

International Bond

Adviser Guide

For adviser use only

LONDON & COLONIAL

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Introduction to LCA and Gibraltar

Notification of Risks and PCC Legislation

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.

Each Cell has its own designation ('the International Bond 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.

The added protection offered by the PCC 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.

About LCA

LCA (company registration number 80650) whose registered office is situated at 3rd Floor, 55 Line Wall Road, Gibraltar, 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.

LCA may employ agents to perform any administrative, management or other ancillary services required to enable it to perform its obligations.

What is the LCA International Bond?

The International Bond ('IB') is a group of identical single premium unit-linked Life Assurance policies or bonds.

The IB can be issued on either a Life Assurance basis ('policies') or on a Capital Redemption basis ('bonds').

What financial goals does the IB address?

The IB has been designed for financially secure retail clients who are seeking an investment strategy that achieves:

• capital growth

• income generation

• portfolio diversification

• wealth transfer

• tax control, or

• a combination of any of the above.

Access to investment funds is via Discretionary Fund Manager ('DFM'), Investment Manager ('IM') or Platform.

Discretionary Fund Manager means a firm you ask us to appoint to manage the Portfolio that sits within the IB.

Investment Manager means any professional or firm responsible for managing financial assets and investments on behalf of clients. The Policyholder appoints the Investment Manager, subject to LCA's acceptance, to act on the Policyholder's behalf. As the Investment Manager is not acting on LCA's behalf, LCA is not liable for their acts or omissions.

Who is the target market of the IB?

The IB is suitable for individuals and/or trustees who meet each of the following criteria:

- Clients who are UK resident and who have attained a minimum age of eighteen. There is, however, no upper limit on a client's age.
- Clients who are considering a medium to long-term horizon for their investment, typically a timeframe of more than seven years. Such clients understand and are also willing to accept the risks that accompany their investment goals. These include investment risks, inheritance tax ('IHT') risks and other external risks.
- Clients who have private wealth or disposable income which is not needed for day-to-day living expenses, and which has not been allocated to meet specific short-term needs.
- Clients investing more than GBP 50,000 / EUR 60,000 / USD 70,000 who typically make full use of their annual ISA and pension allowances.
- Clients who wish to invest a lump sum for either IHT planning purposes, and/or for estate planning purposes, and/or for wealth creation/wealth management purposes.

For whom is the IB not suitable?

The IB is not suitable for:

- non-UK residents.
- those aged under 18.
- those who are not prepared to accept the risk of potential investment losses.
- those who want full access to their investment or a guaranteed return in the short term.
- those who have no other savings, such as an emergency fund.
- those who have not used other allowances, for example ISAs.

What is the structure of the IB?

The IB is available on two bases:

- Life Assurance basis
- Capital Redemption basis

The Policyholder must choose the basis during the Application Stage. Once selected, the basis selected by the Policyholder cannot be changed.

In which currencies can the IB be denominated?

The IB may only be denominated in GBP, EUR and USD.

How does the Life Assurance version work?

Under the Life Assurance version, the IB can be written:

- on the life of one person **('Single Life basis')** or
- on the life of up to six persons **('Joint Life basis')**.

The IB will come to a natural end on the death of the Single Life Assured or, in the case of joint lives, when the last surviving Life Assured dies. The IB, however, could also end if it is fully surrendered before the last death.

How does the Capital Redemption version work?

Under the Capital Redemption version, the IB is written on a term basis and will come to a natural end on the 99th anniversary. However, the IB can be fully surrendered at any time before the 99 years expire.

Into how many segments can the IB be divided?

By default, the IB consists of a series of 500 separate but identical sub-policies. This segmentation allows for flexibility when making withdrawals. Nonetheless, Policyholders may choose to segment their IB into up to 99,999 identical sub-policies.

Decisions about how many sub-policies the Policyholder wishes to have will be made at the Application Stage. The minimum premium for each sub-policy is GBP 100/ EUR 120/ USD 140.

What is the minimum premium required at the start of the IB?

The IB is opened via a single premium ('Initial Single Premium'). The minimum Initial Single Premium amount is GBP 50,000/ EUR 60,000 / USD 70,000 with no upper limit.

Can additional sums/funds be added to the IB?

Yes, Policyholders are allowed to make additional single premium investments ('Top-Ups'). The minimum Top-Up premium amount is GBP 5,000/EUR 6,000/USD 7,000. There is no upper limit. Top-Up premiums are applied equally across a Policyholder's sub-policies. There are no limits to the number of additional investments a Policyholder can pay in over the lifetime of their IB. Each additional investment will have its own 5% Tax-Deferred Allowance for a maximum of 20 years.

Does LCA provide investment advice on the IB?

No, LCA does not provide investment advice. The Policyholder may choose to take investment advice from:

- a qualified Investment Adviser (who may also be their Financial Adviser),
- an Investment Manager,
- a Discretionary Fund Manager.

What investment options are available to the Policyholder?

The investments selected must be in line with LCA's Statement of Investment Principles document.

Where are the investments in the IB Portfolio held?

The assets allocated to the Portfolio shall always be held within the allocated Cell in our Long-Term Business Fund. These assets belong to us and are held in our name or in the name of a Custodian appointed by us. For the avoidance of doubt, the Policyholder has no right or interest in or over the assets allocated to the Portfolio. All income and capital arising from the assets of the Portfolio shall be credited to the Portfolio.

Can the Policyholder change the Investment Advice provider?

Yes, the Policyholder may change or request the removal of an appointed Investment Adviser, Investment Manager, or DFM at any time. LCA will encourage a Policyholder to request the appointment of a new Investment Adviser, Investment Manager, or DFM when a request is received to remove an existing one.

Are in-specie transfers permitted?

Yes, subject to the asset being a permitted investment (please refer to our 'Statement of Investment Principles' document).

Are withdrawals of funds from the IB permitted?

Yes, Policyholders are allowed to make withdrawals from the IB. Withdrawals can be made on a **one-off basis** or on a **regular basis**. Should a Policyholder exceed the 5% Tax-Deferred Allowance in any one year, this will result in a Chargeable Event and may trigger a tax liability. Please refer to the section below on Chargeable Events.

Are regular withdrawal payments permitted?

Yes, regular withdrawals from the IB are permitted. Policyholders may establish a withdrawal schedule at the outset of the IB or at any time during the lifetime of the IB.

Regular withdrawals may be on a monthly, quarterly, half-yearly or yearly basis. All regular withdrawals are paid into a bank account in the name of the Policyholder(s) only. The minimum amount for each withdrawal is:

Withdrawal	GBP	EUR	USD
Monthly	100	120	140
Quarterly	300	360	420
Half-yearly	600	720	840
Yearly	1,200	1,440	1,680

Are one-off withdrawals permitted?

Yes, the Policyholder may request a one-off withdrawal at any time. The minimum amount permitted for a one-off withdrawal is GBP 1,200/ EUR 1,440/ USD 1,680. A one-off withdrawal will be applied equally to the remaining sub-policies. A one-off withdrawal can only be paid into a bank account in the name of the Policyholders. Please refer to the section below on Chargeable Events for the tax implications for withdrawals that exceed the 5% Tax-Deferred Allowance.

Can the Policyholder surrender the IB?

Yes, full surrender of the IB is available for both the Life Assurance basis and the Capital Redemption basis. Partial or full surrender of individual sub-policies is available. Please refer to the section below on Chargeable Events for the tax implications for full or partial surrenders of the IB.

Are assignments permitted?

Yes, account assignments are permitted as well as assignment of individual sub-policies. Please refer to the section below on Chargeable Events for the tax implications for assigning the IB.

What is the '5% Tax-Deferred Rule'?

The '5% Tax-Deferred Rule' (also known as the '5% rule') is a UK tax rule that applies to investment bonds like the IB. The primary advantage of investment bonds like the IB is that they allow withdrawals of 5% of the original premium per year for 20 years without incurring an immediate tax charge. The tax is deferred and becomes payable when the IB is encashed/surrendered or matures. Any withdrawal allowance not used can carry over to the following policy year. For example:

Premium: £200,000

Policy Year	Annual tax-deferred allowance	Amount withdrawn	Tax-deferred amount carried forward
YEAR 1	£10,000	£10,000	£0
YEAR 2	£10,000	£0	£10,000
YEAR 3	£10,000	£0	£20,000

As set out in HMRC's Insurance Policyholder Taxation Manual at IPTM7615, an annual 5% withdrawal is permitted each year without triggering an immediate tax liability (for a maximum of 20 years). This is 5% for each year the IB has been in force (linked to the IB's anniversary).

Note: each additional premium has its own 5% Tax-Deferred Allowance for a maximum of 20 years.

Unused net allowable payments are carried forward to following years. Therefore, for a single premium policy, the facility to make a partial surrender of up to 5% of the premium without an immediate gain arising continues until

- either the 5% Tax-Deferred Allowance has been used up for each of the 20 years, or
- after more than 20 years, the total value of partial surrenders and partial assignments exceeds the premium.

What is a Chargeable Event?

In the UK, a Chargeable Event for an investment bond, like LCA's IB, refers to specific actions or occurrences that trigger a potential income tax liability under HMRC rules. These events are governed by the Chargeable Events regime and are detailed in the HMRC Insurance Policyholder Taxation Manual (IPTM).

Common Chargeable Events for Investment Bonds such as the IB:

1. Full surrender: when the entire IB is cashed in.
2. Partial surrender: withdrawing part of the investment, especially if it exceeds the 5% annual Tax-Deferred Allowance.
3. Death of the last surviving Life Assured: if the IB ends on death.
4. Maturity of the IB: if the IB has a fixed term and reaches the end.
5. Assignment for money or money's worth: transferring ownership of the IB in exchange for value. However, the IB itself can be assigned to another party without triggering a Chargeable Event, provided it is not in exchange for money or money's worth.

Excess events – when cumulative withdrawals from the IB exceed the 5% Tax-Deferred Allowance in a Policy year. If the Policyholder decides to take more than the accumulated 5% Tax-Deferred Allowance, it will create a gain equal to the amount taken over the allowance and will be liable for tax.

What types of Trust does LCA provide?

LCA offers templates for an Absolute Trust and a Discretionary Trust, copies of which are available upon request.

Whose responsibility is it to register a Trust?

It is the responsibility of the Trustees to register any Trusts associated with the IB.

Trust Registration Service ('TRS')

The TRS is a UK government system managed by **HMRC** that requires certain Trusts to be registered for tax and anti-money laundering purposes.

The TRS is the online system where Trustees must register their Trust to:

- Comply with anti-money laundering regulations
- Obtain a Unique Taxpayer Reference ('UTR') if the Trust is liable for UK taxes
- Report and update Trust details

What are LCA's responsibilities when it comes to the TRS?

At the outset and during the IB's lifetime, LCA has a requirement to collect evidence that a Trust has been registered on HMRC's TRS.

The beneficial ownership information on the Trust record will be checked against our own records.

If material discrepancies are found, or if Trusts have not been registered on the TRS, LCA has an obligation to report these to HMRC.

Details of the Unique Reference Number ('URN') of the Trust, together with evidence of the TRS Trust record of beneficial ownership will be recorded against the IB record.

Checking of the beneficial ownership is ongoing through the lifetime of the IB and will need to be conducted when additional premiums are added, surrenders or withdrawals are requested, or Trustees and beneficiaries are changed.

Does the IB fall within the Protected Cell Company structure?

Yes, see Notification of Risks and PCC Legislation Section at the beginning of this Guide.

Does the Policyholder need to buy a Preference Share in LCA?

No, there is no need to purchase a Preference Share. This is because the purpose of the Preference Share is to ensure that any residual funds in a Policyholder's Cell are transferred to their estate. It is expected that Policyholders will settle the IB in Trust, thereby lifting the funds out of their estate.

Is the IB covered by the FSCS?

As a Gibraltar insurer, authorised to write business in the UK to UK tax residents, all UK Policyholders are covered by the FSCS should LCA be unable to meet its responsibilities. Currently the Scheme covers 100% of the remaining value of the IB where there is a valid claim, with no maximum limit. For further information on the Scheme please visit www.fscs.org.uk.

What are the different charges involved in setting up and administering the IB?

Please refer to our Charges and Fees document for a breakdown of all the fees and charges associated with setting up and administering the IB.

What are the steps in the Application Process?

The table below summarises the Application Process and the documentation that is relevant at each stage.

Application Stage	Core Product Documentation
Quotation/Illustration	• International Bond Illustration Request Form • International Bond Illustration
Pre-Sale	• International Bond Application Form • International Bond Charges and Fees • International Bond Fair Value Assessment • International Tax Questionnaire • International Bond Key Features Document • International Bond Key Information Document
Point of Sale	• International Bond Acceptance Letter • International Bond Schedule • International Bond Terms & Conditions • International Bond Your Right to Change Your Mind • International Bond Cancellation Notice • International Bond Final Illustration

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 (UK): 0044 (0)20 3640 6843

Or 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.

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 International Bond ('IB') 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/