

# Key features of the Personal Investment Management Service

**PIMS is available in two versions - Select PIMS and Flexible PIMS**

## Its aims

- ◆ To increase the value of your investment over the medium to long term by investing in a range of pooled assets.
- ◆ To provide you with a simple and straightforward way of administering your investment.
- ◆ To give you the option of taking a regular income.
- ◆ To give you an optional form of life cover for protecting the value of your investment through PIMS wealth insurance.

## Your commitment

- ◆ You agree to make a minimum single investment of GBP 50,000 (USD 80,000; EUR 80,000). If you choose to make an additional investment, you agree that it will be subject to a minimum amount of GBP 5,000 (USD 8,000; EUR 8,000).
- ◆ You should view your investment as being for not less than five years.

## Risk factors

- ◆ Investment growth may be lower than that assumed in your personal illustration.
- ◆ Charges may be higher than those assumed in your personal illustration.
- ◆ If you cash in your investment, particularly during the early years, the effect of charges could mean that you get back less than you invested.
- ◆ If you take a regular income that exceeds the growth in your investment, the value of your investment will be eroded.

- ◆ If you change your mind and withdraw your investment during the cancellation period, you may get back less than your initial investment.
- ◆ The funds to which your investment will be linked will have different levels of risk. You should ask your financial adviser for details of the risk associated with each fund.
- ◆ The capital security available through Tier 1 - *safe combination*<sup>™</sup> is provided by assets held with leading financial institutions. The security of your investment would be at risk if any of the financial institutions with which your investment may be linked were unable to meet their obligations.
- ◆ During the early years, charges deducted from your capital may constrain capital growth. Please refer to your enclosed *Summary of charges* for further details.
- ◆ For UK resident investors, the favourable tax treatment of withdrawals may not be maintained in the future. Please consult your independent financial adviser for a full understanding of how the tax regulations affect you.
- ◆ In the unlikely event that Scottish Life International is unable to reinsure the risk associated with the additional life cover provided by PIMS wealth insurance, the provision of such insurance may be removed.
- ◆ The value of investments can go down as well as up and is not guaranteed.

# Your questions answered

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## What is PIMS?

It is an offshore insurance bond consisting of a series of identical lump sum segments with no specified term, issued in the Isle of Man by Scottish Life International Insurance Company Limited. To provide flexibility, you may divide your investment into up to 100 individual segments. The minimum investment per segment is GBP 1,000 (USD 1,600; EUR 1,600).

PIMS is available in two versions – Select PIMS and Flexible PIMS. The Select PIMS version has a restricted investment choice in comparison to Flexible PIMS and, because of this, its charges are slightly lower.

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## Who is eligible to apply?

Anyone aged 18 or over can invest in the bond (excluding resident(s) of USA). Isle of Man residents can apply, however they cannot be a life or lives assured. Restrictions will apply to citizen(s) of the USA.

Certain restrictions may apply to residents of other countries – please ask your financial adviser for details.

There may be up to six lives insured. If there is more than one life insured, you must choose whether the benefit is to be paid on the death of the first or last life insured to die.

Investments may be made by individuals, companies or trustees. Individuals may apply on their own or with someone else.

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## How much can I invest?

The minimum initial investment is GBP 50,000 (USD 80,000; EUR 80,000). You can make additional investments at any time subject to a minimum of GBP 5,000 (USD 8,000; EUR 8,000).

Investments can be paid in any readily convertible currency. Transaction charges will be deducted from the sterling, US dollar or euro equivalent amount of the investment.

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## Where is my money invested?

Depending on whether you invest in Select PIMS or Flexible PIMS you will have access to the following investment tiers:

- ◆ Tier 1 – *safe combination*<sup>™</sup> list
- ◆ Tier 2 – Select list
- ◆ Tier 3 – Flexible list (AVAILABLE TO FLEXIBLE PIMS INVESTORS ONLY)

Select PIMS investors will be able to invest in tiers 1&2.

Flexible PIMS investors will have access to all three tiers.

Please refer to the *Investment guide, safe combination*<sup>™</sup> *guide* and *Select list* insert for full details on Tiers 1& 2. Tier 3 basically includes every other UK authorised or international collective investment scheme that can be priced and readily dealt in (subject to the fund being acceptable to Scottish Life International).

A minimum of 3% of your portfolio value, reducing to 2% after five years, must be invested in the PIMS Cash Account. It is your own and your financial adviser's responsibility to ensure that the amount in the PIMS Cash Account remains at or above the minimum level, so that the amount of any regular withdrawals or charges can be met. Overdrawn amounts in the PIMS Cash Account will currently be charged interest at base rate plus 3% per year.

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## How can I keep track of the value of my portfolio?

You will be sent a PIMS portfolio valuation every six months as at the end of June and December each year.

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## Who manages my portfolio?

You can send your investment instructions directly to us or you can appoint an investment adviser.

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## What is the tax position of my investment?

As an international life assurance company based in the Isle of Man, Scottish Life International does not pay tax on the capital growth or income which accrues to its funds (with the exception of any withholding tax charged by some countries to foreign investors on investment income). If you are a UK taxpayer up to 5% of your initial investment may be withdrawn as income each year for 20 years without any immediate liability to personal taxation. This favourable tax treatment of withdrawals may not be maintained in the future. Please consult your financial adviser for a full understanding of how the tax regulations affect you. When income of more than 5% is taken, the excess may be liable to tax at the full rate payable (basic or higher rate, if appropriate, less allowances, if appropriate). You should note that any gains on cash-in may be subject to tax. If you are resident in the UK Scottish Life International will send you details of these tax events within three months of the event and must send details to the Inland Revenue at the end of the tax year.

Please remember that the value of tax benefits depends on individual circumstances and may change. If you require any further details regarding taxation please contact your financial adviser.

The tax information in this document is based on Scottish Life International's current understanding of UK tax legislation and Inland Revenue practice as at August 2004. Please note that non UK residents may be subject to different tax legislation. Please contact your financial adviser for details.

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### Can I take a regular income from my PIMS portfolio?

You can take an income from your investment by making regular withdrawals on a monthly, quarterly, half yearly or yearly policy anniversary basis, on any date within a month between the 1st and 28th days inclusive.

Regular withdrawals may be taken as a percentage of your initial investment, or as a percentage of the fund value. Each withdrawal is subject to a minimum amount of GBP 250.

If the regular income exceeds the growth in your investments, this could result in the value of your investment being eroded.

There is no maximum withdrawal although the amount left in your investment after any regular withdrawal must be at least the greater of GBP 25,000 or 15% of your initial investment.

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### Can I cash in part or all of my PIMS portfolio at any time?

If you cash in part of your portfolio, you can either cash in individual segments or choose to have an equal amount deducted across all of your segments. You cannot cash in less than GBP 500 of your investment.

If you cash in part of your investment, the remaining investment value must not fall below the greater of GBP 25,000 or 15% of your initial investment. If this occurs, you must cash in your entire investment.

You must have a sufficient amount in your PIMS Cash Account in order to cash in part of your investment. In order to move some of your investment in to your PIMS Cash Account, you may have to wait until these investments can be sold. For example, sub-funds in tier 1 (*safe combination*<sup>™</sup> list) operate on a quarterly basis so it may be up to three months before you receive your money. For tier 2 and tier 3 funds, assets will normally be realised on the next available transaction date. Details of transaction dates can be provided by your financial adviser.

If you cash in all of your investment during the first five years and you have a set-up charge as part of your overall charging structure, the amount you receive will be subject to deduction of the remaining set-up charge.

If you cash in all of your investment during the first eight or ten years and you have an annual management charge as part of your overall charging structure, the amount you receive will be subject to a surrender penalty depending on whether you have selected the eight or ten year surrender penalty period.

Partial encashments across a number of segments will not be subject to outstanding set-up charges or surrender penalties. However, the level of charges applicable prior to any encashments would continue to be charged on the remaining portfolio segments.

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### What happens on death if I have not taken out the additional PIMS wealth insurance?

If you have not taken out the additional PIMS wealth insurance, the basic benefit payable on first death or last death (dependent on your selection at the outset) will be the current investment value less any remaining set-up charge and/or annual management charge surrender penalty (if applicable).

Following notification of death, each of the assets in your PIMS portfolio will be sold at the next available transaction date, unless instructions are received to the contrary.

This death benefit will terminate the contract. It will be paid to the policyholder or the policyholder's estate as appropriate.

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### What are the charges on my PIMS portfolio?

The flexibility of the PIMS contract enables you to structure product charges in a way that best suits you. You can have a combination of Allocation rate, Set-up charge and Annual management charge.

- ◆ The Allocation rate can represent an initial upfront charge or an initial upfront enhancement. An Allocation rate of, for example, 98% means that if you provide GBP 100,000, GBP 98,000 will be invested in your PIMS portfolio. An Allocation rate of, for example, 102% means that if you provide GBP 100,000, GBP 102,000 will be invested in your PIMS portfolio. An increased Allocation rate can only be achieved in exchange for an increased Set-up charge and/or Annual management charge.
- ◆ The Set-up charge is levied as a percentage of your initial investment at the end of each quarter for the first five years of an investment. The Set-up charge can be increased or decreased in exchange for variations in the Allocation rate and/or Annual management charge.

- ◆ The Annual management charge is taken as a percentage of the maximum of the portfolio value and the initial investment at the end of each quarter throughout the term of the policy. With the Annual management charge option you can choose either an eight year or ten year surrender penalty period. The Annual management charge can be varied in exchange for Allocation rate and Set-up charge combinations.

You should note that Select PIMS has a slightly lower cost structure than Flexible PIMS. A Select PIMS investor who subsequently moves into Flexible PIMS will be subject to an additional one-off charge to reflect the higher charging structure of Flexible PIMS. A charge rebate will not be made to investors who move from Flexible PIMS to Select PIMS.

A quarterly service fee of up to GBP 90 (USD 144; EUR 144) will be deducted from your portfolio. This amount will normally increase every year in line with the Isle of Man Retail Price Index.

If you require any more than the standard half yearly PIMS portfolio valuations, a valuation charge, currently GBP 90 (USD 144; EUR 144), will be made for each additional valuation.

There will usually be an annual fund management charge on underlying funds. The annual fund management charge on tier 1 *safe combination*<sup>™</sup> list funds is 1.25% of the value of the funds each year, which is taken at the beginning of each investment quarter in the pricing of the shares. This charge is subject to change. There is no annual fund management charge on the PIMS Cash Account. To find out the level of annual fund management charge on tier 2 and tier 3 funds please consult your financial adviser.

There may be a portfolio administration charge of up to 1.5% each year deducted from your portfolio. If this is applicable to your investment you will need to complete the appropriate box in Section 11 – *Declaration of the Application booklet*. For UK resident investors, the level of this charge, if any, will be detailed on your personal illustration.

The first twelve transactions that you carry out, each year, in the tier 1 *safe combination*<sup>™</sup> list are free.

The first ten transactions in tiers 2 & 3, during the lifetime of your portfolio, are free.

A transaction charge of GBP 20 (USD 32; EUR 32) will be levied on each excess transaction beyond those stated above. This amount may be varied from time to time. Please note that a switch from one fund to another counts as two transactions. In the event of any transaction fees (such as telegraphic transfer charges) being charged to Scottish Life International, these would be deducted from your portfolio.

Aside from any annual fund management charge on underlying funds, all charges will be deducted from your PIMS Cash Account.

For full details on the PIMS charging structures available please refer to the enclosed *Summary of charges* and, for UK resident investors, your personalised illustration.

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### Can PIMS be set up in different currencies?

You can choose to set up your PIMS portfolio in sterling, US dollars or euro. The sterling amounts referred to in this document need to be multiplied by 1.6 to get the equivalent US dollar or euro amounts. This factor may be varied from time to time.

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### What do I do next?

If you fully understand the nature of PIMS and have taken advice from your financial adviser, all you need to do is complete the *Application booklet* and send it, together with your payment made payable to 'Scottish Life International Insurance Company Limited', to your financial adviser who will pass it on to our Isle of Man Customer Service team.

You may invest by cheque, banker's draft, or telegraphic transfer. Building society cheques should be referenced with the account holder's name and building society account number on the front of the cheque. Investments in excess of GBP 225,000 (USD 365,000; USD 365,000) must be made by telegraphic transfer. Please contact the customer services team on +44 (0) 1624 681578 if you wish to make payment in this way. Any charges associated with payment by telegraphic transfer will be deducted from the value of your initial investment.

# Additional key features for the PIMS wealth insurance option

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## What is the PIMS wealth insurance option?

It is an optional form of life cover which you may take out to protect the value of your portfolio should you die.

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## Who is eligible to apply?

If you are aged between 18 and 85 inclusive when you take out your PIMS portfolio, you may take the PIMS wealth insurance option. You can either apply as a single life, or as two lives. On two lives, PIMS wealth insurance can be set up on either a first or last death basis.

If the PIMS contract is on a single life basis then you may choose only the single life basis for PIMS wealth insurance.

If you have not chosen PIMS wealth insurance at outset, you will not be allowed to apply at a later date.

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## What is the cost of PIMS wealth insurance?

The PIMS wealth insurance fee is calculated as a percentage charge of the value of your PIMS wealth insurance benefit every month. The percentage charge depends on whether PIMS wealth insurance has been taken on a single life, a joint life first death or a joint life last death basis. It also depends on the age and sex of the life (lives) insured.

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## How does PIMS wealth insurance work in practice?

The initial value of the PIMS wealth insurance benefit will be 101% of the initial investment (before application of the allocation rate).

Thereafter, valuations will be calculated at the end of June and December in each year. At each valuation point the value of the PIMS wealth insurance benefit will be the greater of:

- ◆ the most recent PIMS wealth insurance benefit
- ◆ the current PIMS portfolio value.

On death, if your portfolio value is less than the current PIMS wealth insurance benefit, the value of the PIMS wealth insurance benefit will be paid out. Otherwise, your current portfolio value will be paid out. If your PIMS remains in force, the value of the portfolio may be enhanced. Please note that the PIMS wealth insurance benefit is not in addition to the basic death benefit.

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## What is the maximum value I can insure?

The maximum initial investment which can be insured is GBP 1 million (USD 1.6 million; EUR 1.6 million). Growth on portfolios which start with a value under GBP 1 million is included even if this takes the portfolio value over GBP 1 million. The way in which the PIMS wealth insurance benefit is calculated is different from that described above if the initial investment is over GBP 1 million. If you need more details, please ask your financial adviser.

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## Can I take withdrawals or make additional investments if I have PIMS wealth insurance?

If you make a withdrawal, the amount of the withdrawal will be deducted from the current level of the PIMS wealth insurance benefit at the date of withdrawal.

If you make an additional investment, the amount of the investment will be added to the current level of the PIMS wealth insurance benefit at the date of the additional investment, subject to the maximum value stated above.

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## Are there any restrictions on where I can place my money if I have PIMS wealth insurance?

You may invest in any collective investment scheme acceptable to Scottish Life International.

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## How can I keep track of the value of my PIMS wealth insurance benefit?

Scottish Life International will notify you of the amount of your PIMS wealth insurance benefit as at the end of June and December each year.

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## Can I cancel my PIMS wealth insurance at any time?

Your PIMS wealth insurance can be cancelled at any time by writing to Scottish Life International directly. Cancellation will take effect from the date of receipt of the instruction.

If you have cancelled your PIMS wealth insurance, you will not be allowed to reapply at a later date.

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## Can trusts opt for PIMS wealth insurance?

Yes. We recommend you seek professional advice to ensure that PIMS wealth insurance is suitable for all relevant beneficiaries and confirmation that the trust incorporates the appropriate powers.

# Important information

**This document should be read in conjunction with the main *Brochure, Investment guide and Application booklet of the Personal Investment Management Service.***

## Can I change my mind?

If you are a UK resident investor, when you receive confirmation of your investment you will also receive a notice of your right to cancel giving you the right to change your mind. If you do change your mind and decide not to proceed with your investment you must return the notice within 30 days. If the value of your investment falls during this period you may not get back the full amount you initially invested.

## Income

The word 'income' is used to describe regular withdrawals from your PIMS by cashing in part of your portfolio instead of leaving it with the potential to grow.

## Complaints

If you wish to complain about any aspect of your portfolio please consult your financial adviser or write to our customer services team at Scottish Life International Insurance Company Limited, PO Box 154, Douglas, Isle of Man IM99 1WS.

If a complaint regarding the administration of the bond is not dealt with to your satisfaction you can then refer it to the Financial Services Ombudsman Scheme for the Isle of Man, Isle of Man Office of Fair Trading, Government Buildings, Lord Street, Douglas, Isle of Man IM1 1LE. Telephone +44 (0) 1624 686 520.

Making a complaint will not prejudice your right to take legal action.

## Compensation

Scottish Life International Insurance Company Limited is supervised by the Isle of Man Government Insurance and Pensions Authority. Accordingly, holders of policies issued by the company will not be protected by the United Kingdom Financial Services Compensation Scheme should the company become unable to meet its liabilities to them. However, investors do receive the protection of the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991. The company reserves the right to adjust the returns from the portfolio to cater for any levy or charge made on the company under these regulations or similar legislation.

## Law

PIMS is governed by Isle of Man law.

This *Key features* document is based on Scottish Life International's understanding and interpretation of current legislation and Inland Revenue practice as at August 2004. Whilst great care has been taken to ensure that the information is correct, Scottish Life International cannot accept responsibility for its interpretation nor does it give legal advice. Full details of this investment are contained in the *Policy terms and conditions* and *Policy schedule* which, together with the *Application booklet*, will form the legally binding contract between you and Scottish Life International.

For further information on PIMS please contact your financial adviser or Scottish Life International's customer services team on +44 (0) 1624 681 578.



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