

EU OPEN
ANNUITY



INVESTMENT NOTES

The annuity that offers maximum flexibility



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1 Introduction

These notes describe the roles and responsibilities for financial and investment advice in connection with the EU Open Annuity. They also describe the procedures for making investments and providing the periodic reports required by our regulator the Financial Services Commission.

2 Advisers

It is a condition of the EU Open Annuity that two distinct functions (financial advice and investment advice) are performed by one or more appropriately authorised persons.

2.1 Financial advice

All EU Open Annuity contracts must be placed with us by a person who is authorised to provide financial advice and has advised the annuitant on the suitability of the contract. We do not accept business direct from the public and we do not ourselves provide financial advice.

It is also a requirement of the EU Open Annuity that the annuitant continues to receive ongoing financial advice in relation to the benefits and options available under the contract as the annuitant's personal circumstances change.

2.2 Investment advice

The EU Open Annuity is an investment linked annuity and it is essential that a professional investment adviser be appointed to agree with the annuitant the investment strategy of the assets underlying the annuity. We do not ourselves provide investment advice.

The investment adviser will usually be the same person as the financial adviser but the annuitant together with the financial adviser may choose a different person to be appointed to take on this role. If the parties are different, they will agree between them the general investment strategy to be adopted.

The investment adviser will be responsible for providing us with certain ongoing investment information except in respect of any funds held by a separately appointed investment manager – please see sections 2.3 and 6.

page 2 The annuitant, the investment adviser and London & Colonial will enter into a tri-partite agreement confirming the role and responsibilities of the investment adviser.

2.3 Investment manager

If appropriate, an investment manager may also be appointed to manage all or part of the funds on a discretionary, advisory, or execution only basis. The appointment may take place at the same time as the application for an EU Open Annuity, or later on after the EU Open Annuity contract has been established. The investment manager may or may not be the same person as the investment adviser. For example, the investment adviser may not be authorised to hold client funds.

There is no requirement to invest the funds straight away and the annuitant and or the investment adviser may wish to take time before deciding on the investment strategy or they may wish to delay investing, for example if the market conditions are unfavourable.

If the annuitant does choose an investment manager we will ensure that the firm they have selected is appropriately authorised. If the annuitant nominates an investment manager after they submit their EU Open Annuity application form then the investment adviser will confirm their choice.

2.4 The investment management agreement

The investment adviser will obtain from the nominated investment manager their standard corporate investment management agreement or account opening documentation and will complete the relevant parts of the document relating to the investment strategy as agreed with the annuitant. When selecting the investment strategy the investment advisor must ensure that each investment is listed (on a recognised stock exchange), readily realisable, capable of valuation at least weekly and does not have any associated contingent liability.



The investment adviser will then send the document to us. We will inform the investment adviser if there are any points that need to be resolved. Once everything is in order we will send the agreement to the investment manager and request a list of their requirements in order to establish the arrangement.

Investment managers normally have similar requirements to establish this type of arrangement. However, in some circumstances for non-standard cases we may need to obtain additional documents and approval from our Board of Directors.

3 Selection of a Custodian

All assets must be held by an authorised Custodian. The nominated investment adviser and/or investment manager will advise us of where the underlying assets are to be held and provide details accordingly. This choice will be subject to approval by us.

All investments must be identified with the name of London & Colonial Assurance PLC as owner of the assets and with a reference of the name of the annuitant or the relevant policy number.

4 Permitted investments

The EU Open Annuity allows a wide range of permitted investments. For full details of all the permitted investments please see our permitted investments leaflet or visit our website <http://www.londoncolonial.com/> and select our products page.

It is the responsibility of the investment adviser and investment manager to satisfy themselves that the proposed investments are within the permitted range. If there is any doubt about the acceptability of the nature of the investment then the investment adviser or investment manager should seek our prior approval before proceeding.

5 Investment process

If the funds are intended to be invested immediately it will help us to expedite the process if the investment manager is specified in the application form and if the appropriate corporate investment management agreement is specified to us with the application form.

When all the necessary agreements are in place any cleared funds will be available for investment. Where an investment manager has been appointed we will transmit funds to the investment manager.

Where funds are not held with an investment manager they will be held in cash with our nominated bank until we receive an instruction from the investment adviser. Upon receiving an instruction from the investment adviser we will complete any application forms necessary and remit the amounts requested.

6 Investment valuations

Funds placed with an investment manager

The nominated investment manager is required to produce six monthly valuations and other such reports as will be required (in accordance with our side letter) from time to time within prescribed timescales.

All other funds

For any funds that are not placed with an investment manager it is the responsibility of the selected investment adviser to provide us with six monthly valuations and other such reports as will be required from time to time – please refer to the investment adviser agreement.

In all cases the valuations will detail each holding, as well as purchases, sales and fund switches during the period. Cash movements, unrealised gains, losses and other income and expenditure will also be included.



7 Cash requirements for the payment of income

Please note that it is our policy to retain one year's maximum income on deposit to ensure that we will always be in a position to meet the income requirements of the policy. In the context of the EU Open Annuity, an income payment could be requested at any time up to the balance of the maximum amount permitted at that time. It is therefore the investment adviser's responsibility to ensure that funds are disinvested in time to ensure that income payments can be made when due or requested. Where there is insufficient cash on deposit to pay income at any time then no payment of income will be made until sufficient assets are disinvested and deposited into the cash account.

In view of the importance of being able to pay income to the annuitant if an appointed investment adviser were to fail to ensure that there is sufficient liquidity in the cash account we may terminate the existing agreement and arrange for an alternative investment adviser to be appointed.

8 Fund requests

From time to time, normally at least annually, we will need to request that funds are withdrawn from investments held to enable payment of income and any associated policy charges. We will normally aim to give around 4 weeks notice to disinvest the funds.

The investment adviser will confirm which funds should be disinvested to provide the appropriate liquidity.

Where funds are held with an investment manager they will be able to control the exact timing for the disinvestment provided the funds are remitted to us in time to meet our policy liabilities.

9 Enquiries

If you have any queries or require any further information please contact a member of the Investment Team. Please find our contact details overleaf.

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For more information about any of our products please scan the QR code below or contact:

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