for the proper administration of the Contract. The Company is entitled to act upon the information or evidence provided but the Company is not liable for any error omission or inaccuracy in such information.

13 Proper law

- 13.1 This Agreement shall be governed by and construed in accordance with the laws of Gibraltar and the non-exclusive jurisdiction of the Courts in

Gibraltar in relation to any claim, dispute or difference that may arise in relation to this document.

14 Variation of terms

- 14.1 The Company may where it considers it necessary to meet the requirements of any regulator whether Gibraltar or elsewhere whose approval is required from time to time for any purpose unilaterally amend or alter the provisions of the policy and must give notice of such variation or amendment within a reasonable period to the policyholder.

15 Notices

- 15.1 Any document or cheque to be sent and any notice to be given in writing to the Annuitant is properly given if delivered personally or posted to him at the last known address shown in the Company's records.
- 15.2 Where notices, information or requests are to be given in writing to the Company, they must be sent by pre-paid post or otherwise delivered to the Company either at its headquarters in Gibraltar or c/o L&C Pensions 38-42 Perrymount Road, Haywards Heath, West Sussex RH16 3DN or to its registered office or such other place as the Company may from time to time appoint.

End of Policy Provisions

Schedule

| | |
|---|---------------------------|
| First life | |
| Date of birth of first life | |
| Second life (if any) | |
| Date of birth of second life | |
| Annuity consideration | £ |
| Initial Annuity at the Commencement Date | |
| Minimum Amount | £ pa |
| Maximum Amount | £ pa |
| Contract Date | |
| Commencement Date | |
| Contract Number | |

End of Schedule

Endorsements:

Signed

For and on behalf of the Company

Appendix

Net Amount is calculated as the Annuity Consideration minus the Initial Charge. For this purpose Initial Charge means the sum of (i), (ii), (iii), (iv) and (v) below but subject to a minimum of 2.5% of £250,000

- (i) 2.5% of the Annuity Consideration up to a maximum of £1,000,000
- (ii) 1.75% of the excess, if any, of the Annuity Consideration over £1,000,000 up to a maximum of £2,500,000
- (iii) 1.25% of the excess, if any, of the Annuity Consideration over £2,500,000 up to a maximum of £5,000,000
- (iv) 1.15% of the excess, if any, of the Annuity Consideration over £5,000,000 up to a maximum of £10,000,000
- (v) 1.1% of the excess, if any, of the Annuity Consideration over £10,000,000

For the purpose of Clause 5.4.5 the following charges will be deducted from the Specified Account

- (a) Annual Charge:
Each annual charge shall be the sum of (i), (ii), (iii), (iv) and (v) below, the amount due on the Commencement Date being based upon either the Annuity Consideration or, if greater, £250,000, and the amount due annually thereafter being based upon either the value of the Specified Account at the relevant date or, if greater, £150,000
 - (i) 1% of the relevant amount up to a maximum of £1,000,000
 - (ii) 0.75% of the excess, if any, of the relevant amount over £1,000,000 up to a maximum of £2,500,000
 - (iii) 0.65% of the excess, if any, of the relevant amount over £2,500,000 up to a maximum of £5,000,000
 - (iv) 0.60% of the excess, if any, of the relevant amount over £5,000,000 up to a maximum of £10,000,000
 - (v) 0.55% of the excess, if any, of the relevant amount over £10,000,000
- (b) Cash movements other than for annuity payments and settlement of charges: £30
- (c) Income payments:
Annually – no extra charge
Regular payments other than annually - £20 per payment due annually in advance
Additional one-off payments - £30 per payment
- (d) All charges made by The Royal Bank of Scotland (Gibraltar) Limited and/or any other bank from time to time holding funds attributable to the Specified Account and similarly all charges made by custodians and investment managers
- (e) Recalculation of Minimum and Maximum Amounts:
In response to a request from the Annuitant - £150
Otherwise – no extra charge
- (f) If the Annuity converted to a fixed or indexed rate and an annuity is purchased from another authorised insurance company as provided in Clause 6.2 a charge will be made of £200 in addition to the Annual Charges due up to that date but no further charges of any kind will apply thereafter.

All charges shown under (b) to (f) above will be increased in proportion to the increase, if any, in the UK index of National Average Earnings for the previous 12 months on 1.1.2003 and annually thereafter. The Company further reserves the right to vary the charges or to introduce additional charges if significant additional work should become necessary in order to comply with any regulatory or other requirements or circumstances arising that have consequences for the administration of the Contract.

End of Appendix