

Flexible Pension Annuity Key Features

London & Colonial

London & Colonial Assurance PCC Plc ('LCA') is a Gibraltar registered company and is incorporated under the Gibraltar Insurance Companies Act 2014 as a Protected Cell Company ('PCC'). LCA is regulated by the Gibraltar Financial Services Commission (permission number: 5191) and is part of STM Group, a Global Pension Corporation company.

The Flexible Pension Annuity ('FPA') is provided by LCA.

The security and safety of your data is very important to LCA. A copy of our Privacy Notice can be found on our website: https://lcalife.co.uk/privacy-notice/

The Gibraltar Financial Services Commission ('GFSC') is the independent financial services regulator for Gibraltar. It requires us, LCA, to give you important information to help you decide whether the FPA is right for you.

Together with this FPA Key Features document, you will also receive a Personal Illustration which shows how the FPA may work for you and the effect of various deductions. This is for illustrative purposes only and is not intended as a forecast, projection, or warranty of investment performance by LCA.

You should carefully read this Key Features document and the Personal Illustration that will also be sent to you so that you understand the product, its benefits, and risks. We recommend that you seek professional advice before you make any decisions about this FPA. Please keep these documents in a safe place for future reference.

This document assumes you are UK tax resident. If you are in any doubt about your tax status you should consult your Financial Adviser.

Aims

- To provide flexible annuity payments at different amounts and frequency intervals.
- To give you and your adviser the opportunity to invest in a wide range of investments to meet your investment needs.

Your Commitment

- To satisfy yourself that you have fully understood the features and risks of the FPA.
- To invest an initial premium of at least £100,000.

Risks

- Once the FPA has been purchased you have 30 days in which to change your mind. If you exercise your right to cancel you may get back less than you invested. After 30 days you cannot cancel or cash in (surrender) the FPA. Please note that some pension scheme providers may refuse to accept a return of the funds used to purchase the FPA and we may have to seek an alternative annuity provider if you wish to cancel within the cancellation period.
- The annuity payments are not guaranteed. Where an annuity payment would make the fund fall below 10% of the total premiums paid, all future annuity payments cannot be greater than a new level annuity amount, calculated by us. The new annuity amount will be based on the current age of the annuitant (you), and the value of the investment taking into account the new life expectancy of the annuitant as determined by the Actuary and LCA's current actuarial assumptions.
- Inflation may reduce the spending power of the annuity payments.
- The value of the assets sitting within the FPA may go down as well as up.
- The annuity payments may reduce earlier than anticipated if the investment performance is lower than illustrated within the Personal Illustration.
- Where the FPA holds investments in a currency other than Sterling there may be additional investment risk due to exchange rate fluctuations which may affect the annuity payments.

Questions and Answers

1. WHAT IS THE LONDON & COLONIAL FLEXIBLE PENSION ANNUITY?

The FPA is a unit-linked lifetime annuity, written on a single life basis. It is designed to provide flexible annuity payments for life.

2. HOW MUCH CAN I INVEST?

The minimum initial premium is £100,000. There is no maximum limit. The premium must come from a registered pension scheme, an existing pension annuity, or a contract-based QROPS where the policyholder is a UK tax resident.

Please note that we cannot accept premiums from an existing pre-April 2015 pension annuity.

Questions and Answers (continued)

3. CAN I ADD ADDITIONAL PREMIUM?

Yes, additional premiums can be paid into the FPA at any time. The minimum additional premium is £50,000; there is no maximum, and the premium must come from the annuitant's pension benefits.

We will then recalculate the new level of annuity payments based on the annuitant's age, life expectancy and the latest value of the FPA. We will issue a new Annuity Schedule detailing this important information.

4. WHO IS THE FLEXIBLE PENSION ANNUITY SUITABLE FOR?

For individuals who meet the following criteria:

- are UK tax residents aged 55 and over who need flexible access to their pension funds depending on their individual circumstances.
- have a fund of £100,000 or more to invest from a registered pension scheme or a pension annuity. This fund must have been crystallised, or be in the process of being crystallised, at the time of taking out the FPA.
- want an estate planning solution but require access to their pension funds.
- wish to retain control of their pension funds during their lifetime (and on death, have the remaining value of the FPA available to provide benefits for their dependants and other beneficiaries).
- want an in-specie transfer from their contract-based QROPS (not in Trust) and who are now a UK tax resident.

5. WHO IS THE FLEXIBLE PENSION ANNUITY NOT SUITABLE FOR?

For individuals who:

- are non-UK tax residents or aged under 55.
- have less than £100,000 to invest.
- are not prepared to accept the risk of potential investment losses.
- require immediate access to all their pension benefits or guaranteed annuity payments for the rest of their lives.
- do not wish to take any annuity payments to enhance the amount which would be available to their beneficiaries on death.
- want to use a QROPS in Trust as their ceding scheme.

6. HOW IS THE LEVEL OF ANNUITY PAYMENTS CALCULATED?

When the FPA starts the annuity payments are calculated at outset based on the premium paid, the payment frequency and the annuitant's age. The annuity payments can be paid monthly, quarterly (every three months), half-yearly (every six months) or yearly.

Each time an additional premium is paid we will calculate the new level of annuity based on the annuitant's age, life expectancy and the latest value of the FPA.

The FPA is a lifetime annuity, so every three years we will recalculate the level of annuity payments that could be purchased with the then value of the annuity using the annuitant's new life expectancy. We will also recalculate the level of annuity payments if the value of the FPA falls below 10% of the total premiums invested.

7. HOW IS MY MONEY INVESTED?

Based on your investment strategy, you and your investment adviser can invest in a wide range of investments.

100% of all premiums received are applied to the FPA before charges are deducted. Each year sufficient funds must remain in cash to cover the annuity payments and charges.

LCA, being a Protected Cell Company, will create a separate legally recognised Cell, in order to segregate and protect the investments which sit within the FPA.

LCA reserves the right to sell any asset which:

- has become valueless;
- is, directly or indirectly, contrary to its normal investment philosophy; or
- is an investment, directly or indirectly, in a company whose activities are regarded by LCA as being illegal, unethical or of a nature that may be detrimental to Gibraltar's reputation.

LCA will not incur any liability as a result of having to sell any asset.

8. WHAT HAPPENS IF THE ANNUITANT DIES?

In the event of the annuitant's death, the FPA will cease to exist and no further annuity payments will be made. Any remaining assets at the time of the annuitant's death will remain in the Cell.

Questions and Answers (continued)

9. WHAT ARE THE CHARGES AND WHAT ARE THEY FOR?

There are a number of different charges and fees that may be deducted from the FPA. These charges and fees are set out on the Personal Illustration that you will receive. Please note that any third-party fees that are not included in the illustration, for example, platform fees, are payable in addition to the LCA charges, the Financial Adviser fees and the Investment Adviser fees documented below.

Establishment Charge

This is the charge for setting up the FPA.

The Establishment Charge is capped at £10,000 and this cap applies for the life of the FPA.

A one-off charge of 2% based on the premium paid will be deducted as a single fixed amount from each premium received subject to the £10,000 cap.

Any future additional premiums will be charged a separate 2% Establishment Charge subject to the £10,000 cap.

Annual Management Charge

An Annual Management Charge ('AMC') will be deducted for administering the FPA.

The AMC is capped at £1,600 a year.

The AMC of 1% based on the total premiums paid will be deducted at the outset of the FPA and then yearly on each anniversary of the FPA.

Top-ups will be charged a proportionate AMC subject to the £1,600 cap.

For example,

- £100,000 initial premium,
- AMC is £1,000 (1% of £100,000),
- A top-up of £50,000 is paid halfway through the year.

A proportionate amount of 1% of the £50,000 will be charged. This is calculated by deducting the AMC that was paid at the yearly anniversary from the AMC that would be payable on the total premiums (initial plus top-up). This is then pro-rated depending on when the top-up has been paid:

£1,500 - £1,000 = £500

£500/2 = £250

At the next yearly anniversary, the AMC will be £1,500.

Top-ups will not be charged an additional AMC once the cap has been reached. For example, at the yearly anniversary an AMC of £1,600 was charged. If a top-up was paid, we would not charge an additional AMC.

The AMC may be increased in the future and any increase will be based on the annual rate of inflation in Gibraltar (the Index of Retail Prices or IRP). We will notify you in advance of your FPA anniversary of any increase to your AMC. Any increased AMC percentage will be shown in the FPA Charges and Fees document which will be published on our website.

Financial Adviser Fees

Any Financial Adviser fees shall be agreed between you and the Financial Adviser. You can tell us either within the application form how you want your Financial Adviser to be paid or during the life of the FPA by completing a separate adviser charge instruction form. This form is called a Service Management Fee form.

Investment Adviser Fees

Any Investment Adviser fees are subject to an agreement between LCA, the Investment Adviser and you. Such fees will be paid by LCA directly to the Investment Adviser and the corresponding deduction will be taken from the FPA.

Other Costs

LCA may deduct from the FPA any expenses, taxes, duties, charges and other liabilities (including the costs of any currency conversion) in connection with:

- the purchase, management, maintenance, custody, valuation, and sale of any assets allocated, or to be allocated, to the FPA's investments (including any costs incurred in contemplation of a sale of any assets allocated to the FPA's investments, even if the sale fails, for any reason whatsoever), or
- the receipt of any income attributable to those assets and interest on, and the repayment of, any monies borrowed in connection with the FPA.

Where we have to change our charging structure, we will give at least 30 working days' notice.

Should there be insufficient liquid assets to pay such charges, we may need to sell some of the underlying investments.

Questions and Answers (continued)

10. WHAT TAX APPLIES?

LCA, being a Gibraltar-based company, pays no corporation tax on any income or growth made within the investments. Exceptions include withholding tax, which is tax withheld by some countries on certain types of income.

The actual tax position of the annuity payments will depend upon a number of factors including your circumstances. LCA does not give tax advice so we recommend that you take advice from your professional advisers before proceeding.

Any annuity payments received from the FPA are treated as taxable earnings in the hands of the annuitant, under HMRC's Pay As You Earn system. The amount of tax paid will depend on the annuitant's total income and personal allowances. We will initially use a temporary (emergency) tax code, unless we receive a P45, to calculate how much tax, if any, to deduct. After that we withhold tax according to the annuitant's tax code.

If the UK Government changes the tax treatment of this type of annuity, the income paid may change.

11. CAN I CHANGE THE ANNUITY PAYMENTS?

Annuity payments are calculated to start within one year of the commencement of the FPA. The amount of annuity payments can be changed by giving us 60 working days' notice. The amount of the annuity payments can increase or decrease as long as the new annuity payments do not make the value of the FPA fall below 10% of the total premiums.

12. CAN I ENCASH OR SURRENDER THE ANNUITY CONTRACT?

The FPA cannot be encashed or surrendered at any time.

13. CAN I CHANGE MY MIND?

Should you wish to change your mind and not proceed with the initial investment after you have completed and submitted an Application Form, you will have 30 days to cancel the FPA. If you wish to cancel your FPA, you should complete and return the Cancellation Notice which forms part of the documentation that you will receive at the commencement of your FPA. Please be aware that if you do cancel within 30 days you may get back less than you invested if the investments that LCA has purchased to provide your FPA have fallen in value or third-party fees and charges have been taken before we receive your Cancellation Notice. You must repay any amounts already paid to you under the contract. Please note that some pension scheme providers may refuse to accept a return of the crystallised funds used to purchase your FPA and you may have to seek an alternative annuity provider in the event that you wish to cancel within the cancellation period.

14. WHAT IF MY COUNTRY OF RESIDENCE CHANGES?

Your Personal Illustration is based on your present country of residence. If you become resident in a different country after your FPA has been set up, please tell us immediately.

If you intend to move permanently to a different country, we strongly recommend that you seek legal and tax advice so that you can fully understand how the move will affect the taxation of the FPA.

Further Information

About London & Colonial Assurance PCC Plc ('LCA')

LCA (company registration number 80650) whose registered office is situated at 3rd Floor, 55 Line Wall Road, Gibraltar, GX11 1AA, is a company incorporated in Gibraltar under the provisions of the Gibraltar Insurance Companies Act 2014.

LCA is licensed by the Gibraltar Financial Services Commission ('GFSC') under the Financial Services Act 2019 to conduct Life Assurance business in Gibraltar.

Protected Cell Company

LCA is structured as a Protected Cell Company ('PCC') subject to the provisions of Gibraltar's Protected Cell Companies Act 2001.

This means that LCA will create legally recognised 'Cells' within the company which are held independently of one another. The assets and liabilities of one Cell are kept separate and therefore are protected from those of other Cells. The assets within the Cell are used to back the annuity payments. Each Cell has its own designation (the FPA number) and it is the duty of the directors to keep the assets and liabilities of each Cell separate. Also, the directors must account for each Cell separately as the legislation prohibits the assets of a Cell being used to satisfy any liability not attributable to that Cell. If the liabilities of a Cell exceed the value of its assets, the shortfall will be payable from the solvency capital of LCA.

LCA is regulated under the Financial Services (Insurance Companies) Regulations 2020 which have equivalence to the provisions of the EU's Third Life Insurance Directive. LCA meets the capital and solvency rules required under the regulations and is subject to continuous supervision by the Gibraltar Financial Services Commission.

Notification of Risks and PCC Legislation

The added protection offered by the PCC Legislation would undoubtedly be effective in any legal proceedings brought in Gibraltar. However, the directors of LCA know of no legal challenges to the PCC concept in any other jurisdiction. They are therefore unable to give policyholders an assurance that the courts of another country would grant the level of protection for cellular assets intended under Gibraltar's Protected Cell Companies Act 2001.

Solvency and Financial Condition Report

Every year, LCA publishes a Solvency and Financial Condition Report ('SFCR') which provides information about our performance, governance, risk profile, solvency, and capital management. The SFCR is available to read on our website at https://lcalife.co.uk/news-media/

Client classification

LCA will treat you as a 'retail client' which gives you the greatest level of protection and means that you get full information about any products that you buy.

Compensation

As a Gibraltar insurer, authorised to write business in the UK, all UK policyholders are covered by the Financial Services Compensation Scheme ('FSCS' or 'the Scheme') should LCA be unable to meet its responsibilities. Currently the Scheme covers 100% of the value of a valid claim. For further information on the Scheme please visit: www.fscs.org.uk

Law

Your FPA is construed in accordance with the law of Gibraltar.

Queries, Complaints and Contact Details

For further information, or if you wish to complain about any aspect of the service you have received, please contact the Customer Service Team.

The Customer Service Team may be contacted by telephone during normal working hours of 9.00am to 5.00pm, Central European Time, Monday to Friday.

Telephone: 0044 (0)20 3640 6843

You can also contact us by post or email using the details below.

Postal Address:

London & Colonial Assurance PCC Plc

3rd Floor
55 Line Wall Road
Gibraltar, GX11 1AA

Email: LCA@lcalife.co.uk

Should you remain unhappy with LCA's resolution of your complaint, you can contact the Gibraltar Law Courts at:

Gibraltar Law Courts
32-36, Town Range
Gibraltar,
GX11 1AA

Website address: https://www.gcs.gov.gi/

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