

A guide to investing in With-Profits Platinum Products

CONTENTS	Page
1 Introduction	1
2 What is this guide for?	2
3 What is a with-profits policy?	2
4 What are the guarantees?	2
5 What are the investments in the fund?	3
6 What affects the bonuses that may be added to my policy?	3
7 What types of bonuses may be added to my policy?	4
8 How do we decide what the bonuses should be?	4
9 What are the risks associated with investing in the fund?	5
10 What is the working capital of the fund and what is it used for?	6
11 What if i decide to cash-in my policy?	6
How to contact us	7

1. Introduction

On 31 July 2013 Royal London completed the acquisition of Co-operative Insurance Society Limited from Co-operative Banking Group Limited. Following the acquisition Co-operative Insurance Society Limited was renamed Royal London (CIS) Limited.

On 30 December 2014 the policies of Royal London (CIS) Limited were transferred into a separate sub-fund of the Royal London Long Term Fund called the Royal London (CIS) Sub-Fund. At the same time, the Royal London (CIS) Sub-Fund was closed to new policies.

The Royal London Long Term Fund consists of the Royal London Main Fund, which is open to new business, and sub-funds which are all closed to new policies.

We will manage the Royal London (CIS) Sub-Fund in accordance with the Transfer Scheme; this is one of the legal documents that transferred the business of Royal London (CIS) Limited to Royal London. The Transfer Scheme states that Royal London will manage the Royal London (CIS) Sub-Fund as if it was a stand-alone fund, operating within the constraints of its own capital.

The Royal London (CIS) Sub-Fund itself consists of three funds:

- the RLCIS OB & IB Fund;
- the RLCIS With-Profits Stakeholder Fund; and
- the RLCIS With-Profits Pension Fund.

This guide covers Platinum Bond Plus and Platinum Plus policies in the RLCIS OB & IB Fund.

In this guide we call the RLCIS OB & IB Fund, 'the fund'.

2. What is this guide for?

This guide tells you how we manage the fund.

It should answer most of the questions you might have. If you have any further questions then please contact us – our contact details are shown at the end of this guide.

The guide explains the main aspects of how we currently manage the fund for customers who have policies called Platinum Bond Plus (a single premium with-profits bond) and Platinum Plus (a with-profits savings policy). It covers the key points from the detailed technical guide called the Principles and Practices of Financial Management

(PPFM) document, but is not a replacement for it. Please see the PPFM for a fuller description of how we manage the fund. If this guide is inconsistent with the PPFM, the PPFM overrides this guide.

You can download all of our guides, including the PPFM documents, from our website, www.royallondon.com or instead you can contact us for a copy.

If we make a significant change to our approach to managing the fund in the future, we'll write to tell you.

3. What is a with-profits policy?

A with-profits policy is a type of insurance policy that lets you share in the profits and losses of the fund's long-term insurance business, which includes life assurance and pensions business.

Your money, together with other policyholders' money, is invested in the fund. By investing in a range of assets (types of investments), we aim to make profits for the fund which we will then share with with-profits policyholders by adding bonuses to their policies. The fund also has policies which do not share in the profits or losses of the fund, known as non-profit policies.

Your with-profits policy benefits from a special feature known as smoothing. Smoothing is designed to protect with-profits policyholders from the direct impact of some of the sudden movements in the stockmarket, but it cannot get rid of the strong link between the underlying market investment returns, and with-profits returns.

For policies such as yours, in deciding what to pay you in the event of a claim, we smooth (or average) the investment profits or losses over the time you hold your policy. This means that we hold back some of the profit made when investment returns are good, so that we can increase returns if investment returns are lower.

We do this so that your investment should provide a steadier return from day to day than if you invest in a fund which fully reflects the rise and fall in stock markets, such as a unit trust. Smoothing does not protect against prolonged falls in the stock market, because the profits held back from periods of good returns may not provide sufficient protection against investment losses.

Also, unlike simpler stock market investments, your policy contains a guarantee about the amount of money we will pay in the event of a death claim.

4. What are the guarantees?

We guarantee to pay, on the death of the life assured (the person covered by the policy), 101% of the plan value together with any further bonuses added at the time.

For Platinum Bond Plus policies, the death benefit will not be lower than the premiums you have paid less any amounts of money you have withdrawn from your policy.

If your policy is on a joint life basis, the death benefit will be paid when both of you have died, if the policy has not already been cashed in.

5. What are the investments in the fund?

The fund is invested in a wide range of carefully selected assets with the aim of achieving growth. A wide range of assets is held to help reduce the risk to the value of the fund that would arise if most or all of the assets were invested in a single category of assets.

Investments may include:

- UK and overseas shares
- government bonds (loans to the government)
- company bonds (loans to companies)
- property (which may also include our business premises)
- subsidiary companies owned by the fund
- cash deposits
- more complex types of assets that are used to help reduce investment risk such as derivatives.

Our Responsible Shareholding programme is an important part of how we manage the investments in the fund.

We aim to influence the companies in which the fund invests on a range of social, ethical and environmental issues. This means that we will engage with companies on a broad and challenging ethical agenda, reflecting the issues that our customers would expect the businesses in which we invest to address. We consider such influence to be for the benefit of the companies in which the fund invests and therefore for the benefit of the fund itself.

In the 1980s and 1990s, when stockmarket investment returns were relatively high, a high proportion of the assets of the fund was invested in shares and property with the aim of achieving above average investment returns. Although shares and property investments are riskier than other types of investments such as bonds and cash deposits, over the longer term they tend to produce higher investment returns (although this is not guaranteed).

As a result of the generally much lower investment performance of the world stock markets since the year 2000 and following a general decline in interest rates, a lower proportion of shares and property assets has been held in the fund in recent years. Also, since 2004 the assets of the fund have been allocated in different ways to different groups of policies. We do this to take account of a number of factors such as the value and nature of policy guarantees. As a result, different groups of policies might be invested in a different mix of assets.

For Platinum Bond Plus and Platinum Plus policies, we currently aim to hold between 55% and 75% of the assets obtained by investing your premiums in shares and property, with investments in property normally representing no more than 40% of the total invested in shares and property. We hold the rest of the assets in less risky assets such as bonds, cash deposits and suitable derivatives.

The current mix of assets held for your type of policy is usually shown with your statement and is also available on request.

6. What affects the bonuses that may be added to my policy?

The bonuses are affected by the investment returns achieved by the fund, the level of policy guarantees, the charges that we make, how we smooth payouts and any distributions from the fund's working capital. (See section 10.)

The bonuses added to your policy represent your share of the profits and losses of the fund.

The main factor that affects the level of bonuses that we may add to different groups of with-profits policies is the investment profits or losses of the assets held in respect of those policies.

Other important factors are:

- the charges we make
- the effect of the guarantees we offer to you and to other policyholders.

Other factors, such as the profits (or losses) that result from other types of business in the fund and any difference between the amount we have paid to investors moving out of the fund and the fair share (see section 8) of the total fund value for those plans at the time, may also give rise to profits or losses within the fund. (See section 9).

The charges which we make allow for, amongst other things:

- our costs of acquiring and administering policies
- tax
- the costs of helping to meet policy guarantees
- the cost of life cover.

Charges are set to be at least sufficient to cover the above costs.

Before 1 August 2013 the costs of acquiring and administering policies arose from the direct management of the fund. Since 1 August 2013 such costs have been based on fees and charges levied by the Royal London Main Fund as part of the terms of Royal London's purchase of CIS.

We use all the profits of the life assurance and pensions business in the fund for the benefit of the fund's life assurance and pensions policyholders only. This includes adding to reserves to strengthen the fund for its life assurance and pensions policyholders.

Similarly, any losses incurred within the fund are met by the policyholders, either through a reduction in the working capital (see section 10) of the fund or through a reduction in their benefits.

7. What types of bonuses may be added to my policy?

There are generally two types of bonuses:

- **annual bonuses**, which if added increase the value of your policy over time; they are calculated each day and added to your policy once a year
- **final bonuses**, which we may add when a claim arises.

We may have also applied a special annual bonus on the first anniversary of certain Platinum Bond Plus policies as described in documentation provided to policyholders.

Unless any special conditions apply as described in documents provided to you, the benefit payable when you cash in your policy is the plan value (see below) at that time together with any further annual bonuses (to cover the period since any annual bonuses were previously added) less any cash-in exit charges plus any final bonus or, where necessary, less any Market Value Reduction. (See section 11.)

The plan value is equal to:

- the premiums paid
- less any initial charges
- less any income taken
- less any withdrawals taken
- plus any annual bonuses added.

8. How do we decide what the bonuses should be?

Bonuses are set so that payouts represent a fair share of the fund, allowing for smoothing. In setting annual bonuses, we also aim to ensure that the fund is large enough to cover all our liabilities to policyholders at any time and has enough working capital (see section 10).

Annual bonuses

We set annual bonuses on 1 April each year. These bonuses pay out part of the profits of the fund, increasing the plan value.

We set annual bonus rates with the aim of holding back part of the policy's share of the profits of the fund to be paid as final bonus. When we set annual bonuses, we take account of factors such as our long-term view of future investment conditions, the level of guarantees applying to policies and the level of working capital in the fund. Annual bonuses increase the value of policies such as yours. In order to ensure that the fund can afford to pay such guarantees, it may be necessary to limit future annual bonuses or to set annual bonuses to zero.

Final bonuses

These represent a fair share of the profits and losses arising over the lifetime of policies which we haven't already distributed as annual bonuses. In setting final bonuses, we also aim to ensure that the fund is large enough to cover all our liabilities to policyholders at any time and has enough working capital. We normally set final bonuses on 1 April each year, but we also review final bonus rates at least once more during the year and may change them if necessary.

There are a number of different factors that contribute to the fund's profits and losses and we have to decide how to share these profits or losses when we set the bonuses. We do this by calculating a 'fair share' of the assets of the fund for typical policies and using the results to fix a scale of final bonuses to apply to all similar policies.

The fair share depends on the profits earned by policies such as yours over the period of the investment. In calculating the fair share, smoothing is applied to determine the payout for a with profits policy. It is one of the key ways in which we can be fair to all policyholders. The fund invests in a range of assets and the value of these goes up and down, sometimes significantly, over time.

We try to add bonuses in a way that protects policyholders to some extent from temporary ups and downs of the investments held by the fund. For your policy, our current smoothing approach is to keep payouts unchanged over the period between bonus declarations. This means that bonus rates could stay at the same level for many months even when the value of the fund's investments is going up and down.

Although bonus rates may go up or down, or we may decide not to announce a bonus at all, they will usually be more stable than the returns on the investments held by the fund.

Although we use it to reduce the impact of changes in investment returns, smoothing can't fully protect your investment. This is particularly the case following, for example, long periods of poor investment returns or sudden large market falls. When these happen we are likely to reduce final bonuses and/or apply market value reductions.

We aim for the effect of smoothing to cancel itself out over the long term. This means that, in the end, the amounts we hold back in good times should offset the amounts required in bad times.

We aim to be consistent between policyholders leaving the fund today and those that will leave in the future.

Smoothing protects the financial interests of all policyholders remaining in the fund.

9. What are the risks associated with investing in the fund?

The fund is exposed to a number of risks, for example:

- risks relating to how well our investments might do
- risks relating to how much our costs might be
- the cost of meeting guarantees, that apply to most of the fund's with-profits policies (such as basic sums assured and basic annuities together with any attaching annual bonuses); guaranteed annuity rates that apply to the majority of the fund's with-profits pension business and guarantees that apply when certain with-profits bonds are cashed in
- the risk that we might have to pay compensation to certain policyholders and meet any other costs arising from operational errors (except where any such costs are met by the Royal London Main Fund)
- risks associated with operating subsidiary companies owned by the fund, and
- in exceptional circumstances, risks arising in other funds of Royal London.

Since 1 August 2013 the risks relating to the level of our costs have been reduced by the nature of the fee arrangement with the Royal London Main Fund.

Losses from certain risks, such as the cost of paying guaranteed annuity rates, certain compensation costs and any that arise from the subsidiary companies owned by the fund, are currently covered by the working capital of the fund. Such risks do not usually affect what you get back. But if the working capital is not enough to meet some or all of these losses, we may have to reduce bonuses and cash-in values.

Similarly, if the level of working capital is more than we require, we may share out additional profits.

We actively monitor the risks and take preventative action when necessary.

We regularly monitor the level of business risks within the fund as part of our standard risk management procedures, and where we think it is necessary we act to reduce risk exposure.

10. What is the working capital of the fund and what is it used for?

The working capital of the fund is the excess of the value of the fund's assets over the amount needed to meet its liabilities.

We use the working capital for a variety of purposes, for example to ensure as far as possible that the fund is large enough to cover all our liabilities to policyholders at any time and to support smoothing of payouts. As the fund is closed to new policies, we need to balance the requirement to hold a sufficient level of working capital with the need to distribute it over the lifetime of eligible with-profits policies. The way we will distribute the working capital will be decided by our Board from time to time with the overall aim of being fair.

The overriding principle is that the fund is to be managed, so far as it is possible, within the limits of its own working capital. If we are unable to do this, capital from the Royal London Main Fund, if available, would be used to help support the fund until we could take any available actions to address the situation. A charge would be made to the fund in relation to such support on terms specified in the Transfer Scheme.

11. What if I decide to cash-in my policy?

If you cash in your policy we would aim to give you a fair payout, which in exceptional circumstances would allow for any deductions that we may make in order to protect the interests of policyholders continuing in the fund. For Platinum Plus policies, there may be cash-in exit charges if you cash in your policy. These charges are described in your Key Features document and details are available on request.

The way in which your policy works means that your plan value may be quite different to your fair share at that time. Any difference between the amount we pay and your fair share will produce profits or losses for the fund. Those profits or losses will affect the bonuses that we can pay to those investors who remain in the fund.

Because of this, if you cash your policy in, we may adjust the plan value to bring it more in line with your fair share.

When we may pay more than the plan value

We may pay more than the plan value if that value represents less than a fair share of the market value of the assets in the with-profits fund at that time, allowing for smoothing. We do this by adding a final bonus.

When we may pay less than the plan value

We may reduce the plan value if it represents more than a fair share of the market value of the assets in the with-profits fund at that time, allowing for smoothing. We would do this by applying a Market Value Reduction.

We do this to maintain a fair level of future payouts to everyone still invested in the fund. If we didn't, the extra amount that you would receive would have to come from other investors who might therefore receive less than their fair share.

It is most likely that we'd need to apply a Market Value Reduction following a large fall in stock markets, or after a prolonged period where investment returns are consistently below the level we normally expect.

We regularly monitor investment conditions and the total level of money being moved out of the fund, and may apply a Market Value Reduction at any time if we believe it to be necessary to protect the fund.

We will not apply a Market Value Reduction to regular income withdrawals from Platinum Bond Plus policies or to payments on death for either Platinum Plus or Platinum Bond Plus policies. In addition, we will not apply a Market Value Reduction in respect of any premium paid under a Platinum Bond Plus policy where the application form for that premium was completed before 1 April 2000, and where the benefits provided by that premium are cashed in after at least 10 years. A Market Value Reduction may, however, apply in respect of any additional premiums paid into the Platinum Bond Plus policy, where the application form for that additional premium was completed on or after 1 April 2000.

Over the longer term, we aim to set payouts so that the fund does not make a profit or loss from policies that are cashed in and we normally expect the majority of payouts to be within 15% of the unsmoothed amounts.

How to contact us

If you need more information, contact our Customer Contact Centre 0345 605 7777.

Monday to Friday 8am to 8pm and Saturday and Bank Holidays 8am to 5pm.

Or write to:

Royal London
Churchgate House
56 Oxford Road
Manchester
M1 6EU



Royal London

Royal London House, Alderley Park, Congleton Rd, Nether Alderley, Macclesfield, SK10 4EL
royallondon.com

**We're happy to provide your documents in a different format,
such as Braille, large print or audio, just ask us when you get in touch.**

All of our printed products are produced on stock which is from FSC® certified forests.

The Royal London Mutual Insurance Society Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The firm is on the Financial Services Register, registration number 117672. It provides life assurance and pensions. Registered in England and Wales, company number 99064. Registered office: 80 Fenchurch Street, London, EC3M 4BY. Royal London Marketing Limited is authorised and regulated by the Financial Conduct Authority and introduces Royal London's customers to other insurance companies. The firm is on the Financial Services Register, registration number 302391. Registered in England and Wales company number 4414137. Registered office: 80 Fenchurch Street, London, EC3M 4BY.