

Our Reference: Final Bonus/LO'N  
January 2009

<< Broker Name >>  
<<Address Line 1 >>  
<<Address Line 2 >>  
<<Address Line 3 >>  
<<Address Line 4 >>

Dear Intermediary

### **Scottish Provident Ireland – With Profits Funds update**

I am writing to update you with details of our revised Final Bonuses & Market Value Reductions (MVRs) for Scottish Provident Limited (SPL) and Scottish Mutual International (SMI) domestic business, which came into effect from 1<sup>st</sup> January 2009.

Final bonus and MVR rates have been reviewed against the existing scales and take into account current investment conditions and investment experience since the rates were last reviewed.

### **Scottish Provident Limited – SPL**

#### **Traditional With Profits Maturing Policies**

Please visit our website, [www.scotprov.ie](http://www.scotprov.ie), section 'Latest News', document title, 'Final Bonuses / MVRs applicable from 1<sup>st</sup> January 2009', for more details. In addition, you will also find a copy of the latest '**Principles and Practices of Financial Management (PPFM) for the 'SPI Fund of Scottish Provident Limited'**

#### **Smoothing**

The PPFM for the 'SPI Fund of Scottish Provident Limited' sets out our practice and approach to the frequency of the Final Bonus review. In section 4.14 (4), it sets out our smoothing practice.

We state that we will normally limit changes in payouts between similar policies maturing in successive periods so that over the two reviews (30 June and 31 December) that will be the normal practice in any year, the overall change will not exceed 15%. However, **in exceptional circumstances**, the overall change in a year might be up to 25%.

Given the extreme investment conditions over the last six months, we are now adopting this exceptional smoothing policy so that changes in payouts may not now exceed 12.5% in the 6 month period under review.

#### **Traditional Life**

##### Regular premium plans

Maturity payouts for most policies have reduced by, on average, 10%.

##### Single premium bonds

For 10-year Single Premium Endowment Bonds, final bonus has reduced from 23% to 11%. This is because the investment performance for the new 10 year term under review has not been as good as the performance for the previous 10 year term. We have restricted the fall in payout to 12.5% in accordance with our smoothing practice.

## **Traditional Pensions**

### E-Types Plans

Payouts are reducing, with some regular premium policies written after 1996 experiencing a reduction of up to 12%. Similarly, there are reductions for Single Premium policies, with policies written after 1984 having the largest reductions.

### SEDA Plans

Both regular and single premium SEDA plans have reduced final bonuses and maturity bonuses which reflect reduced investment returns. In July 2008, we reduced maturity bonuses on the majority of SEDAs sold between 1999 and 2003. We are increasing the Final Bonus for 2000 to 2003 policies to compensate for the loss of this maturity bonus. As always, you should check the final bonus tables for more detail.

## **Encashment / Transfer Values**

We have also reviewed surrender and transfer values to take into account the exceptional movements in equity and bond markets since the last review. Encashment / transfer values have consequently reduced. This is necessary in order to return a fair share of the with-profit fund to exiting with-profit policyholders without causing detriment to the remaining policyholders in the with-profits fund

## **Unitised With Profits**

Final Bonus rates and Market Value Reduction (MVR) rates have been reviewed regularly since the July 2008 review. Payouts on maturities on Unitised with profit policies have reduced, the range being between 5% to 7.5% for all payouts. MVRs continue to be reviewed monthly.

The next planned review of final bonuses is 1 July 2009 however, depending on investment experience; final bonuses may be reviewed outside the January/July review dates.

## **Scottish Mutual International (SMI) - Unitised with profits policies written on or after 1 August 2001**

Final Bonus rates and Market Value Reduction (MVR) rates have been kept under review since the July 2008 review.

Apart from some small reduction in Final Bonus for units purchased in January, February and March 2003, the MVR rates remain as on the previous scale. Full details are on the 'Final Bonuses / MVRs applicable from 1<sup>st</sup> January 2009' document on the website.

## **General**

If there are other individuals in your organisation that you feel should have a copy of this note, can you please pass it on to them?

Further information can be obtained from our website, by emailing us at [info@pglireland.net](mailto:info@pglireland.net), by writing to the above address or calling our Contact Team on 01-639-9859 between 9.00am and 5.00pm Monday to Friday.

Yours sincerely



Lisa O'Neill  
**Scottish Provident Operations Manager**