

Key features of the Investment Bond – Initial Allocation

This document, together with your personal illustration, provides a summary of the key features of the Investment Bond (Initial Allocation). Please read them carefully and keep them, as you may need to refer to them in the future.

Its aims

- Provide growth over the medium to long term.
- Offer a broad range of funds.
- Let you take an income in a variety of different ways.
- Allow you to withdraw part or all of your investment at any time (this may be subject to a charge, please refer to the 'What are the charges?' section).
- The value of an investment and any income from it can go up and down as a result of market and currency movements. You may get back less than you invested.
- We will make an early withdrawal charge if you cash in more than 7.5% per annum of your total cash investment in the first five years (the earlier you cash in, the less you are likely to receive).
- If you choose to invest in a growth fund, and withdrawals from your bond are greater than any growth achieved, you will reduce the value of your bond below the amount you invested.

Your commitment

- You agree to invest a minimum lump sum of at least £10,000 by cheque.
- Although the bond has no fixed investment period, you accept that your bond is a medium to long-term investment, ideally for at least five years.
- As some of our charges are taken by cashing in units, there is a risk that your capital may be reduced if these charges exceed the amount of growth in your chosen fund(s).
- You have a right to cancel your bond within 30 days of receiving your cancellation notice. If you do cancel and the value of the investment has fallen, you will get back less than your original investment.

Risk factors

- When you cash in your bond, you may get back less than was illustrated because:
 - The investment performance is lower than illustrated.
 - The annual management charges could increase. If they do, we will give you three months' notice.
- In exceptional circumstances, if money is withdrawn from your plan, we may defer payment for up to one month. If you are invested in the property fund, or any fund that invests partly in property, we may postpone encashment for up to six months. This is because these assets can be less easy to sell than stocks and shares. Property valuation is a matter of judgement by a valuer.
- Tax rules may change in the future.

Questions and answers

Q What is the Investment Bond?

- The Investment Bond is a single premium investment that provides an element of life assurance cover.
- Your bond can be invested in a range of funds from six well-respected fund managers. Please see our 'Investment funds portfolio' leaflet for more information on our range of available funds.

Q Who is eligible?

- You must be at least 18 years old to apply for an Investment Bond.
- You can set your bond up to cover the life of one person or up to six people. If you take the bond out on more than one life, the maximum age that the lives can be depends on when you want the bond to end:
 - If you want the bond to end when the first person dies, you can only have it based on two lives and they must both be aged 80 or under when you start the bond.
 - If you want the bond to end when the last person dies, at least one person must be 80 or under (and all parties aged 98 or less) when you take out the bond.
- The bond is available only to applicants resident in the UK for income tax purposes.

Q How flexible is it?

- You can invest for as long as you want, although the bond is designed to be held for at least five years.
- You can add to your investment at any time with minimum payments of £1,000 by cheque.
- With the exception of our income distribution funds, you can invest in more than one fund.

- We offer a wide range of ways you can access your money.
- You can choose to have up to 600 identical policies (in multiples of 100).

Q Where is my money invested?

- You can choose from a wide range of funds, including funds managed by other fund managers who are not part of the HBOS Group. Each fund is made up of different underlying assets, for example stocks and shares, bonds and property.
- Our 'Investment funds portfolio' leaflet gives more details about the funds available. You can get a copy from your financial adviser or from us (see the section 'How you can contact Clerical Medical').
- Each of our funds is made up of units. We use your investment to buy units in the fund(s) you choose.

Q Can I change funds?

- Yes, you can switch between funds (currently free of charge) at any time subject to minimum investment limits and the availability of funds.
- If you are invested in one of the income funds, the whole of your investment must be in that one fund.

Q What might I get back?

- What you receive will depend on:
 - the amount you have invested
 - how long your money has been invested
 - the investment performance of your chosen funds
 - our charges
 - any income distributions, or regular or one-off withdrawals you take.

- When you decide to cash in your bond you will get back the value of the units you have in the bond at that time, less any early withdrawal charge.
- Inside this key features document you will find a personal illustration of your Investment Bond. This will give you an idea of what you could get back based on the example growth rates.

Q How can I take my money out?

- Subject to the limits set out below, you can take money out of your bond in a number of different ways:
 - If you have invested in a growth fund, you can take regular withdrawals of up to a maximum of 7.5% a year of your total cash investment amount.
 - You can take one-off withdrawals from any fund(s).
 - You can take money out by income distributions if you have invested in an income fund.
- We will make withdrawals by cashing in units evenly across all fund investments and policies, unless you specify a specific fund or, in the case of one-off withdrawals, the cancellation of specific policies.
- You can choose to take withdrawals from a single fund or across a range of funds.
- Income distributions and all withdrawals are treated as a withdrawal of capital for tax purposes. You should be aware of the tax implications. Your financial adviser can give you more details.
- The minimum amount that can remain in your bond after any withdrawal is £1,000.

Regular withdrawals

- The minimum amount you can withdraw is £20 a month (£240 a year).
- We will pay regular withdrawals direct to your bank account.
- Regular withdrawals are not allowed from income funds, other than by taking income distributions.
- You can take regular withdrawals either monthly, quarterly, four-monthly, six-monthly or yearly. Regular withdrawals are available across all funds except the income funds. Regular withdrawals can be paid indefinitely or for a fixed period.

One-off withdrawals

- The minimum withdrawal is £1,000.
- You can choose to cash in individual policies.

Income distributions

- You can choose to receive income distributions monthly or every six months (on 18 February and 18 August). If you choose monthly, the first payment will be made following the next income distribution date.
- The whole value of your bond must be invested in the chosen fund.
- Where an existing investment is in one of the income funds, then any additional payment must go into the same fund.

Q What happens to the Investment Bond if I die?

- If your bond comes to an end when you die (which depends on how it is set up – see below), we will pay out 101% of the value of the units allocated. The amount paid out is 100% if you are aged 80 or more when an investment is made.
- We will set your bond up to end when the last person dies, unless you tell us differently when you take out the bond.
- If you set up the bond in trust, we will pay the death benefit in accordance with the trustee's instructions.

Q What are the charges?

- The charges for each investment are determined by our costs, which include administration, investment management and any commission paid to your financial adviser.
- Your personal illustration gives details of the charges that apply to your bond.
- There is an effective annual fund charge, which may vary between funds. This charge remains the same for the first five years (60 months) of each investment. You will then pay a reduced amount for the remaining lifetime of your bond.
- The effective annual fund charge includes the annual management charge, an instalment charge and any charges to pay for fund based commission.
- In some cases, the effective annual fund charge will be reduced to reflect any enhancements agreed with your adviser.

- An early withdrawal charge may apply during the first five years of your investment. This will only apply where, during any year, you withdraw more than 7.5% of the amount invested. The charge is calculated on the amount withdrawn in excess of 7.5% and is deducted prior to payment.
- The amount of your investment allocated to units in your selected fund(s) is called the allocation rate. The allocation rate shown on your personal illustration takes account of any premium based commission paid to your adviser.

Q How much will the advice I receive cost?

- Any commission we pay your financial adviser will depend on the size of your investment, the length of time you remain in your plan and your plan value.
- You will be given details of the amount in writing before you sign the application.
- Any commission will be paid for out of the charges.

Q What about tax?

- This is only a general tax summary and your liability to tax depends on your personal circumstances. Tax rules may change in the future.
- The proceeds of your bond are payable free of any personal liability to income tax at the basic rate, or to capital gains tax. However, there may be an income tax charge at the difference between the higher rate and lower rate (currently 20%) if you are a higher rate taxpayer when a gain arises or if the gain results in you becoming a higher rate taxpayer. A gain may arise in the following circumstances:

- if income distributions, one-off or regular withdrawals in any year exceed 5% per year of the amount invested
- if the cumulative total of all withdrawals exceeds 100% of the amount invested
- if we pay out when someone dies
- an assignment (transfer of ownership) of the bond for money or money's worth.
- The value of your bond may form part of your estate for inheritance tax purposes.
- Your bond and any money you take from it may affect your eligibility for age-related allowances, tax credits, pension credits and other state benefits.
- Special considerations apply to bonds written under trust. Your financial adviser will be able to advise you further. If the bond is written under trust, we will make any payments to the trustees.
- We recommend that you discuss your personal tax position with your financial adviser before making any withdrawals from your bond.
- We will be liable to tax on the income and gains arising from the funds invested. This is allowed for in the unit prices.

Q How will I know how my Investment Bond is doing?

- We will send you a yearly statement to show how your bond is doing.
- We publish unit prices for our most popular funds daily in the Financial Times. The prices shown will be for the previous business day. Unit prices are also published on our website: www.clericalmedical.co.uk/funds.
- You can also get an up-to-date valuation from our customer helpline by telephoning **0870 602 2244***. Lines are open Monday to Friday 8.30am to 6pm.

*Calls to 0870 numbers will be charged at standard national rates by your telephone service provider. As these rates may vary from one provider to another, you should check with your own telephone service provider for details of the rates that will apply to you.

Q Can I change my mind?

Yes, after we accept your application you will receive a notice of your right to cancel. You will then have 30 days in which you can change your mind. If you do decide to change your mind, you will need to sign and return the cancellation notice that will be sent with the documents. Please note that if you do decide to cancel, we will give you your money back less any fall in the value of your investment.

Further information

How you can contact Clerical Medical

- Remember, your financial adviser will normally be your first point of contact. We won't be able to give you financial advice.
- If you have any questions at any time, or you want to end your policy, you can telephone us, send us a fax, e-mail us or write to us:



Call us on **0870 602 2244*** during the following times:
Monday to Friday 8.30am to 6pm

We may record your call for quality and training purposes.



Fax us on **(01275) 555760**



E-mail us at: **cmig.policyholder@clericalmedical.co.uk**



Write to us at our head office address:
Clerical Medical Investment Group Limited
Castlewood
Tickenham Road
Clevedon
BS21 6BD
United Kingdom

Law

- The law and courts of England and Wales will decide any dispute.
- The policy provisions for the Investment Bond and any further communications will be supplied in English.
- Every care has been taken to make sure that the information given in this document is correct and in accordance with our understanding of current law and HM Revenue & Customs practice. The law and HM Revenue & Customs practice can change.

Queries and complaints

- Our aim is to provide you with the highest standard of service. If you do have a concern we would like to know.
- If you wish to complain about any aspect of the service you have received, you should contact our administration office at: Castlewood, Tickenham Road, Clevedon BS21 6BD.
- If your complaint is not dealt with to your satisfaction you can complain to the Financial Ombudsman Service at South Quay Plaza, 183 Marsh Wall, London E14 9SR. Telephone: **0845 080 1800***.
- Making a complaint will not affect your right to take legal action.
- A copy of our complaints procedure is available on request.

Terms and conditions

- These key features, together with your personal illustration, give a summary of the Investment Bond (Initial Allocation). The full terms and conditions are in the policy provisions. If you would like a copy of this or any further information, please contact your financial adviser or our administration office at: Castlewood, Tickenham Road, Clevedon BS21 6BD.
- We have the right to change some of the terms and conditions. We will write and explain if this happens and send you a copy of anything that has changed.

*Calls to 0845 numbers will be charged at standard local rates by your telephone service provider and calls to 0870 numbers will be charged at standard national rates. As these rates may vary from one provider to another, you should check with your own telephone service provider for details of the rates that will apply to you.

Compensation

We are covered by the Financial Services Compensation Scheme (FSCS). You may be entitled to compensation from the FSCS if we cannot meet our obligations. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for 100% of the first £30,000 and 90% of the next £20,000, so the maximum is £48,000. For long-term insurance business (such as pension plans and life assurance) the FSCS may arrange to transfer your policy to another insurer, provide a new policy or, if these actions are not possible, provide compensation. The first £2,000 of a claim is protected in full. Above this amount, the FSCS covers payment to 90% of the value of a policy in liquidation. Further information about compensation scheme arrangements is available from the FSCS at 7th Floor Lloyds Chambers, Portsoken Street, London E1 8BN. Telephone: (020) 7892 7300.

Clerical Medical is entered on the Financial Services Authority's Register and its register number is 181655.