

## **Scottish Provident With Profits Bonus Declaration**

### **Additional Information**

The Scottish Provident Institution Supervisory Committee has completed its Annual Bonus Review for the **Scottish Provident Limited (SPL) With Profit Fund** for 2007. With Profit policies written before 1 August 2001 are invested in this Fund.

The Scottish Mutual International (SMI) Board declared its Annual Bonus for the **Scottish Mutual International Dublin With Profits Fund** at the Board Meeting on the 24 April 2008. Scottish Provident Ireland Unitised With Profit policies written after 1 August 2001 are invested in this Fund.

#### **Scottish Provident Limited (SPL)**

We continue to manage our bonus policy according to the principles that we have explained in recent years and have published in our Principles and Practices of Financial Management, namely that the fairest way of sharing out the available assets and investment earnings in the SPL With Profit Fund for all customers is by way of Final (also known as Terminal) Bonus rather than Annual Bonus, with Market Value Reductions (MVR) being applied when necessary.

We have therefore declared a nil Annual Bonus for 2007 except for our Pensions Unitised With Profits Fund – Series 1 – where a guarantee of 4% applies to units purchased before 1 October 1999.

The Final bonus scale will be reviewed again no later than June 2008.

#### **Scottish Mutual International (SMI)**

We have maintained an annual bonus of 2.25% for policies written after 1 August 2001, which are invested in SMI's Dublin With Profits Fund (series 3 & 4 – Euro).

Similar to Scottish Provident Limited, we continue to manage our bonus policy according to the principles that we have explained in recent years and have published in our Principles and Practices of Financial Management, namely that the fairest way of sharing out the available assets and investment earnings in the SMI With Profit Fund for all customers is by way of Final Bonus rather than Annual Bonus, with Market Value Reduction (MVR) rates being adjusted when necessary.

### **Some Questions and Answers**

#### **Are there any changes to your Final Bonuses / Market Value Reduction Rates?**

##### ***Scottish Provident Limited***

The Final Bonus scale was last reviewed in November 2007, and the outcome implemented with effect from 1 January 2008. Final Bonus rates will be reviewed again no later than June 2008. MVRs will continue to be reviewed regularly (although NO MVRs are currently in place for SPL business)

##### ***Scottish Mutual International (SMI)***

We last reviewed final bonuses in November 2007 and will review them again no later than the end of June 2008.

Market Value Reductions (MVRs) continue to be reviewed regularly, and were last updated in March 2008. Policies which have units invested in the SMI Dublin With Profits Fund (Series 3 & 4) where units were purchased between August 2001 and May 2002 and between May 2007 and December 2007 may have an MVR.

We review MVR's regularly and change them whenever the movements in the underlying asset values are large enough to warrant a change.

Please remember that past performance is not an indication of future performance and the value of investments can fall as well as rise.

Full details of the final bonus and scales applicable to all Scottish Provident Ireland products can be found at [www.scotprov.ie](http://www.scotprov.ie). Final bonus and MVRs may be varied or withdrawn at any time without notice.

### What is a Market Value Reduction (MVR)?

An MVR is a reduction in the amount a policyholder may get back if they cancelled any With Profits units in their policy. It's not a fixed amount and is worked out separately for each policy. If deducted, it may mean they could get back less than they originally invested.

MVRs are designed to ensure that policyholders leaving the Fund take only their fair share. In other words when any policyholders take units from the Fund, we need to make sure the value they get is a fair reflection of the Fund's performance over the time they were invested in it.

If we did not apply MVRs it would mean that those policyholders who remain invested in the Fund would see the value of their investment reduced by those leaving early.

MVRs may be reviewed at any time. MVRs are currently not in place for this Scottish Provident Limited policy. Any changes will be updated immediately on our website [www.scotprov.ie](http://www.scotprov.ie)

It is important to remember that MVRs are only applied to your policy in certain circumstances. Please note that an MVR **will not** be applied:

- on death
- for Pension policies, on reaching Nominated Retirement Age

### What is the current asset allocation of the fund?

These splits represent the total with profits funds at 31 December 2007:

	<b>Scottish Provident</b>	<b>Scottish Mutual International</b>
Fixed Interest	39%	38%
Equity	49%	50%
Property	0%	00%
Cash	12%	12%

**15 What was the asset allocation of the fund 12 months ago?**

	<b>Scottish Provident</b>	<b>Scottish Mutual International</b>
Fixed Interest	48%	56%
Equity	41%	44%
Cash	11%	0%

**What contracts are affected?**

Any with profits contract which is branded 'Scottish Provident Ireland'.

**What effect will the zero annual bonus rate have on bond clients taking income?**

Policyholders who want to take income can do so, but might want to take independent advice from their Intermediary as this may erode their capital.

**When will you be contacting policyholders?**

From late May 2008 we will be mailing policyholders who have a Scottish Provident with profits contract. Copies of sample client letters will be available on the Scottish Provident Ireland website ([www.scotprov.ie](http://www.scotprov.ie)) from the middle of May 2008

Shay Hiney

Intermediary Relationship Manager

8 May 2008