



EXISTING WITH PROFITS POLICYHOLDERS

Your questions answered

THE BASICS

1. Do I need to do anything?

No. You don't need to take any action.

2. What should I do if I am the trustee of an occupational pension scheme which is invested in a With Profits policy?

You do not need to take any action other than ensuring that any other trustees appointed under your Trust Deed and Rules are also aware of the changes to our profit sharing approach. We'll mail the employer and we'll also be mailing the members of your scheme to advise them of the changes, as all or part of their benefits may be invested in our With Profits Fund.

3. What should I do if I am a member of an occupational pension scheme which is invested in a With Profits policy?

You do not need to take any action. We are mailing the trustees and employers of occupational pension schemes like yours which hold a With Profits policy with us. We are also mailing you and the other members of these schemes, as all or part of your own retirement benefits may be invested in our With Profits Fund. However, as explained in our letter, the changes we are making will not alter the way in which we manage your scheme's With Profits investment.

4. I am the parent or guardian of a policyholder – what should I do now?

The letter and booklet we've sent you is for information only. You don't need to do anything. Just keep this information with the policyholder's policy documentation and show them this booklet and the accompanying letter if/when appropriate.

5. Where can I find out more information?

You can read more about the changes to our profit sharing approach on our website royallondon.com/profitsharewp, or you can call us on **0345 266 0799** between 9.00am and 5.00pm Monday to Friday, except bank holidays.

From 1 January 2016 you can view and download a copy of the new PPFM from our website royallondon.com/PPFM, or you can ask us to send you a copy by calling us on **0345 266 0799**.

THE NEW APPROACH

6. Why are you changing your profit sharing approach?

As a customer-owned company, we believe that the people who should benefit the most from our success are our customers.

So it makes sense for more of our customers to share in our success.

7. Can you explain profit sharing to me?

Profit sharing is a way for Royal London to share its profits with our policyholders. It's added on an annual basis and is applied as an increase to the asset share¹ on existing With Profits policies.

The rate of Profit Share is discretionary and depends on the performance and strength of the business. In bad years we may not be able to allocate any Profit Share.

The policies that will qualify for the new form of With Profits from January 2016 will receive a smaller benefit than existing With Profits policies like yours. For example, if they'd qualified to receive Profit Share from the start of 2014, they'd have received around 0.15% of the value of their policy, whereas your policy received 1.15%.

In addition, to help ensure we're fair to you, we plan **to increase the regular bonus on existing With Profits policies such as yours** by the same rate we give to the new form of With Profits policies. This would increase the amount we guarantee to pay on a death or maturity claim.

¹ Asset shares are the accumulation of premiums paid into a policy after taking off amounts to cover expenses, charges and tax and after crediting or debiting amounts to reflect the investment returns achieved by the fund. Or simply, the asset share is the underlying value of a With Profits policy. We use the asset share as a guide to setting payouts but we may pay out more or less than this in order to smooth payouts over time.

8. How will my interests as an existing With Profits policyholder be protected under the proposed changes?

To ensure our existing With Profits policyholders are treated fairly we engaged an independent expert, who was approved by the FCA, to look into our Profit Share proposals. You can read a summary of his findings on our website. The key points from our perspective are that introducing the new policies is expected to increase the total amount of surplus available to distribute to policyholders and is not expected to disadvantage any policyholder.

The launch of the new form of With Profits has the unanimous backing of our Board and of the With Profits Committee whose primary purpose is to protect the interest of these very policyholders.

The FCA has obviously been very interested in knowing the detail of our proposals and has not raised any objections to the changes we're making.

9. What is the With Profits Committee and what does it do?

The purpose of the Committee is to consider the interests of all our With Profits policyholders in the Royal London Group and exercise independent judgement in advising the Board on the achievement of fair treatment of those With Profits policyholders.

The Committee is appointed by the Board and consists of six members, three of which must be independent members. At least one of the independent members must be a Fellow of the Institute and Faculty of Actuaries. All members of the committee must have recent relevant experience in the conduct of With Profits business and the fair treatment of With Profits policyholders.

10. I took out a pension policy after 1 July 2001 but it was with Scottish Life – will I get the new form of With Profits if part of my investment is in a unit linked fund?

Although the policy you took out was originally branded as Scottish Life, all pension policies with us since 1 July 2001 were in fact taken out with The Royal London Mutual Insurance Society. As a result you will benefit from the new form of With Profits if any part of your policy is invested in a unit linked fund.

HOW PROFIT SHARE AFFECTS EXISTING WITH PROFITS POLICYHOLDERS LIKE ME

11. How will you pay for the cost of the new form of With Profits?

We intend to fund the cost of widening the scope of our With Profits business to more policy types with extra distributions of profit, not by spreading the existing distribution of profit over a wider group.

For example, in recent years we've distributed around a third of the profit that we've made each year – using the rest to invest in the business and to increase our financial strength so that we can weather unpredictable events like the recent worries in the Eurozone. We see the introduction of the new form of With Profits as another form of investing for the future. So, the cost will come from using a small part of the two-thirds of the profits that we haven't distributed to date.

12. How do I share in the profits and losses of the Royal London Group?

The return you get on your With Profits investment is made up of two elements:

- your share in the profits and losses of the Royal London Group – which is the existing Royal London Profit Share, and
- investment performance.

The existing Royal London Profit Share is an enhancement to the asset share¹ awarded to all eligible With Profits policyholders. We award it in years when we have good operating profits and a strong capital position as a business.

The performance is shared out to our With Profits policyholders through a system of bonuses. The payouts from those bonuses are based on the asset share¹. There are two types of bonus that we may add to your plan:

- **regular bonuses**, which we may add during the lifetime of your plan and which increase the guaranteed amount payable when your plan matures or when the life assured dies, and
- **final bonuses**, which we may add on maturity or when a death claim is made. Final bonuses are not guaranteed and may go up or down.

Further details of your right to share in the profits and losses of Royal London are contained in the PPFM/CFPPFM (see questions 14 and 15 below).

13. Will the way I share in the profits and losses of the Royal London Group change?

The way that we'll share our profits with existing With Profits policyholders like you will not change, other than to potentially increase the amount we guarantee to pay on a death or maturity claim. Policyholders with the new form of With Profits will be awarded a lower level of Profit Share than is added to your policy.

¹ Asset shares are the accumulation of premiums paid into a policy after taking off amounts to cover expenses, charges and tax and after crediting or debiting amounts to reflect the investment returns achieved by the fund. Or simply, the asset share is the underlying value of a With Profits policy. We use the asset share as a guide to setting payouts but we may pay out more or less than this in order to smooth payouts over time.

THE DOCUMENTATION

14. What is the PPFM?

Principles and Practices of Financial Management (PPFM) – a detailed technical document that explains how we manage the With Profits fund including how our With Profits plans work and what benefits you can expect from them. The Principles are high level statements setting out how we intend to manage the fund over the long term. The Practices are more specific statements that describe how we intend to follow the Principles in managing the fund on a day-to-day basis.

We also provide **A guide to how we manage our with profits fund** – a plain English guide to the key points of the PPFM, known as the Customer Friendly Principles and Practices of Financial Management or CFPPFM. The most recent version is available on our website.

15. Where can I find a copy of the new PPFM?

From 1 January 2016 you can view and download it from our website royallondon.com/PPFM or you can ask us to send you copies by calling us on **0345 266 0799**.

As the PPFM is a technical document we also have customer friendly guides to how we manage our funds in the same area of our website. The guides aren't changing as a result of us widening the scope of our With Profits business but you may find them helpful in answering any general questions you have on With Profits.

16. I have other policies with Royal London? Will I receive a letter for them?

If you have any other policies with Royal London that will qualify for the new form of With Profits you'll receive a separate letter for them in due course.

We have written to you now because we want to let our existing With Profits policyholders know about the changes first.



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All literature about products that carry the Royal London brand is available
in large print format on request to the Marketing Department at
Royal London, 1 Thistle Street, Edinburgh EH2 1DG.
All of our printed products are produced on stock which is from FSC® certified forests.

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