

## Good news for with-profits policyholders

The Society has been looking at how we can get into policyholders' hands some of the solvency capital that we hold. It is important to have rainy day money, of course, which is what solvency capital is. But it is also important that with-profits policyholders leaving the Society receive their fair share of capital, provided there is enough left for those who remain.

So, from 1 April 2011, the Society has earmarked a sum equivalent to 12.5% of policy values at 31 December 2010 to enhance payments for with-profits policyholders who leave the Society.

This is our way of enhancing value for policyholders.

### Q: What is this new policy enhancement?

A. From 1 April 2011, the Society has earmarked a sum equivalent to 12.5% of policy values at 31 December 2010 to enhance payments for with-profits policyholders who leave the Society. The aim of the enhancement is to give with-profits policyholders leaving the Society their fair share of capital, and leave enough for those who remain.

The amount of the enhancement is not guaranteed and may go up or down in the future.

With-profits policies have a guaranteed benefit which is the minimum amount payable on maturity, death or at a time specified in the policy. That guaranteed benefit is not affected by the enhancement.

### Q: How can I work out what this enhancement is worth?

A. The way to see what that is worth to you is by turning to the surrender value or transfer value of your with-profits benefits in your Annual Statement. That's what your policy was worth at the end of 2010. From 1 April 2011, £125 will be added for every £1,000 of that policy value.

If your Annual Statement does not show a surrender value or transfer value, we can arrange to send you an illustration of the current maturity/surrender/transfer value. This will include the enhancement. You can call us on 0845 6036771.

### Q: Is the 12.5 % enhancement certain to be paid?

A. No. The amount of the enhancement may go up or down in the future. That may happen if, for example, investment conditions change significantly.

With-profits policies have a guaranteed benefit which is the minimum amount payable on maturity, death or at a time specified in the policy. That guaranteed benefit is not affected by the enhancement.

**Q: How often will the Society review or amend the enhancement?**

A. We expect to review Policy Values and the enhancement at least once a year, but they can be changed at any time. Although the enhancement is not guaranteed and can be changed, we hope that it can be maintained.

**Q: Why isn't the enhancement guaranteed?**

A. Guaranteed benefits always require the Society to hold back more capital - exactly the opposite of what we want to do.

**Q: I recently received a payment from a with-profits policy, will the 12.5% enhancement have been included?**

A. If benefits were taken before 1 April 2011, then the policy was not eligible for enhancement. If benefits were taken on or after 1 April 2011, then the enhancement would have been taken into account.

**Q: Will the policy value shown in the 2010 annual statements reflect the 12.5% enhancement?**

A. No. The annual statements issued at the end of March 2011 show the surrender or transfer value of your with-profits policy as at 31 December 2010 - before the 12.5% enhancement.

From 1 April 2011, whenever you are quoted values, the new enhancement will typically be included.

**Q: If I have a minimum guaranteed benefit, am I going to benefit?**

A. The guaranteed benefit is not affected by the enhancement - the enhancement is attached to the underlying value of your policy.

If you take your benefits at a time when the guarantee applies and the total of the Policy Value and enhancement works out at more than the guaranteed benefit, then we will pay the larger figure.

If you take your benefits at a time when the guarantee applies and the total of the Policy Value and enhancement works out at less than the guaranteed benefit, then we will pay the guarantee.

**Q: If I pay a premium into my policy will it get an enhanced payment?**

A. No. The 12.5% enhancement is based on the with-profits policy value as at 31 December 2010 and therefore any premiums paid (including switches from unit-linked funds) after that date do not qualify.

**Q: How will policyholders be told about the enhancement?**

A. We have enclosed details of the enhancement with the Annual Statements issued to policyholders in the week commencing 28 March.

**Q: Why is the Society paying the enhancement now?**

A. Over the last two years, we have put great emphasis on rebuilding the capital base of the Society. Now, as part of our strategy of recreating policyholder value, we want to begin to get capital into the hands of our policyholders.