

# Contract Conditions

Portfolio Account (Capital Redemption Option)  
– PIA/NON-UK/PACRO/03/0113



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## › Part 1: Introduction

### 1. Portfolio Account (Capital Redemption Option) General Description

A Portfolio Account (Capital Redemption Option) (a "**Bond**") is a contract set up with an initial single Investment. It is designed to provide lifetime benefits ("**Cash In Benefits**") and a single payment benefit ("the **Maturity Benefit**") at the end of the term (the "**Maturity Date**") if it has not been Fully Cashed In before then. Each Portfolio Account (Capital Redemption Option) has its own Investment fund ("the **Bond Fund**"). The Bond Fund is divided into parts of equal Value called "Units". Each Unit represents a notional share of the Bond Fund. We set up a fund for Your Bond when Your Bond starts and Your Bond is then the only Bond which is linked to that fund. No other Bonds can be linked to Your Bond Fund. The cash in Value of the Bond Policies depends on the Bond Fund Value. We explain the Maturity Benefit in Part 6.

Normally We issue a Bond as a group of 20 identical Unit-linked Policies. These Contract Conditions are worded on the basis that the Bond will consist of a group of Policies. However, if We are specifically asked to issue the Bond as just one Policy We will do so.

We will operate Your Bond under Irish Regulatory Requirements. In addition We will only allow Assets to be held in the Bond Fund which ensure that the Bond is not considered a Personal Portfolio Bond. The Bond Fund will consist of Holdings in Permitted Investments. We will not allow any other types of Assets in the Bond Fund.

### 2. The Contract Conditions

This "Contract Conditions Booklet" sets out the rules that govern a Portfolio Account (Capital Redemption Option), the Policies that make up the Bond and the Bond Fund.

### 3. Policy Documents

When a Bond starts We issue the following "Policy Documents" to confirm the contract:

- (a) the "**Contract Conditions Booklet**" (this document);
- (b) a "**Contract Schedule**" which sets out the details of each Policy in the Bond; and
- (c) any non-standard conditions, arrangements or supplementary information will be set out in the document(s) identified in the "**Related Documents**" section in the Contract Schedule or subsequent confirmation letter; and
- (d) in this document where We mention "**Statement of Charges**" We mean the Statement of Charges referred to in the Contract Schedule and any Endorsements. The Statement of Charges sets out details of certain charges and limits at the Commencement Date of Your Bond.

These Policy Documents together form the contractual conditions of the Bond.

If there are any significant changes to the Bond after it has started, We will normally issue an "**Endorsement**" or "**Special Provisions**" document giving details of the change(s). You should read the expression "**Policy Documents**" and "**Related Documents**" as including any Endorsements or Special Provision document issued after the Bond has started.

### 4. Definitions

Where appropriate, words in the singular include the plural and words in the masculine gender includes the feminine or neuter gender and vice versa.

"**Actuary**" means the Actuary appointed by the Company in accordance with the terms of Section 34 of the Insurance Act 1989 (Ireland).

"**Additional Investments**" mean the subsequent Investments You make into Your Bond after You have paid in Your Initial Investment.

"**Additional Investment Date**" means the date the Additional Investment was credited to the Bond Policies.

"**Administration Centre**" means Our administration office in Ireland at Montague House, Adelaide Road, Dublin 2.

"**Administration Charges**" means charges We apply whilst Your Bond remains in force, if shown in Your Contract Schedule or Related Documents. See Condition 8 of Part 7.

"**Annual Management Charges**" means charges We take for maintaining Internal Unit-Linked Funds that Your Bond is linked to, where applicable or similar charges taken by the management organisation of each External Fund that Your Bond is linked to. See Condition 1 of Part 7.

"**Annual Management Charge Rebates**" means Annual Management Charge Rebates We may receive and credit to the Bond Fund in respect of Bond Fund Assets held in each External Fund, with whom We have negotiated special terms. We do not guarantee the availability, level and proportion of Annual Management Charge Rebates that We may credit to the Bond Fund. See Condition 1 of Part 7.

**"Applicable Laws and Regulations"**

means any laws, regulations, guidance, voluntary codes or statements that apply from time to time in relation to the activities performed by the Discretionary Asset Manager for Us under the Investment Management Agreement in place between Us and the Discretionary Asset Manager.

**"Applicant"** means the person(s) who applied for the Bond.

**"Asset"** regarding the Bond Fund means a Holding in a Permitted Investment including Investments managed by a Discretionary Asset Manager.

**"Basic Minimum Value"** means the figure shown in the Statement of Charges, as amended from time to time.

**"Beneficiary Nomination"** means a document completed by a Policyholder, to set out how to deal with the rights to the Policy following his/her death. It also names or describes the Beneficiaries.

**"Bond Fund Valuation Dates"** means the dates set out in Condition 8 of Part 4.

**"Bond Fund Value"** means the Value of the Bond Fund as a whole at any given date.

**"Bond Policies"** or **"Policies"** means the Policies that make up Your Portfolio Account.

**"Capital Redemption Charges"** means charges We apply whilst Your Bond remains in force. See Condition 7 of Part 7.

**"Cash In Benefits"** means benefit payments made available from the Bond Policies by:

- (a) Partially Cashing In; or
- (b) Fully Cashing In.

**"Chargeable Events"** means the transactions set out in Condition 10 of Part 2.

**"Charging Option"** means the range of charges chosen at the start of the Bond. The name of the charging option chosen for the Bond is shown on the Contract Schedule and any Related Documents. Details of the charging option chosen for the Bond are shown on the Personal Illustration given to the Applicant by his/her financial adviser.

**"Commencement Date"** shown in the Contract Schedule will be the same as the Investment Date of the Initial Investment unless We are asked to show a different Commencement Date.

**"Company"** means Prudential International Assurance plc which markets under the name **"Prudential International"** in the UK and certain other territories. **"We"** means the Company (and **"Our"** and **"Us"** should be read as referring to the Company).

**"Current Charges and Limits"**: some charges and limits for the Bond are quantified as a sum of money. The words **"Current"** and **"Currently"** for such a charge or limit should be read as referring to the amount of the charge or limit as published by Us at the time We deduct the charge or apply the limit.

**"Custodian"** means the organisation in whose name all Assets in the Bond Fund may be held and (where appropriate) registered on Our behalf. All dealings must be made in Our name (or the Custodian or Nominee).

**"Custodian Settlement Fees"** means the fees levied by a Custodian that We incur – see Condition 6 of Part 4.

**"Date Ownership is Proved"** means the date We are satisfied that the person claiming the benefit payment has the legal right to that payment.

**"Dealing Charges"** means the charges We take for certain Purchase Transactions or Sale Transactions.

**"Deposit Account"** means investment in the Sterling Cash Deposit Fund.

**"Deposit Fund"** means an internal deposit based fund established by Us.

**"Delegated Management Charges"** means charges We apply whilst Your Bond remains in force, if shown in Your Contract Schedule or Related Documents. See Condition 5 of Part 7. This charge only applies where there are Assets in Your Bond that are managed by a Discretionary Asset Manager.

**"Discretionary Asset Manager"** or **"DAM"** means an entity regulated by a European Economic Area financial services authority to provide investment management and advice. The Discretionary Asset Manager will be appointed by Us at the express request of the Policyholder.

**"Discretionary Asset Manager Nomination Form"** means the form completed by You in which You will nominate a DAM and provide information to Us in relation to Your investment preferences which will be subject to the investment restrictions as set out in the Investment Management Agreement.

**"Early Cash In Charge"** means a charge We apply, if shown in Your Contract Schedule or Related Documents, and You Fully Cash In all the Bond Policies within 5 years of an Investment into the Bond. See Condition 10 of Part 7.

**"Endorsement"** or **"Special Provisions"** means a document issued by Us after the Bond has started, as described in Part 1, Condition 3.

**"Effective Date"** means the date that We receive all that We require at Our Administration Centre to put the Bond Policies into force.

**"Establishment Charges"** means charges We apply to each Investment for a 5 year period (the "Establishment Charge Period") if shown in Your Contract Schedule or Related Documents. See Condition 3 of Part 7.

**"External Expenses"** means external costs We incur in relation to the Bond Fund (for example when carrying out a Sale Transaction). See Condition 1.3 of Part 7.

**"External Fund"** means a Permitted Investment established by another Company within the Prudential Group of Companies or some other investment organisation.

**"Fully Cashing In", "Fully Cash In" and "Fully Cash In"** means either of the following, as appropriate:

- (i) reducing the number of Bond Policies by fully surrendering one or more Bond Policies – see Condition 1.2 of Part 5, or
- (ii) fully surrendering all of the Bond Policies – see Condition 2 of Part 5.

**"Fund Adviser"** means a person who may be nominated by You to make investment recommendations for the Bond Fund (in particular recommendations for Purchase Transactions or Sale Transactions). A Fund Adviser cannot make recommendations on Assets that are managed by a DAM.

A **"Holding"** includes Assets held in External Funds and in Our Internal Unit-Linked Funds.

**"In Specie"** means an Asset in its actual form. It is used to indicate that distribution of an Asset will be in its actual form rather than transferring it into cash or another form.

**"Initial Charge"** means a charge We apply to each Investment if shown in Your Contract Schedule or Related Documents. See Condition 2 of Part 7.

**"Initial Investment"** means the Investment You make to Us to start Your Bond.

**"Internal Unit-Linked Funds"** means a Permitted Investment that We have established and maintain within Our life assurance business fund, as shown in Our Statement of Charges, as amended from time to time. We allow Units of such Internal Unit-Linked Funds to be credited to the Bond Fund.

**"Investment"** means the amount We will credit to each Policy in the Bond. We divide each Investment equally between the Policies in the Bond.

**"Investment Date"** means the date the Initial Investment was credited to the Bond Policies.

**"Investment Management Agreement"** means the agreement that We enter into with the Discretionary Asset Manager which sets out the terms under which the Discretionary Asset Manager provides investment management services.

**"Irish Regulatory Requirements"** means those regulatory requirements currently imposed by the Central Bank of Ireland and such changes which may occur from time to time which are applicable to the Company.

**"Market Timing"** is the strategy of making buy or sell decisions of Assets by attempting to predict future market Price movements based on the outlook for a market, rather than for a specific Asset.

**"Maturity Benefit"** means the benefit which is payable when the Bond reaches the Maturity Date, if You do not Fully Cash In the Bond before then.

**"Maturity Date"** shown in the Contract Schedule or Related Documents is the date that the Bond ends and a Maturity Benefit becomes payable. This applies if You do not Fully Cash In the Bond before the Maturity Date.

**"Negative Balance"** means a debt within the Deposit Account where there are insufficient funds within the Deposit Account to meet charges, expenses and Withdrawals as they fall due. See Condition 2.5 of Part 4 for further details.

**"Negative Balance Charges"** means charges We apply if the Deposit Account has no funds or insufficient funds at the time We make deductions for charges, External Expenses or Regular Withdrawals, as described in Condition 2.5 of Part 4. We will apply a Negative Balance Charge daily on the Negative Balance, plus any previously accumulated Negative Balance Charges, using the basis shown in the Statement of Charges, as amended from time to time.

**"Nominee"** means the organisation in whose name all Assets in the Bond Fund may be held and (where appropriate) registered on Our behalf. All dealings must be made in Our name (or the Custodian or Nominee).

**"One-off Withdrawal"** means a single cash in payment as described in Condition 1.2 of Part 5.

**"Ongoing Portfolio Charges"** means charges We apply whilst Your Bond remains in force, if shown in Your Contract Schedule or Related Documents. See Condition 4 of Part 7.

**"Partially Cashing In" and "Partially Cash In"** means partially surrendering all of the Bond Policies.

**"Permitted Investments"** means Assets falling within the provisions regarding Personal Portfolio Bonds within Part 4, Chapter 9 of the UK Income Tax (Trading and Other Income) Act 2005, as amended or replaced from time to time, so that the Bond is not considered a Personal Portfolio Bond. In addition such Assets must also be permitted under Irish Regulatory Requirements.

**"Personal Illustration"** means the illustration of projected Bond Fund Values payable from Your Bond Policies.

**"Personal Portfolio Bond"** means a personal portfolio bond as defined in the provisions regarding Personal Portfolio Bonds within Part 4, Chapter 9 of the UK Income Tax (Trading and Other Income) Act 2005, as amended or replaced from time to time.

**"Personal Representatives"** means the person (or persons) who have legal authority to deal with, administer and dispose of the Assets which belonged to the deceased individual immediately before death.

**"Policy"** includes any or all of the Policies in the Bond and the rights conferred by any such Policies.

**"Policy Anniversary"** means any anniversary of the Commencement Date shown in the Contract Schedule or Related Documents.

**"Policyholder"** means the legal owner(s) of the Bond.

**"Policy Year"** means:

- the 12 month period starting on the Commencement Date (for the first Policy Year),
- any 12 month period starting on the Policy Anniversary.

**"Price"** means the price at which Assets in Internal Unit-Linked Fund and External Fund Holdings, as appropriate, are purchased or sold.

**"Prudential Group of Companies"** means any company and any subsidiary of them or their holding company which has Prudential plc as its ultimate holding company, as such terms are defined in the UK Companies Act 2006, as amended.

**"Purchase Transaction"** means a transaction where We or, if applicable, the Discretionary Asset Manager are buying an Asset for the Bond Fund.

**"Related Document"** means any document shown in the section headed "Related Documents" in the Contract Schedule and any Endorsement or Special Provisions or other document We issue regarding the Bond.

**"Regular Withdrawals"** means a series of cash in payments at regular intervals as described in Condition 1.1 of Part 5.

**"Renewal Charges"** means charges We apply whilst Your Bond remains in force, if shown in Your Contract Schedule or Related Documents. See Condition 9 of Part 7.

**"Sale Transaction"** means a transaction where We or, if applicable, the Discretionary Asset Manager are selling an Asset in the Bond Fund. This includes cancelling Units in Internal Unit-Linked Funds from the Bond Fund to meet cash outgoings (that is, charges, Withdrawals, External Expenses or other benefit payments), to reinvest into other funds, or to clear any Negative Balance and any accumulated Negative Balance Charges.

**"Telegraphic Transfer Charge"** means a charge We apply if You cash in part or all of Your Bond and ask Us to pay the proceeds by telegraphic transfer. See Condition 12 of Part 7.

**"Term Deposit Investment"** means an investment in a deposit account of a fixed duration.

**"Units"** means the notional parts of equal value into which each Internal Unit-Linked Fund and each External Fund is separately divided. These notional parts are called Units. We credit Units to the Bond Fund to represent Your Holding in an Internal

Unit-Linked Fund or an External Fund, as appropriate. You do not own these Units; We use them to calculate the Bond Fund Value. Unless otherwise stated, Units mean either Units of an Internal Unit-Linked Fund or an External Fund.

**"Unit Price"** means the price at which Units of an Internal Unit-Linked Fund or an External Fund are credited to or cancelled from the Bond Fund, as appropriate.

**"Value"** means the following, as appropriate:

- the monetary amount of any Asset in Your Bond Fund at any given time, or
- the monetary amount in Your Bond Fund at any given time, including any Negative Balance and any accumulated Negative Balance Charges.

**"Withdrawals"** means benefit payments made available from the Bond Policies by:

- (a) **Partially Cashing In** all the Bond Policies, or
- (b) **Fully Cashing In** one or more of the Bond Policies.

**"Working Day"** means any normal business day that the Company would be ordinarily open for business which will exclude public holidays in Ireland. Public holidays in Ireland may fall on different days to those in other countries. Where the effective date of a transaction or valuation falls on a non- Working Day, We will use the following Working Day as the effective date.

**"You"** and **"Your"** refers to the Policyholder or Policyholders, whichever applies to Your Bond at any given time.



## › Part 2: General Conditions

### 1. Entitlement – ownership – the Policyholder

#### 1.1 Joint ownership – death of a Policyholder

Where a Bond Policy belongs to two or more Policyholders, We act on the basis that if one of them dies the Bond Policy then belongs to the surviving Policyholder(s).

#### 1.2 One Policyholder – the deceased Policyholder's Personal Representatives

If a Bond Policy belongs to just one Policyholder and that Policyholder dies, We act on the basis that the Policy then belongs to the deceased Policyholder's Personal Representatives and that the Personal Representatives are then the Policyholders.

The Company is incorporated in Ireland. This means that a Policy with Us will be an Asset situated in Ireland.

If there are no Irish Personal Representatives for the deceased Policyholder, We have discretion to act on the basis that the Policy belongs to persons who have authority to deal with the deceased Policyholder's estate under the law of another relevant country.

We will require satisfactory documentary proof that the persons claiming to be Personal Representatives have authority to deal with the deceased Policyholder's estate under the law of Ireland or another relevant country.

We reserve the right to demand that the Personal Representatives, claiming a right to the Policy, obtain an Irish Grant of Representation. In particular, We will exercise this right if it appears to Us that there may be a risk of conflicting claims occurring regarding the Policy.

#### 1.3 Asking for benefit payments and Policy transactions

The Policyholder(s) (or, if dead, the deceased Policyholder's Personal Representatives) will have the right to ask for and authorise:

- › benefit payments from a Bond Policy, or
- › transactions in respect of a Bond Policy.

### 2. The Bond Policies

Unless We issue the Bond as just one Policy, the Bond will consist of a group of Policies at the start and all the Policies will be identical (allowing for any necessary rounding) and will remain so throughout the life of the Bond.

All the Policies should belong to the same Policyholder(s).

#### 2.1 Split ownership – special conditions

"Split ownership" here means a situation where all the Policies in the Bond do not belong to the same Policyholder(s). The Policyholder(s) may assign their share in the rights to the Policy to another Policyholder(s). Split ownership must be effected by the completion of a formal deed of assignment.

We only allow split ownership to take place once We have received all necessary instructions and documentation at Our Administration Centre. Where this occurs, We have the right to apply the following rules, all of which are for administrative purposes only:

- (a) We will re-number each group of Bond Policies assigned into new ownership(s), so that each ownership will have a separately numbered group of Policies. We will administer each group of Policies separately in all respects.
- (b) We will draw Assets from the current Bond Fund and establish a separate Bond Fund for each new group of Policies.
- (c) Where a Bond is managed by one or more DAMs, then in the case of a split ownership request, We would ask the relevant DAM(s) to sell Assets in the Bond under their management and repurchase them for the new owner(s) if required.

All Our charges and limits will apply separately to each new group of Policies at Our full standard rates. Please refer to Your Policy Documents or Related Documentation for details of Our full standard rates.

Where Your Bond is managed by one or more DAMs, details of any charges and limits that may be imposed by a DAM in the event of a split ownership request are available from Our Administration Centre in Ireland.



### 3. Change of ownership

Any change of ownership should be made by a deed of assignment signed by the current Policyholder(s) and the new Policyholder(s). The deed of assignment should be sent to Us. We will return the deed once We have registered the change of ownership in Our records. If We only receive notice of assignment (instead of the actual deed of assignment) We still have the right to see the deed of assignment before We:

- pay any benefit, or
- formally register the current change of ownership or any further change of ownership.

### 4. Proof of ownership

Where We are paying Regular Withdrawals We can ask for proof of ownership from time to time. This is to ensure that the person receiving the Regular Withdrawals is lawfully entitled to receive them. We have the right to suspend Regular Withdrawals until We receive proof of ownership.

### 5. Beneficiary Nominations

We will not be responsible for:

- dealing with,
- administering, or,
- disposing of,

the rights in a Policy under a Beneficiary Nomination.

We will not be under any duty to advise or to decide on the effect of a Beneficiary Nomination. We may (at Our discretion) register a Beneficiary Nomination in Our records but We will not accept that as giving the document any legal validity and it will not bind Us in any way.

### The Deceased Policyholder's Personal Representatives

A Beneficiary Nomination will not affect the position that after the Policyholder dies, the persons who get legal authority to act as the deceased Policyholder's Personal Representatives will own the Policy.

### 6. Maturity Benefit or Fully Cashing In Policies

Before We pay a benefit on the Maturity Date or on Fully Cashing In a Bond Policy, We reserve the right to ask You to return the Contract Schedule and any Related Documents to Us. We also reserve the right to ask for the return of the Contract Schedule and any Related Documents in the event of a Partial Cash In.

### 7. Delaying of transactions

If Assets in the Bond Fund have to be sold to provide money for a benefit payment We have the right to delay that benefit payment until the sale proceeds are received by Us. For Internal Unit-Linked Funds, the delay in cancelling Units will not apply to the payment of the Maturity Benefit. For further details see Condition 7.3.1b of this Part 2.

#### 7.1 Purchase transactions

Where We consider Your Investment to be large relative to the size of one of Our Internal Unit-Linked Funds, We may delay processing applications by up to one month following the day of receipt of Your Investment and any forms We require. This will be to ensure that the Price used properly reflects the costs of purchasing the underlying Assets in Our Internal Unit-Linked Fund.

Your Investment in an External Fund may also be delayed if We are unable to invest in the External Fund for reasons beyond Our control.

Where there is a delay in purchasing Units in an Internal Unit-Linked Funds or External Fund, We may ask You for an alternative instruction.

#### 7.1.1 Unit Prices

The Unit Price(s) for the delayed transactions will be those applying at the end of the period of delay unless We believe that in the particular circumstances that would not be fair to Policyholders in general. This means that where a delay has been imposed, the Unit Prices used for the transactions will be those applicable on the date that the Units are created or cancelled. This means that the Value of the Units may be either lower or higher than the Value of the Units on the Date of Receipt of Your instruction.

#### 7.1.2 Notification of delay

We will promptly notify You in writing if any transaction You have requested is affected by a delay under Condition 7. We will also write to You when the transaction has been completed.

#### 7.1.3 Reinvestment by Sale and Purchase Transactions

Where proceeds for reinvestment are due from one or more funds, We will reinvest the proceeds from the funds that are not delayed. Where proceeds for reinvestment are due from funds that are delayed the reinvestment will be delayed until We receive the proceeds from the funds that

are subject to a delay. This means that the reinvestment may take place in more than one transaction. The Value of the proceeds from the funds that are subject to a delay may be either lower or higher than on the date that the remainder of the reinvestment transaction takes place.

## 7.2 Internal Unit-Linked Funds

### 7.2.1 Cashing in or Dealing transactions

We may give You notice that We will delay cancelling Units:

- a. where there has been a closure or suspension of trading in the underlying investments of one of Our Internal Unit-Linked Funds, or
- b. if one of Our Internal Unit-Linked Funds has been subject to such volumes of exits that, in the opinion of the Actuary it is not practical to Value and realise Assets at the date of exit, or
- c. if it has not been possible to deal readily in underlying investments of one of Our Internal Unit-Linked Funds for reasons outside of the Company's control. It is impossible to specify all the circumstances where this may apply, but one could be where the markets for the sale of one of Our Internal Unit-Linked Funds' Assets are subject to conditions (such as the imposition of exchange controls) such that the Assets cannot be readily traded at Prices which allow Us to ensure that the reasonable interests of both You and of other policyholders are protected, or

- d. if Your instruction would involve cancelling Units of any Internal Unit-Linked Funds that either:

- holds Assets in the form of buildings or land; or
- holds Units of another fund that holds Assets in the form of buildings or land.

In any event, We will always aim to act in a reasonable manner, with the protection of the Policyholders' interests in mind. Other than in very exceptional circumstances We would not expect the period of any delay to be longer than one month in respect of a. b. or c. above and six months in respect of d. However, while We will not delay transactions for longer than reasonably required, We cannot guarantee that We will never delay transactions beyond the stated periods. Where it has been necessary to delay cancelling Units We will inform You in writing of the delay and again when the Unit cancellation has been completed. Where a delay has been imposed, the Unit Prices used for the transactions will be those applicable on the date that the transaction was executed. This means that the Value of the Units may be different from the value on the date of receipt of Your instruction.

Please refer to the Statement of Charges (as amended from time to time) for details of associated charges levied on cashing in or dealing transactions.

## 7.3 External Funds

There is no time limit on cancelling Units in External Funds over which We have no control. External Funds include those Assets managed by a DAM. The Value of the proceeds from the sale of External Funds will be the amount that We receive from either the Custodian or a DAM and will be net of any costs incurred in the sale of the Assets.

### 7.3.1 Implications of Transaction Delays

#### (a) Fully Cashing In or Partially Cashing In

In the event that there is a delay in Us receiving the proceeds of a transaction in an External Fund this will mean that there will be a delay in Us making payment to You in respect of that delayed fund.

During the period of a delay where a Partial Cash In transaction has been partly completed except for the payment as a result of delayed funds (e.g. due to a delay in a payment from an External Fund), should a claim for the payment of the Maturity Benefit be made, the Maturity Benefit claim will then take precedence over all other transactions.

#### (b) Maturity Benefit

Where the proceeds from External Funds are required for the payment of the Maturity Benefit, then a delay in Us receiving the proceeds from any External Funds will result in a delay in the payment of the full Maturity Benefit.

#### 7.4 Transaction delays – general information

All transaction requests are effective on the date that We receive all necessary documentation at Our Administration Centre in Ireland.

### 8. Transfer of Assets to satisfy benefit payment

At Our absolute discretion We have the right to transfer Assets from the Bond Fund (instead of paying a sum of money) to the Policyholder to fully satisfy (or as part of satisfying) the Policyholder's right to a benefit payment. This does not apply to:

- Payment of the Maturity Benefit
- Holdings in Our Internal Unit-Linked Funds.

### 9. Power of Amendment

#### 9.1 Changes to the Bond and/or the Conditions in this Contract Conditions Booklet – Our right to set aside or change rules

We can set aside or change rules in this Contract Conditions Booklet without notice or Your consent in the following circumstances:

- if it becomes impossible or unreasonable to follow them because of a change in legislation or regulations;
- if the basis on which We are taxed changes but then We can only make changes to the Bond to the extent that in the Actuary's opinion maintains the balance between You and Us as it was before the change;
- if We are required to pay a valid claim for tax regarding the Bond and/or the Funds that the

Bond is linked to, provided that such payment does not arise as a result of the Company's failure to comply with any applicable tax law or regulation; and

- if a levy or financial restriction or penalty is imposed on the Bond and/or the Funds that the Bond is linked to, by a tax authority, government or supervisory body or other similar national or international body.

Except where it is impracticable to do so or is prohibited by applicable law or regulation, We will write to You as soon as is reasonably practicable to provide notice of any changes We have made under this Condition. If You are unhappy with any changes You should contact Us at Our Administration Centre in Dublin.

#### 9.2 Changes to the Bond and/or the Conditions in this Contract Conditions Booklet – Our right to set aside or change rules.

We can set aside or change rules in this Contract Conditions Booklet without notice or Your consent if the effect would be unfair to the Policyholder or to Our policyholders generally were We not to set aside or change the rules.

Except where it is impracticable to do so or is prohibited by applicable law or regulation, We will write to You as soon as is reasonably practicable to provide notice of any changes We have made under this Condition. If You are unhappy with any changes You should contact Us at Our Administration Centre in Dublin.

### 10. Irish Residency – compliance conditions

A tax charge may arise under Irish tax regulations if a Policyholder is "**Resident**" or "**Ordinarily Resident**" (as defined in Section 819 of the Taxes Consolidation Act 1997, as amended by the Finance (No.2) Act 2008) in Ireland when a "**Chargeable Event**" transaction, as defined under the Irish Taxes Consolidation Act 1997 as amended from time to time, occurs.

#### 10.1 Declaration of residence

We will require a written declaration about the residence of any person who is a Policyholder when a Chargeable Event transaction occurs, unless:

- (a) such a declaration has already been given with the original application for the Bond, or
- (b) such a declaration has already been given on an earlier Chargeable Event transaction under the Bond.

#### 10.2 Notification of residence in Ireland

Any person who is or becomes a Policyholder in relation to a Policy must tell Us if he becomes Resident or Ordinarily Resident in Ireland at any time while the Policy is in force.

#### 10.3 Deduction of tax

We are required to deduct tax due to the Irish Revenue Commissioners when a Chargeable Event transaction occurs under Irish tax legislation and the Policyholder is Resident or Ordinarily Resident in Ireland. A tax deduction is made as follows:

(a) If it is a transaction where We are paying out a benefit, We deduct the tax due from the Value of the benefit We pay.

(b) If it is a transaction where a benefit is not being paid out, We deduct the tax due from the Value of the Policy or Policies.

In broad terms, the tax due when a Chargeable Event occurs is based on any gain in the Value of the Policy.

#### 10.4 Future changes

This condition may change without notice to meet any changes to Irish tax regulations. Where We do change this Condition We will write to You as soon as is reasonably practicable to provide notice of the change.

### 11. Law of the Bond Policies – England

The law of England will govern the Bond Policies and the rules in this Contract Conditions Booklet will be interpreted in accordance with the law of England, unless otherwise stated.

The Courts of England will have sole authority to settle any disputes which result from or are about the terms and conditions of the Bond Policies.

### 12. Place of payment – Ireland

The place to make Your Investment into the Bond Policies will be Our Administration Centre.

Your Investment will not be regarded as having been received until a valid payment is in Our control at Our Administration Centre.

We will make any benefit payment from Our Administration Centre.

### 13. Discretionary Asset Manager (DAM)

13.1 You may request at any time:

- the appointment of a DAM to manage Your Bond Assets
- to add additional DAMs to manage Your Bond Assets simultaneously
- to replace a DAM with another
- to remove a DAM
- that Your Bond is no longer under any discretionary management arrangement
- to have all or part of Your Bond under one or more discretionary management arrangement(s)

without cashing in Your Bond.

13.2 Any DAM that You nominate must be acceptable to Us. You in turn must also be acceptable to any DAM that You nominate by meeting their investment criteria.

If any of Your requested DAMs are not acceptable to Us, You may select an alternative DAM for Us to approve. If We approve the appointment of a DAM We shall appoint the DAM on the terms set out in an Investment Management Agreement between Us and the DAM.

13.3 A DAM shall manage the Assets (including cash) of Ours that are attributable to Your Bond Fund or to that part of the Bond Fund that is under a discretionary management arrangement as may be agreed from time to time between a DAM and Us, including

all income and capital deriving therefrom. Where You nominate more than one DAM each DAM will manage their part of Our Assets independently of each other.

13.4 The relationship between You, each DAM You nominate and Us will be on either a bipartite or tripartite basis, depending on what is agreed between Us and each DAM. Details of a DAM's Annual Management Charge applicable to Your Bond are available from Our Administration Centre in Ireland.

13.5 Under a tripartite arrangement, as detailed in paragraph 13.7 of this Condition 13, You will enter into a Policyholder Agreement with each DAM You nominate separately, setting out Your instructions in relation to the management of Your Bond Fund. In addition to this Agreement, the Company will enter into an Investment Management Agreement with each DAM You nominate separately. Such instructions will be forwarded by Us to the relevant DAM(s). We will liaise directly with the DAM and We shall be the customer of the DAM for the purposes of the appropriate and applicable regulations.

13.6 If the arrangement is made on a bipartite basis, as detailed in paragraph 13.9 of this Condition 13, We will enter into an Investment Management Agreement with each DAM You nominate separately, who will manage Your Bond Fund as directed by Us.

**13.7** In the event that You have nominated a DAM and directly entered into a Policyholder Agreement with a DAM and if there is any discrepancy between the conditions of this document and Your Policyholder Agreement with a DAM, the terms of this document will prevail. The Policyholder Agreement You enter into with each of Your nominated DAMs will contain details of Your investment preferences as agreed between You and each of Your nominated DAMs, subject to the investment restrictions as set out in each Investment Management Agreement between Us and each DAM.

**13.8** Any instructions or directions from You must be given to Us, so that We may forward such instructions or directions to Your nominated DAM. Each nominated DAM will be responsible for ensuring that the terms of the Policyholder Agreement provide that any instructions or directions given by You in relation to Your Bond Fund must be given to Us, and not directly to a DAM. You will also be required to complete a Discretionary Asset Manager Nomination Form for each DAM You nominate which sets out in detail the terms of liability to You of Us and a DAM.

**13.9** Alternatively, in the event that We appoint a DAM nominated by You, and enter into an Investment Management Agreement between Us and the DAM, We will liaise directly with the DAM and We will be the customer of the DAM for the purposes of the appropriate and applicable regulations.

In such circumstances, You will be required to complete a Discretionary Asset Manager Nomination Form. This form will detail the remuneration basis for the DAM authorising Us to recover the charges levied against Us by the DAM from Your Bond.

**13.10** In the event that You have appointed a DAM and directly entered into a Policyholder Agreement with a DAM, then any fees or charges payable in relation to the services of the DAM will be as set out in the Policyholder Agreement. In the event that We appoint a DAM nominated by You, and enter into the Investment Management Agreement between Us and the DAM, You will authorise Us to recover the cost of any management charges levied by the DAM in relation to the services provided by the DAM which will be calculated either as:

- (a) a fixed level amount; or
- (b) a percentage of Your Bond Fund.

In the case of either calculation, the amounts We pay to a DAM will be charged to Your Bond Fund and deducted from the Value of Your Bond Fund with effect from each Bond Fund Valuation Date. The DAM's Annual Management Charges will only be charged against that part of the Bond Fund managed by the DAM.

**13.11** A DAM will provide investment management services and investment recommendations within agreed parameters (the "Guidelines") in relation only to that part of Your Bond Fund applicable to the DAM.

The Guidelines will be set out in the Investment Management Agreement between Us and the DAM. The Guidelines reflect regulatory requirements imposed on life insurance companies in relation to the Assets in which they are allowed to invest, and also require that the Assets in the Bond Fund are Holdings in Permitted Investments. If You express any investment preferences in relation to Your Bond Fund (either in accordance with a Policyholder Agreement or in a Discretionary Asset Manager Nomination Form or equivalent document), the DAM will only be permitted to have regard to such preferences if they are not inconsistent with the Guidelines. Details of the Guidelines are available on request from Our Administration Centre in Ireland.

**13.12** A DAM will at all times be required by Us to manage the Assets having regard to the Applicable Laws and Regulations and the Guidelines. In the event of any conflict between any Applicable Laws and Regulations and the conditions of this document, the former shall prevail. The Company will not be liable or responsible for the performance and/or any loss (including insolvency or liquidation of a DAM) caused to You or the Bond as a consequence of the acts or omissions of a DAM. The only obligation on the Company on partial or total surrender of the Bond is to pay a sum of money equivalent to the sum actually received from a DAM (less any accrued charges due) and no more.



**13.13** If We appoint a DAM nominated by You the DAM will be liable to Us under the terms of the Investment Management Agreement between Us and the DAM for any losses incurred by the Company, including any claim which may be made by You to the Company, arising from the Manager's negligence, fraud, wilful default or breach of the Investment Management Agreement by the DAM.

If You nominate a DAM and enter into a Policyholder Agreement, then the liability of the DAM to You will be as set out in the Policyholder Agreement.

**13.14** You may request at any time that a DAM nominated by You is no longer to act on Your Bond on Your behalf. Where You do request that a DAM is no longer to act on Your Bond on Your behalf We will require the DAM to cease to manage any of Our Assets which are attributable to Your Bond Fund.

Where You have requested that a DAM no longer acts on Your behalf on Your Bond, You may nominate another. Where You nominate another DAM to manage these Assets, the Assets managed by the outgoing DAM must be realised for cash. The net cash will then be passed to Us before being passed to the incoming DAM to manage.

**13.15** If the Investment Management Agreement between Us and a DAM should be terminated for any reason:

- We will require the DAM to cease to manage any of Our Assets including those which are attributable to Your Bond Fund, and
- You may select a new DAM with which We have an existing agreement.

We may also require You to select a new DAM if:

- the Policyholder Agreement between You and the current DAM that You have appointed is cancelled, or
- We receive a written instruction from You that the current DAM is no longer to act on Your behalf

and You wish to continue with a discretionary management arrangement.

**13.16 Discretionary Asset Managers – Charges and Withdrawals: specific details around charges as contained in Part 7 of these Contract Conditions**

Where You have nominated one or more DAMs to manage all or part of Your Bond Fund Assets, any charges that are applicable to the

whole Bond and taken on each Quarterly Valuation Date will be apportioned in relation to the Values obtained on the last Bond Fund Valuation Date between the Assets managed by DAMs and those not managed by DAMs. That share of the charges attributable to the Assets managed by more than one DAM will be apportioned between all DAMs on the Bond.

The charges may include any of the following as applicable to Your Bond:

- Administration Charge
- Delegated Management Charge
- Establishment Charge
- Initial Charge
- Ongoing Portfolio Charge
- Capital Redemption Charge

## 14. Currency conversion

Any currency conversion We make will be at the prevailing market rate at the time. Market rate means the currency exchange rates We use each day and are "mid-market" rates at 8am (GMT).

Any currency conversion that Your nominated DAM(s) make will be detailed in the Investment Management Agreement between Us and the DAM.

## 15. Transaction Limits

Certain limits apply to the cancellation and credit of Units where You give Us instructions of the following type:

- Switches/Dealings
- Fully Cashing In
- Regular or One-off Withdrawals.

These limits mean that We may not accept any instruction by You under any of these Conditions if, were We to do so, the Value of the Units which:

- a) would be cancelled from or credited to any Fund; or
- b) would then remain in any Fund

would be outside the limits which We have set. These limits are set out in Your Key Features document, and We can make reasonable changes to them from time to time without notice. Please see Part 7, Condition 1.4 for further details.

## 16. Communications

The place to send any written enquiry, correspondence and /or information (including that required to/from a DAM) that is required to be submitted to Us under or in accordance with these Contract Conditions is to Our Administration Centre in Ireland.

You may telephone Our Administration Centre in Ireland on the number detailed in Your Policy Documentation for assistance with Your enquiry.

Forms for requesting servicing transactions such as discretionary switches, Regular Withdrawals, Fully and Partially Cashing In or Additional Investments and others are available from Our Administration Centre in Ireland upon request.

## 17. Rights of a Third Party

You and/or other persons entitled to benefits under the Bond have directly enforceable rights against Us in respect of those benefits. Subject to this, nothing in these Contract Conditions confers or purports to confer on any third party any benefits or any right to enforce any provision of the Bond pursuant to the Contracts (Rights of Third Parties) Act 1999.

## 19. Our rights and remedies

Failure to exercise, or a delay in exercising, any right or remedy provided by the Conditions in this Contract Conditions Booklet does not constitute a waiver of the right or remedy or a waiver of other rights or remedies.

## 20. Severability

If any Condition of this Contract Conditions Booklet is held by any competent authority

to be invalid or unenforceable in whole or part, the validity of the other Conditions of this Contract Conditions Booklet and the remainder of the Condition in question shall not be affected thereby.



## › Part 3: Your Payments (Your Investments into Your Bond)

### 1. The Initial Investment

We will divide the Initial Investment into the Bond equally between the Bond Policies (allowing for any necessary rounding).

The Contract Schedule shows the Initial Investment for each of the Policies in the Bond.

### 2. Additional Investments

An Additional Investment may be made at any time whilst Your Bond is in force. However, We have the right to refuse an Additional Investment into the Bond.

We will divide any Additional Investment into the Bond equally between the Bond Policies then in force (allowing for any necessary rounding).

We issue a Related Document for any Additional Investment paid into the Bond confirming the amount and the date it is credited to the Bond Policies (in other words the **"Additional Investment Date"** of the Additional Investment).

The Charging Option applying to the Initial Investment will also apply to any Additional Investment.

Additional Investments within eighty years of the Maturity date may only be made into the Bond at the discretion of the Company.

Additional Investments must be used to buy Units. Those monies may then be used to clear any Negative Balance in the Deposit Account, any Negative Balance Charge or any accumulated Negative Balance Charges, as appropriate – for further details see Condition 2.7 of Part 4.

### 3. Investment into the Bond Fund

We will use the Initial Investment into the Bond to set up the Bond Fund for the Bond. 100% of the Initial Investment will go into the Bond Fund (in other words, the whole of the Investment) unless the Contract Schedule shows a different percentage. See Condition 2 of Part 7.

100% of any Additional Investment will also go into the Bond Fund, unless the Related Document regarding an Additional Investment shows that a different percentage applies. See Condition 2 of Part 7.

All Investments into the Bond (Initial or Additional) must be in the form of a sum of money. We do not accept transfers of Assets In Specie. We apply the money We receive as the Initial Investment to purchase or, if applicable, allow a DAM to make investments for the Bond Fund as soon as the Bond starts. We, or if applicable a DAM, will apply the money We receive as an Additional Investment to make investments for the Bond Fund as soon as the Additional Investment money is accepted by Us.

If Your Bond is ready to go in force by close of business on a given Working Day, the deals will be placed:

› on the next dealing day, for any External Fund that We have previously approved;

› by close of business on the next available dealing day after We approve an External Fund.

Subject to the above, where an External Fund trades other than daily, We will use the next trading day available.

### 4. Bond Fund Units

#### 4.1 Identical Policies

Where all the Policies in the Bond remain identical, the number of allocated Bond Fund Units in each of the Bond Policies will be the same (allowing for any necessary rounding).

The cash in Value of the Bond as a whole will be based on the Bond Fund Value. In turn, provided all the Policies in the Bond remain identical, the cash in Value of each Policy in the Bond can be calculated by dividing the cash in Value of the Bond as a whole by the number of Policies then in force in the Bond. In this situation there is no need to calculate the number and Value of the allocated Bond Fund Units in each Policy.

Normally all Policy transactions are carried out on a basis where all the Bond Policies stay identical.

#### 4.2 Non-Identical Policies

If the Bond Policies cease to be identical to the other Policies in the Bond We or, if applicable, a DAM will adjust the number of allocated Bond Fund Units in each Policy to take account of the differences between the Policies.

### 5. Investment Currency

Each Investment into the Bond will be denominated in UK Sterling unless the Policy Documents indicate another Investment Currency. Normally all money for an Investment into the Bond should be in the Investment Currency unless We agree to accept payment in another currency.

## › Part 4: The Bond Fund

### 1. General

We set up the Bond Fund when the Bond starts. The Bond Policies will be linked to the Bond Fund. No other Policies will be linked to the Bond Fund. The cash in Value of the Bond Policies will depend on the Bond Fund Value.

The Bond Fund will form a separate account within Our life assurance fund. The only purpose of the Bond Fund is to work out the Value of benefits under the Bond Policies.

### 2. Bond Fund Assets

#### 2.1 Investment recommendations

If there is no DAM in place, We will generally act on the investment recommendations We receive from the Fund Adviser (or the Policyholder or the individual You nominated in Your application form to provide investment instructions on Your behalf if there is no Fund Adviser) but We have the right to refuse to implement recommendations. We require that all the Assets in the Bond Fund must be Holdings in investments in which the Company is permitted to invest under the relevant regulatory requirements.

If We have agreed to appoint Your nominated DAM We shall pass on the investment recommendations contained in Your Discretionary Asset Manager Nomination Form or equivalent document that We receive from You, but We have the right to refuse to allow the DAM to implement the recommendations.

Alternatively, if You have entered a Policyholder Agreement with a DAM the Policyholder Agreement will contain details of Your investment recommendations.

The DAM will be subject to the investment restrictions set out in the investment Management Agreement between Us and the DAM.

Details of available funds may be obtained on request from Our Administration Centre.

#### 2.2 Transferring Bond Fund Assets

Bond Fund Assets that are not managed by a DAM cannot be transferred directly from Us In Specie to a DAM without being realised for cash. The cash will then be passed to a DAM to invest in accordance with the Investment Management Agreement between Us and the DAM.

Similarly, Assets held by a DAM cannot be transferred In Specie to Us or to another DAM in the case of a change in discretionary managers without first being realised for cash.

In either case, any outstanding DAM charges will be taken from the realised cash before being passed to Us for reinvestment with a new DAM.

In either case there may also be a delay between the date that You request Assets to be sold whether managed by a DAM or not, and the date that the sale of the Assets is completed. This may result in the Value of the realised cash from the sale of the Assets to be either higher or lower than on the date that You

requested their sale because of a fall or rise in the Asset Value on the date of sale. The length of the delay will depend on how quickly Assets can be sold. Any realised cash passed by Us to a DAM for reinvestment may decrease in Value due to the cost incurred by the DAM or the fund manager of the Assets that the DAM purchases. See Condition 7 of Part 2 for details of transaction delays.

If You ask Us to sell Bond Assets including Term Deposits, Your request will be actioned immediately. This means that You may incur surrender penalties on some types of Asset. The sum realised as cash to Us from a DAM will be net of any charges and penalties.

#### 2.3 If a Fund ceases to be a Permitted Investment

If the Bond Fund is invested in a fund which ceases to be regarded as a Permitted Investment due to a change in UK or Irish Regulatory Requirements, the Holding in the fund will have to be switched into a Permitted Investment. We will tell the Fund Adviser or, if applicable, a DAM that the Holding needs to be switched. We will inform the Policyholder if there is no Fund Adviser or DAM in place. If We do not receive investment recommendations by the switch date We indicate in the notification We will select a Permitted Investment for the switch (normally one of the cash Deposit Funds on Our list of Internal Unit-Linked Funds). We do not take any Dealing Charges for switches required because a fund ceases to be regarded as a Permitted Investment because of a change in regulations.

## 2.4 Changes to funds

If We decide for administrative reasons that We no longer wish to make an External Fund available, We reserve the right to ask You to switch Your Holding. This might happen, for example, where the investment organisation of an External Fund changes their dealing arrangements in such a way that We cannot continue to deal in those Units. Deals required to bring about such a switch would not count towards Your free transactions allowance. See Condition 7.2 of Part 4 for details of Your free transactions allowance.

If We close, merge, wind-up or withdraw an Internal Unit-Linked Fund in which You have invested We will give You notice of Your options as far in advance of a fund closure as is reasonably practicable. We will switch Units of the relevant Internal Unit-Linked Fund to Units of the Internal Unit-Linked Fund that We consider to have the closest investment objectives and asset allocation to the closed, merged or wound-up or withdrawn Internal Unit-Linked Fund. You will be given the opportunity to provide alternative instructions prior to the closure, merger or wind-up or withdrawal of the fund. You may, of course, provide alternative investment recommendations subject to Part 4, Conditions 2.1, 2.2 and Part 2, Condition 8, as appropriate.

We reserve the right to introduce further Internal Unit-Linked Funds or to subdivide, close or merge existing Internal Unit-Linked Funds. Units in any Internal Unit-Linked Fund within Your Bond Fund may be consolidated or subdivided by

Us at any time, however if We do so We will ensure that the effect on Your Bond Fund Value will be neutral. Within an Internal Unit-Linked Fund, or any subdivision thereof, Units of any particular type will each be of equal Value. We will contact You if this occurs.

Where the investment organisation of an External Fund decides to close or merge any of their funds, You will be contacted to switch to alternative Holdings. Deals required to bring about such a switch would not count towards Your free transactions allowance. See Condition 7.2 of Part 4.

## 2.5 The Deposit Account in the Bond Fund

Part of Your Bond Fund will consist of an internal deposit based fund known as the Deposit Account. The Deposit Account is used to meet deductions out of the Bond Fund in respect of:

- charges,
- expenses, and
- Regular Withdrawals (see Part 5),

from year to year.

If Your Holding in the Deposit Account is insufficient to meet any charges, expenses or Regular Withdrawals out of Your Bond Fund from Assets not managed by a DAM, the Deposit Account will accumulate a debt (a "Negative Balance"). We will make a Negative Balance Charge on the amount of the Negative Balance daily, as detailed in the Statement of Charges, as amended from time to time. For further details see Condition 11 of Part 7.

For Withdrawals from the Deposit Account, see Part 5 for further details.

Where all or only part of Your Bond Fund Assets are managed by a DAM there cannot be a Negative Balance in the Deposit Account for transactions associated with the DAM Assets. The exception to this is where there may be from time to time a small transitory Negative Balance to facilitate any balancing transactions required by a DAM. A Negative Balance Charge will not be applied in this event.

The Deposit Account is an Internal Unit-Linked Fund and as such monies held in this fund are represented by a Unit holding. As an Internal Unit-Linked Fund it attracts Annual Management Charges the level of which may exceed the return from the underlying Assets of the Fund. In the event that this is the case the Unit Price of the Deposit Funds may go down and any positive balance may reduce in Value.

## 2.6 Selling Bond Fund Assets to clear a Negative Balance and any accumulated Negative Balance Charges

**(a) Where the total of the Negative Balance and any accumulated Negative Balance Charges is less than or equal to 10% of the Bond Fund Value**

If on the Bond Fund Valuation Dates in March or September in any year the Negative Balance and any accumulated Negative Balance Charges does not exceed 10% of the Bond Fund Value but exceeds the

figure shown in the Statement of Charges, as amended from time to time, We reserve the right to sell a sufficient amount of the Bond Fund Assets to enable Us to clear the Negative Balance and any accumulated Negative Balance Charges in time for the next Bond Fund Valuation Date.

We will sell the Bond Fund Assets in order of Value, beginning with the Asset of highest Value. If Assets are of equal Value, We will sell an equal amount of each such Asset. For the purposes of this rule, We will exclude any Term Deposit Investments held in the Bond Fund.

If there are insufficient Assets in the Bond Fund, excluding Term Deposit Investments, to clear the Negative Balance and any accumulated Negative Balance Charges, We will sell all available Assets in the Bond Fund excluding Term Deposit Investments to reduce the Negative Balance and any accumulated Negative Balance Charges. Any remaining Negative Balance and accumulated Negative Balance Charges will accumulate a Negative Balance Charge daily until the following Bond Fund Valuation Date in March or September, whichever falls earlier.

**(b) Where the total of the Negative Balance and any accumulated Negative Balance Charges is greater than 10% of the Bond Fund Value**

If the Negative Balance and any accumulated Negative Balance Charges on any Bond Fund Valuation Date, exceeds 10% of the Bond Fund Value at the same date, We reserve the right to sell a sufficient amount of any Bond Fund Assets (including Term Deposit Investments) in order of Value, beginning with the Asset of highest Value to clear the Negative Balance and any accumulated Negative Balance Charges on that Bond Fund Valuation Date. If Assets are of equal Value, We will sell an equal amount of each such Asset. For the purposes of this rule, We will include any Term Deposit Investments held in the Bond Fund.

**2.7 General Information on the Negative Balance**

You can clear a Negative Balance and any accumulated Negative Balance Charges by selling Bond Fund Assets and crediting these proceeds into the Deposit Account.

A Negative Balance Charge will continue to be made daily on the Negative Balance and any previously accumulated Negative Balance Charges during any delay in selling Bond Fund Assets in the circumstances detailed in Part 2, Condition 7. This applies whether You clear a Negative Balance and any accumulated Negative Balance

Charges by selling Bond Fund Assets, as described above, or We are clearing/reducing a Negative Balance and any accumulated Negative Balance Charges by selling Assets as described in Condition 2.6(a) or (b).

We will deduct all penalties and expenses incurred in respect of a sale of Bond Fund Assets to clear a Negative Balance and any accumulated Negative Balance Charges. Where We sell Bond Fund Assets to clear a Negative Balance and any accumulated Negative Balance Charges, these Sale Transactions will not count towards the number of free transactions You are allowed each year. See Condition 7 of this Part 4 below for further details. We will notify You whenever We have exercised Our right to sell Bond Fund Assets and will provide details of the Bond Fund Assets sold.

For the avoidance of doubt, where the amount of the Bond Fund Assets sold exceeds the Negative Balance and any accumulated Negative Balance Charges, such excess will be credited to the Deposit Account.

Unless We say otherwise, the Bond Fund Value takes into account any Negative Balance and any accumulated Negative Balance Charges.

Where Bond Fund Assets need to be sold to clear any Negative Balance and any accumulated Negative Balance Charges, only those Assets not managed by a DAM will be used, except where all the Bond Fund Assets not managed by a DAM are exhausted.

In such a situation, We may ask that the Negative Balance and any accumulated Negative Balance Charges is cleared from the sale of Assets managed by a DAM.

Where Your existing Investment is to be changed from being either not managed or only partly managed under a discretionary management arrangement, any Negative Balance in the Deposit Account will be cleared with the net cash from the realised Assets before being passed to a DAM.

## 2.8 Fund Income

All investment income from Assets in the Bond Fund will be added to the Bond Fund. Where there is no DAM in place, We will normally invest income as it arises in the Deposit Account. But, where available, You may exercise an option under an investment Holding to increase the size of the Holding by reinvesting income from that Holding. This option will not apply where there is a Negative Balance, any Negative Balance Charge or any accumulated Negative Balance Charges.

## 3. Deductions from the Bond Fund

### 3.1 Taxes, expenses, levies, interest

We will make the following deductions from the Bond Fund:

- any External Expenses or charges We incur in acquiring, managing, maintaining, valuing and disposing of Bond Fund Assets;
- any taxes or duties incurred in respect of the Bond Fund or attributable to the Bond Fund;

- any taxes or other charges on the income from the Assets in the Fund or on any capital gains made from the Assets;
- any tax, levy or other charge on the Company, such as a levy under any legislation introduced for the purposes of raising levies for Funds to be held for the protection of the interests of policyholders, such as an investor compensation scheme which affects the costs of operating the Bond and which is reasonable in amount and reasonably incurred. Any such tax, levy or other charge will be imposed in a way which is proportionate to the increased cost of operating the Bond;
- any interest due on money borrowed on account of the Bond Fund;
- any costs incurred by the Company in recovering withholding tax will be deducted from any withholding tax recovered before it is credited to the Bond Fund;
- any other expenses, taxes, duties, levies or charges incurred in connection with the Bond Fund and not taken into account in the above list of items.

Under current tax rules (at the date of this edition of this Contract Conditions Booklet), We are not liable to pay any tax in Ireland (or any other country) regarding Our Bond Funds or in Our life assurance investment funds

generally. However, certain types of income We receive in Our funds from fund investments suffer withholding tax at source. Any withholding tax We recover in respect of a Holding in the Bond Fund will be credited to the Bond Fund.

### 3.2 Our charges in respect of the bond and the Bond Fund

- We will make the charges detailed in Part 7 by deducting them from the Bond Fund as they occur or on the next Bond Fund Valuation Date – see Condition 8 of this Part 4 below (except where the charge is taken into account by deducting it from the amount of a benefit payment from the Bond Policies).
- We will make a Dealing Charge when purchasing an External Fund Holding for the Bond Fund and when selling an External Fund Holding in the Bond Fund – see Condition 7 of this Part 4 below. The Statement of Charges (as amended from time to time) shows Our charges for Purchase Transactions and Sale Transactions. As explained in Our note in the Statement of Charges, the level of this charge may increase every year due to inflation-related or exchange rate reasons.



- We will make a charge for providing a valuation statement You request on a date other than a Bond Fund Valuation Date – see Condition 8 of this Part 4 below. The Statement of Charges (as amended from time to time) shows Our charge for providing valuation statements on a date other than a Bond Fund Valuation Dates. As explained in Our note in the Statement of Charges, the level of this charge may increase every year due to inflation-related or exchange rate reasons. Where an ad-hoc Unit valuation statement is required from a DAM then any charge for this statement will be detailed in the Investment Management Agreement. Details on DAM related charges from the Investment Management Agreement are available from Our Administration Centre in Ireland.
- We will make a charge to cover any costs incurred by Us for Annual Management Charges levied on Us by a DAM. Details of these charges are available from Our Administration centre in Ireland.

### 3.3 Benefit payments

Any Cash In Benefit paid from the Bond Policies will be deducted from the Bond Fund.

## 4. Fund Adviser

If a DAM has not been appointed or has been appointed only on part of the Bond, the Policyholder may appoint a Fund Adviser to make investment recommendations for the Bond Fund. The Fund Adviser must be a person acceptable to Us. The Policyholder is responsible for monitoring the suitability and performance of a Fund Adviser.

If there is no Fund Adviser or DAM We will act on the basis that any investment recommendations for the Bond Fund will be made by the Policyholder (or each Policyholder where there is more than one).

The fees payable to a Fund Adviser will be calculated as either:

- a fixed level amount, or
- a percentage of the Bond Fund, and only assessed against that part of the Bond not covered by a discretionary management arrangement

In the case of either calculation, the amounts We pay the Fund Adviser will be charged against Your Bond Fund and deducted from the Bond Fund Value with effect from each Bond Fund Valuation Date.

Fund Adviser Fees will be charged in addition to any DAM charges that may apply on that part of Your Bond covered by a discretionary management arrangement. Please contact Your Fund Adviser or Our Administration Centre in Ireland for details of such fees.

A pro-rata calculation will apply for the first Bond Fund Valuation Date.

## 5. Stockbrokers

If We wish or need to use a stockbroker to handle dealings in External Funds We will normally use Our own stockbroker. Neither You nor Your financial adviser or the Fund Adviser can insist on Us using a stockbroker selected by them but We may do so if We wish (and if the Fund Adviser is also a stockbroker We may use the Fund Adviser as Our stockbroker if We wish).

## 6. Dealings

Dealings may be made either by Us for Assets not managed by a DAM following receipt of investment recommendations from You, the individual You nominated in Your application form to provide investment instructions on Your behalf or Your Fund Adviser, which must be in writing at Our Administration Centre (fax will be acceptable), or by a DAM for Assets that are managed by a DAM. The fax number of Our Administration Centre, for dealing instructions only, is +353 1 476 5100. Written instructions to Us should be addressed to the Operations Department at Our Administration Centre.

### 6.1 External Funds We have already approved:

- for dealing instructions received in writing at Our Administration Centre by 12 noon on a Working Day, We will endeavour to place deals prior to close of business on that Working Day or as soon as possible thereafter.
- for dealing instructions received after 12 noon on a Working Day or on a non-Working Day, We will place deals on the next dealing day.

For Funds that are not Priced daily, deals will be placed for the next available dealing day.

However, in determining when We will place any deal, We reserve the right to change the time of day stated in this Condition if the investment organisation of an External Fund uses a different deadline.

## 6.2 External Funds that have not been pre-approved

We will place a deal by close of business on the next available dealing day after the Fund is approved.

## 6.3 All instructions

If an instruction does not clearly identify the External Fund(s) to be bought or sold, then dealing may be delayed until We obtain clarity.

The Price at which a Holding in an External Fund is purchased or sold will be as shown in the contract note or confirmation issued by the vendor or stockbroker. We will keep a copy of all contract notes or confirmation that We receive.

We will do Our best to ensure that any dealing is at the best possible Price for the Bond Fund but We are not liable in any way where it transpires that the deal could have been effected at a better Price.

All Assets in the Bond Fund will belong to Us and will be held and (where appropriate) registered in Our name or in the name of a Custodian or a Nominee. All dealings must be made in Our name (or the Custodian or Nominee). In certain circumstances a DAM may also be the Custodian.

All contract notes or confirmations must be in Our name (or the Custodian – including a DAM – or Nominee).

We will not permit Purchase or Sale Transactions that We know or suspect to be linked to Market Timing and will, upon request, provide information to the investment organisation in respect of an External Fund or any other group company of that investment organisation on the reasons for its dealing activities where such activities appear to follow a timing pattern or are characterised by excessively frequent or large trades.

## 6.4 Custodian charges

For Assets not managed by a DAM We will deduct from the Bond Fund Value an amount equal to:

- any Custodian Settlement Fees that We incur for each Purchase or Sale Transaction, and
- an ongoing Safe Custodian Charge based on the Bond Fund Value

For Assets managed by a DAM We will deduct an amount equal to any charge levied by a DAM for third party custodian services where a DAM does not perform these services.

We will make the deductions evenly across all Bond Policies then in force with effect from

- the next Bond Fund Valuation Dates, in the case of the Custodian Settlement Fees, or
- each relevant Bond Fund Valuation Date in the case of the Safe Custodian Charge, or

- as soon as practicable following the receipt of any third party custodian charges from a DAM, or
- on the date that the Bond ends.

The Current levels of Custodian Charges on Assets not managed by a DAM are as shown in the Statement of Charges (as amended from time to time). We will only take Custodian Charges on Bond Assets that are not managed by a DAM.

# 7. Our Dealing Charges

## 7.1 No Dealing Charges for Internal Unit-Linked Fund transactions

We do not take Dealing Charges for purchases or sales of Holdings in Our Internal Unit-Linked Funds.

The conditions at 7.2 (immediately below) only apply to purchases or sales of Holdings in External Funds.

You should be aware that a DAM may make separate charges for Purchase Transactions or Sale Transactions and such charges, together with any other Dealing Charges, may be deducted from Your Bond Fund. You will be informed about the deduction of such charges from Your Bond Fund. The current levels of these charges which may vary between DAMs are available upon request from Your nominated DAMs.



## 7.2 Our Dealing Charges for External Fund transactions – free transactions allowance

Purchases or sales of Holdings in External Funds may incur Dealing Charges. The Statement of Charges, as amended from time to time, shows Our charges for Purchase Transactions and Sale Transactions. As explained in Our note in the Statement of Charges, the level of this charge may increase every year due to inflation-related or exchange rate reasons. Dealing Charges will apply unless the number of deals in the External Funds is within the following limits:

- (a) 20 free transactions within the first year. You may make up to 20 Purchase Transactions or Sale Transactions in External Funds free of Dealing Charges within the first Policy Year. Where a DAM has been appointed, this Condition does not apply to that part of the Bond Fund Assets managed by a DAM.
- (b) 10 free transactions in each subsequent Policy Year. You may make up to 10 Purchase Transactions or Sale Transactions in External Funds free of Dealing Charges in each Policy Year. Where a DAM has been appointed, this Condition does not apply to that part of the Bond Fund Assets managed by a DAM.

Transactions in Our Internal Unit-Linked Funds do not use up or count towards either of the allowances for free transactions in

External Funds. If any free external transactions are not used in a Policy Year, those transactions will not be added to the number of free external transactions in any subsequent Policy Year.

If any Custodian Settlement Fees are incurred for any Purchase Transactions or Sale Transactions, including the free transactions stated above, an amount equal to those fees will be deducted from the Bond Fund as shown in Condition 6 above. The Current levels of Custodian Settlement Fees are as shown in the Statement of Charges (as amended from time to time). As explained in Part 7, Condition 1.4, the level of this charge may change every year.

## 8. Fund Valuations

We Value the Bond Fund with effective dates of 31 March, 30 June, 30 September and 31 December each year (the "Bond Fund Valuation Dates"). We also Value the Bond Fund if:

- any Bond Policies are being Fully Cashed In
- the Maturity Benefit is payable, or
- We close the Bond Fund for any other reason.

A statement will be sent to You showing the Value of Your Bond as soon as possible after each Bond Fund Valuation Date. There is Currently no separate charge for providing these valuation statements.

In the event that You request a valuation statement at any other time We will make a charge for providing the valuation statement. The charges for providing such

valuation statements are shown in the Statement of Charges as amended from time to time. As explained in Condition 1.4 of Part 7, the level of this charge may increase every year.

Where any of Your Bond Assets are managed by a DAM, the DAM may also provide a statement for those Assets in accordance with the Investment Management Agreement between Us and the DAM. Where You request a valuation statement from a DAM at any time other than in accordance with the Investment Management Agreement, a DAM may impose a charge as detailed in the Investment Management Agreement. Details of DAM related charges from the Investment Management Agreement between Us and the DAM are available from Our Administration Centre in Ireland.

## 9. Ownership

The Bond Fund and the Assets in the Bond Fund belong to the Company. They do not belong to the Policyholder.

You own the Bond Policies which are linked to the Bond Fund. The Value of those Policies is determined by the Bond Fund Value.

You (or any other person entitled to the Bond Policies or an interest in the Bond Policies) do not have any legal or beneficial interest in or rights to the Bond Fund, the Assets in the Bond Fund or the Bond Fund Units.

## 10. Base Fund Currency

The Bond Fund Valuations will be denominated in UK Sterling unless the Policy Documents state that it will be another currency. The expression "Base Fund Currency" means the currency in which the Bond Fund Valuations are denominated. The chosen Base Fund Currency cannot be changed.

## › Part 5: Cash In Benefits

### 1. Withdrawals

#### 1.1 Regular Withdrawals

##### Availability

You can ask for Regular Withdrawals from Your Bond at any time. Forms to request a Regular Withdrawal are available on request from Our Administration Centre in Ireland.

##### Administration

You may choose to have an amount paid every:

- › month,
- › three months,
- › four months,
- › six months, or
- › 12 months.

Each Regular Withdrawal will be spread evenly across all the Bond Policies and will be taken from the Deposit Account. The cash in Value of each Bond Policy will be reduced by an equal amount (allowing for any necessary rounding) every time a Withdrawal is paid.

Any Custodian Settlement Fees incurred will be charged against Your Bond Fund and deducted from the Bond Fund with effect from the Bond Fund Valuation Dates. See Condition 6 of Part 4.

##### Regular Withdrawals – DAMs

If Your Bond is partly managed by a DAM and Regular Withdrawals are to be funded from both the Assets managed by a DAM and those not managed by a DAM, You must tell Us how much as a fixed amount is to be paid from:

- a. the Assets not managed by a DAM, and/or
- b. the Assets managed by a DAM.

The Regular Withdrawal contribution funded by a DAM will be paid initially from the Deposit Account. The Deposit Account will then be reimbursed by the DAM. If there is more than one DAM managing Your Bond Fund Assets, You must tell Us which of Your nominated DAMs are to fund the payments and also how much as a fixed amount each DAM is to provide towards the total.

In the event that a DAM no longer manages Your Bond Fund Assets and Regular Withdrawals were being funded from the Assets managed by that DAM, unless You tell Us that the funding is to be drawn from another DAM nominated by You, future payments will continue to be made in full but funded from the Deposit Account and will fall into the process for dealing with Negative Balances in the Deposit Account as detailed in Condition 2.5 of Part 4 for Assets not managed by a DAM. This will mean that You may incur a Negative Balance Charge.

We will only allow a Regular Withdrawal payment if the rules in Part 5, Condition 1.3 are met.

#### 1.2 One-off Withdrawals

##### Availability

You may ask to make a One-off Withdrawal at any time in the form of a specific amount or a percentage of Your Bond Fund Value.

##### Administration

For a One-off Withdrawal You need to tell Us which Assets within Your Bond Fund (including those managed by a DAM) You wish to sell to meet Your request. We will only allow a One-off Withdrawal if the Bond Fund Assets You have nominated to be sold are of sufficient Value to meet the payment and the rules in Condition 1.3 of this Part 5 below are met.

We can provide a One-off Withdrawal by:

- (a) Partially Cashing In all the Policies in the Bond. On this basis the cash in Value of each Bond Policy will be reduced by a similar or identical amount (allowing for any necessary rounding).

Or

- (b) Fully Cashing In one or more of the Policies in the Bond (this will result in the number of Bond Policies in the Bond being reduced).

If neither (a) nor (b) alone will meet Your requirements for a One-off Withdrawal, You must provide Us with two instructions. In this situation We will carry out instruction (b) first and then, with effect from the next available dealing Price after that, We will carry out instruction (a) for the balance of the Withdrawal required.

In the case of (a), (b) or a combination of the two, any Custodian Settlement Fees incurred will be deducted from the Bond Fund with effect from the Bond Fund Valuation Dates. See Condition 6 of Part 4.

### Which basis?

We will carry-out a One-off Withdrawal in the manner shown in 1.2(a) above if You do not tell Us which method to use when You ask for a One-off Withdrawal.

Our Partial or full cash in form will allow You to specify which of the options in 1.2 above You prefer.

Any Bond Policy which is Fully Cashed In for a One-off Withdrawal will end on the date it is Fully Cashed In (and no other benefits will be payable under that Policy).

If You wish to Fully Cash In Your Bond, please complete Our Partial or full cash in form which is available from Our Administration Centre in Ireland.

### Transaction delays

In the event that an Internal Unit-Linked Funds or External Fund including those managed by a DAM is suspended because the underlying Assets are not readily redeemable as mentioned in Conditions 7.2 and 7.3 of Part 2, We have the right to delay payment of the Withdrawal until such times as the Assets of the Fund are liquid. Where We do delay the payment of a Withdrawal We will promptly write to You to inform You. We will also write to You when the payment has been made.

## 1.3 Minimum Withdrawal limits and minimum Fund Value rules

### Minimum Withdrawal Limits for Regular Withdrawals and One-off Withdrawals.

Each Regular Withdrawal and any One-off Withdrawal must not be less than Our Current minimum limits in force at the time of payment. The Statement of Charges (as amended from time to time) shows Our minimum limit. As explained in Our note in the Statement of Charges, the level of one of these limits may increase every year. As explained in Part 7, Condition 1.4, the level of this charge may change every year.

### Minimum Fund Value rules

We only allow Withdrawals to be taken from the Bond if the Bond Fund Value meets the two minimum Bond Fund Value rules set out in (1) and (2) below. If the Bond Fund falls below the Basic Minimum Value (as defined below) We will write to You and ask You to make an Additional Investment. If You do not do so within one calendar month, We reserve the right to cancel the Bond and pay to You the cash in Value (after deducting any relevant charges).

#### (1) The Basic Minimum Value Rule

The Bond Fund Value must be above Our "**Basic Minimum Value**" before and after any Withdrawal. The Statement of

Charges (as amended from time to time) shows Our Basic Minimum Value figure. As explained in Part 7, Condition 1.4, the level of this limit may increase every year.

#### (2) 15% Minimum Value rule

The Bond Fund Value (before and after a Withdrawal) must also always be more than 15% of the Investment(s) paid into the Bond in the 5 years up to the date of the Withdrawal.

This 15% rule only applies if there has been an Investment into the Bond during the 5 years up to the date of the proposed Withdrawal.

Where this 15% minimum Value rule does not apply, the Bond Fund Value only needs to be more than the rule in (1) above.

If the two rules overlap During any period where the rules in (1) and (2) overlap, We apply the higher of the Current Basic Minimum Value figure and the 15% figure.

## 1.4 The cash in Value of a Policy in the Bond

### Identical Policies

If all the Policies in the Bond have remained identical, the cash in Value of each Bond Policy will be identical and can be calculated by dividing the cash in Value of the Bond Fund by the number of Policies in the Bond.

### Non-Identical Policies

If the Bond includes any non-identical Bond Policies, the cash in Values of the Bond Policies will be determined by referring to the number and cash in Value of the Bond Fund Units in each Bond Policy.

We reduce the number of Units by cancelling an appropriate number of Bond Fund Units from the Policies whenever We apply a charge in respect of the Policies and whenever a Withdrawal is taken from the Policies.

Normally transactions are carried out in a manner which would result in the Bond only including identical Policies.

### Sale Transactions to provide cash for a Withdrawal

Where Holdings in External Funds are to be sold to provide the money for the Withdrawal; We will take a Dealing Charge for each Sale Transaction (unless the transactions are within the number of free transactions allowed in each Policy Year, as explained in Condition 7 of Part 4).

We may also deduct any Custodian Settlement Fees, as explained in Condition 6 of Part 4.

## 2. Fully Cashing In the Bond

### 2.1 General

On Fully Cashing In all of the Bond Policies:

- The Maturity Benefit under the Bond will cease.
- We will close the Bond Fund.
- We will pay out the cash in Value of the Bond Policies, either as a sum of money or by transferring Assets from the Bond Fund to the Policyholder. Holdings in Our Internal Unit-Linked Funds cannot be transferred In Specie and will be converted into a sum of money.
- No other benefits will then be payable under the Bond.

If You wish to Fully Cash In Your Bond, please complete Our Partial or full cash in form which is available from Our Administration Centre in Ireland.

### 2.2 Cash in Value

On Fully Cashing In the Bond the cash in Value of the Bond will be the Bond Fund Value at that time less the following deductions:

- (a) an Early Cash In Charge may be applied regarding any Investment made into the Bond in the preceding 5 years – see Condition 2.3 below;
- (b) an Establishment Charge may be applied – see Condition 3 of Part 7;
- (c) an Ongoing Portfolio Charge may be applied – see Condition 4 of Part 7;

- (d) a Delegated Management Charge may be applied – see Condition 5 of Part 7;
- (e) a Capital Redemption Charge may be applied – see Condition 7 of Part 7;
- (f) an Administration Charge may be applied – see Condition 8 of Part 7;
- (g) a Dealing Charge for each External Fund Holding We sell to provide money for payment of the cash in Value (We do not take Dealing Charges for converting Holdings in Our Internal Unit-Linked Funds);
- (h) a Dealing Charge for each External Fund Holding We transfer to the Policyholder;
- (i) any costs We incur in closing the Bond Fund, transferring the Bond Fund Assets to the Policyholder or selling Bond Fund Assets;
- (j) any Custodian Settlement Fees incurred as a result of the cash in;
- (k) any Negative Balance and any accumulated Negative Balance Charges;
- (l) any outstanding charges or fees payable to a DAM or Fund Adviser.

Our Dealing Charges at (g) and (h) are applied where the number of free transactions allowed in a Policy Year have been exceeded – see Condition 7 of Part 4.

### 2.3 Early Cash In Charge

If the Early Cash In Charge applies to the Bond, this will be shown in Your Contract Schedule or Related Documents.

If applicable, the Early Cash In Charge will be deducted if the Bond is Fully Cashed In within 5 years of an Investment being paid into the Bond. See Condition 10 of Part 7.

### 2.4 Transaction delays

In the event that an Internal Unit-Linked Funds or External Fund including those managed by a DAM is suspended because the underlying Assets are not readily redeemable as mentioned in Conditions 7.2 and 7.3 of Part 2, We have the right to delay payment of the Full Surrender until such times as the Assets of the Fund are liquid. Where We do delay the payment of a Withdrawal We will promptly write to You to inform You. We will also write to You when the payment has been made.

## 3. Cash In Benefit payments

If We receive a request for a Cash In Benefit payment, We will defer making such payment until We have received the sale proceeds – see Condition 7 of Part 2.

## 4. Cash In Benefit Currency

The currency in which We pay Withdrawals from the Bond and the cash in Value on Fully Cashing In the Bond will be UK Sterling unless the Policy Documents show that payment will be made in another currency or We agree to a payment being made in another currency. The expression "**Cash In Benefit Currency**" means the currency in which such payments are generally made.

## › Part 6: Maturity Benefit

### 1. The amount of Maturity Benefit

Your Contract Schedule, or Related Documents, shows the Maturity Date of Your Bond. We will pay a Maturity Benefit from Your Bond on that date, if You do not Fully Cash In the Bond Policies before then. The Maturity Benefit will be the greater of:

- › the Value of Units allocated to the Bond Fund on the Maturity Date, and
- › the "Guaranteed Maturity Value".

When Your Bond starts, the Guaranteed Maturity Value is 100.1% of the Initial Investment. For an Additional Investment, the Guaranteed Maturity Value will increase by 100.1% of the Additional Investment.

At the Maturity Date We:

- › cancel all Units in the Bond Fund, and
- › pay out the Value We calculate.

### 2. Guaranteed Maturity Value – taking Withdrawals

**(this includes Withdrawals to pay a Fund Adviser)**

When You take One-off Withdrawals or Regular Withdrawals, We reduce the Guaranteed Maturity Value. This also applies when We take Withdrawals from Your Bond Fund to pay Your Fund Adviser.

#### **(a) If You take a Withdrawal across all the Policies in a Bond**

We multiply the Value of any Regular Withdrawal or One-off Withdrawal taken from the Bond Fund by 100.1%.

We deduct the answer from the Guaranteed Maturity Value before the Withdrawal. This gives the new Guaranteed Maturity Value for the Bond Policies remaining in force after the Withdrawal.

#### **(b) If You cash in individual Policies for a One-off Withdrawal**

We divide the number of Bond Policies remaining in force after the Withdrawal by the number of Bond Policies in force before the Withdrawal.

We then multiply the answer by the Guaranteed Maturity Value before the Withdrawal. This gives the new Guaranteed Maturity Value for the Bond Policies remaining in force after the Withdrawal.

#### **(c) If a mix of (a) and (b) is used to pay a Withdrawal – see Condition 1.2 of Part 5**

We apply the method shown in (b) above in relation to the individual Bond Policies that are cashed in. We then apply the method shown in (a) above in relation to the Value taken across the Bond Policies that are in force on the next available dealing Price.

Although Withdrawals reduce the Guaranteed Maturity Value, the Maturity Benefit will not be less than £100, provided that the Bond has not been Fully Cashed In before the Maturity Date.

### 3. Maturity Benefit Currency

We will pay the Maturity Benefit in UK Sterling unless the Contract Schedule or Related Documents show that We:

- › will pay in another currency, or
- › agree to pay in another currency.

The expression "**Maturity Benefit Currency**" means the currency We generally use to pay the Maturity Benefit.



## › Part 7: Charges and limits

### 1. Summary of charges

#### 1.1 Basic charges

We apply the following charges in all cases:

##### a) Annual Management Charges on Our Internal Unit-Linked Funds

We take variable Annual Management Charges for maintaining Internal Unit-Linked Funds that Your Bond is linked to, where applicable. In practice, We calculate and apply Annual Management Charges on a daily basis. We take this into account in calculating the day-to-day Price of the Units in an Internal Unit-Linked Fund.

Annual Management Charges are separate charges on each of Our Internal Unit-Linked Funds.

The percentage may vary for each Internal Unit-Linked Fund. If You choose Our Internal Unit-Linked Funds for all or part of any Investment, Our Annual Management Charges are as shown in the Statement of Charges (as amended from time to time).

Some Internal Unit-Linked Funds hold Units in other Internal Unit-Linked Funds. We shall make any necessary changes to the Annual Management Charges which We charge You in order to make sure that an Annual Management Charge is not made twice.

We have the right to increase (or reduce) the percentage of Our Annual Management Charges for any of Our Internal Unit-Linked Funds from time to time, if the management costs (which are reasonable in amount and reasonably incurred) We incur in relation to the Internal Unit-Linked Funds change. Any such change will be proportionate. For example, if the unit trust underlying one of Our Internal Unit-Linked Funds were to change its nature or charges, We may reflect this change in Our Annual Management Charge for that Internal Unit-Linked Fund. If this happens We will write to You to explain any such change with the new level of charges and the options available to You.

##### b) Annual Management Charges by External Funds

Where Our Internal Unit-Linked Funds invest in underlying collective investments, such as unit trusts, additional expenses will be incurred. If You choose Our Internal Unit-Linked Funds for all or part of any Investment, the Current range of these additional expenses, if applicable, are as shown in the Statement of Charges (as amended from time to time).

Holdings in External Funds may be subject to a similar Annual Management Charge. The management organisation of each External Fund will determine:

- › whether a similar charge applies,
- › the level of such charge (including changes to the level of that charge from time to time), and
- › how it is applied.

The initial level of this charge will be shown in Your Personal Illustration.

##### c) Rebates of External Fund Annual Management Charges

On that part of Your Bond where a DAM has not been appointed, We may receive Annual Management Charge Rebates in respect of Assets held in each External Fund with whom We have negotiated special terms. We may credit the Deposit Account within the Bond Fund with a proportion of the Annual Management Charge Rebates We receive, although We do not guarantee this. Where an Annual Management Charge Rebate credit is to apply, We will credit the Deposit Account with effect from a Bond Fund Valuation Date. The level, availability and proportion of Annual Management Charge Rebate credit will vary between Funds. Crediting of Annual Management Charge Rebates to the Bond Fund is not guaranteed and is subject to change. This may happen where the management organisation of an External Fund:



- › changes the level of Annual Management Charge Rebate they pay to Us,
- › ceases to offer an Annual Management Charge Rebate, or
- › fails to pay an Annual Management Charge Rebate to Us.

We also reserve the right to stop making any Annual Management Charge Rebate or to change the level of any Annual Management Charge Rebate We credit to the Bond Fund, for commercial reasons. Each valuation statement We issue will show the amount of any Annual Management Charge Rebates that We have credited to the Deposit Account since the last valuation statement.

Where We credit Annual Management Charge Rebates to the Deposit Account, We will apply such credits to reduce the extent of any Negative Balance and any accumulated Negative Balance Charges in the Deposit Account at that time. If the amount of Annual Management Charge Rebate We apply exceeds the total of the Negative Balance and any accumulated Negative Balance Charges in the Deposit Account, the excess will be credited to the Deposit Account. See Condition 2.7 of Part 4.

Where a Bond or part of a Bond is placed under the management of a DAM between Bond Fund Valuation Dates, a proportional Annual Management Charge Rebate will be given for the time that the Bond or part of the Bond was not managed by a DAM. The rebate will be credited to the Bond on the next Bond Fund Valuation Date.

**d) Annual Management Charges applied by DAMs**

If there is a DAM in place, Your Bond may be subject to a further Annual Management Charge in respect of their services.

**e) Other charges applied for all cases**

- › The management organisation of an External Fund may take an Initial Charge whenever an Investment buys Units. This is a percentage of the relevant Investment. The level of this charge will be shown in Your Personal Illustration for that Investment.
- › If there is a DAM in place, Your Bond may be subject to charges or further fees in respect of their services – see Condition 13 of Part 2.
- › Capital Redemption Charges – see 7 below.

- › Our Dealing Charges for certain Purchase Transactions or Sale Transactions in the Bond Fund – these apply throughout – see Condition 7 of Part 4.

- › The Negative Balance Charges We apply to a Negative Balance within the Deposit Account – see 11 below.

- › We make a separate charge for providing valuation statements requested on a date other than on a Bond Fund Valuation Dates (see Condition 8 of Part 4).

- › We deduct from the Bond Fund Value an amount in respect of any Custodian Settlement Fees that We incur (including Safe Custodian Charges) – see Condition 6 of Part 4.

- › We make a charge for any Cash In Benefit payment made by way of Telegraphic Transfer – see 12 below.

Your Personal Illustration and Key Features document will show details of how these and the other charges referred to in Part 7 relate to the Bond, as applicable.

## 1.2 Other charges

We may also apply the following charges:

- Initial Charges – see 2 below
- Establishment Charges – see 3 below
- Ongoing Portfolio Charges – see 4 below
- Delegated Management Charges – see 5 below
- Discretionary Asset Managers' Annual Management Charges – See 6 below
- Administration Charges – see 8 below
- Renewal Charges – see 9 below
- Early Cash In Charge – see 10 below

## 1.3 External Expenses

In addition to the charges listed in 1.1 and 1.2 above, any External Expenses We incur in connection with the Bond Fund or a transaction under the Bond Fund will be deducted from the Bond Fund when We incur the charges or with effect from the following Bond Fund Valuation Date. External Expenses include stockbroker dealing charges, stamp duty and all bank charges.

If You cancel Your Policyholder Agreement with a DAM or You no longer wish Us to deal with the DAM You nominated, You will be liable for any costs and expenses

arising from the cancellation of the agreement and the transfer of Assets between Us and the DAM. We will deduct such costs and expenses from the Bond Fund when We incur them.

Any currency conversion is calculated at the prevailing market rate available at the time. See Condition 14 of Part 2.

## 1.4 Changes to charges

From time to time We may change the limits and charges expressed as a monetary amount in this Contract Conditions Booklet and the Statement of Charges. In particular We may change the charges and limits expressed as a monetary amount in January each year.

We may introduce or increase charges if a charge is imposed on Us by a scheme or fund for the protection of the interests of policyholders, such as an investor compensation scheme.

Changes to charges and limits may be necessary to take account of:

- (a) the percentage change in the Irish Consumer Price Index or, if this index ceases to be published or the Actuary considers it no longer suitable, the substitute index which is, in the opinion of the Actuary, appropriate to measuring inflation (the "**Index**") over a period of 12 months ending in the preceding August; and

(b) any movements in the value of the Euro in relation to the currency in which the charge is denominated and the currency in which the charge is levied or applies to the Bond; and

(c) other factors which affect the running of Our business.

We will keep any increases to charges or new charges to reasonable amounts, reflecting any increases in Our reasonable costs for operating the Portfolio Account.

This may happen, for example:

- If We experience an increase in the general administration costs We incur in operating the Bond.
- If there is a change to the basis upon which any company from within the Prudential Group of Companies is taxed.
- If a charge is imposed on Us by an investor compensation scheme.

In some years, We may not increase a charge or limit. When it is next increased, the Actuary may set the charge or limit at an amount which takes account of inflation and other factors since the amount of the charge or limit was previously set

### 1.5 Percentage charges

When applying any charge expressed as a percentage, We will round the result to the nearest penny.

## 2. Initial Charge and allocation rate

Your Contract Schedule or Related Documents will show the allocation rate that applies to each Investment. The allocation rate, which shows the percentage of the Investment that is applied to the Bond Fund, may be reduced by a percentage equal to the total of a) and/or b) below as applicable.

- a) A one-off percentage charge that We may apply to each Investment;

and/or

- b) A percentage that We may apply to each Investment, equal to the level of Initial Commission taken by Your financial adviser in respect of that Investment.

## 3. Establishment Charges

If the Establishment Charges apply to the Bond, they will be shown in Your Contract Schedule or Related Documents. Where they apply, Your Contract Schedule or Related Documents will show:

- › whether You have chosen the Establishment Charge Option or the Ongoing Charge Option – Establishment Version, and
- › the yearly percentage rate for the charge in respect of each Investment.

### 3.1 How long We apply the charges for

Establishment Charges only apply to each Investment during the Establishment Charge Period of 5 years. This 5 year period is measured from the Investment Date of the Initial Investment and the Additional Investment Date in respect of any Additional Investment.

### 3.2 When We apply the charges

We apply an Establishment Charge with effect from each Bond Fund Valuation Date. For each Investment, We take:

- › the first Establishment Charge with an effective date of the first Bond Fund Valuation Date following the Investment Date or Additional Investment Date of that Investment, as appropriate, and
- › the final Establishment Charge with an effective date of the Bond Fund Valuation Date following expiry of the Establishment Charge Period for that Investment or the date the Bond is Fully Cashed In, if earlier.

The Establishment Charge We take for an Investment with effect from each Bond Fund Valuation Date will normally be based on the yearly percentage, shown on Your Contract Schedule or appropriate Related Document, divided by four. However, a pro-rata calculation will apply for:

- › the first charge in respect of an Investment, based on the number of days the Bond is in force between the Investment Date or Additional Investment Date, as appropriate, and the first Bond Fund Valuation Date following that Investment (for example, if there are 90 days in the quarter and the Bond is in force for 40 days, the charge for the quarter will be 40/90 this of the standard quarterly percentage), and
- › the final Establishment Charge in respect of an Investment, based on the number of days the Bond is in force between the last Bond Fund Valuation Date in the Establishment Charge Period and the date the Establishment Charge Period expires, or the date the Bond is Fully Cashed In.

There is no minimum or maximum monetary amount for the Establishment Charge.

### 3.3 What We apply the charges to

- a) **Under the Establishment Charge Option**  
If You have chosen the Establishment Charge Option, We apply the percentage charge in respect of each Investment as described in 3.2 above to an amount equal to the full Investment made into the Bond Policies in force at the Investment Date or the Additional Investment Date, as appropriate.

b) **Under the Ongoing Charge Option – Establishment Version**

If You have chosen the Ongoing Charge Option – Establishment Version, We apply the percentage charge in respect of each Investment as described in 3.2 above, to the higher of the following:

- › an amount equal to the full Investment made into the Bond Policies in force at the Investment Date or the Additional Investment Date, as appropriate, and
- › the proportion of the Bond Fund Value in respect of that Investment at the Bond Fund Valuation Date that the charge is being applied – for example if the charge is being applied with effect from 30 June, We will take into account the Bond Fund Value in respect of that Investment at that date.

Where an Additional Investment is made, the Bond Fund Value is proportioned between the different Investments. We show how the proportions are calculated in Condition 13.

## **4. Ongoing Portfolio Charges**

If the Ongoing Portfolio Charges apply to the Bond, they will be shown in Your Contract Schedule or Related Documents.

### **4.1 How long We apply the charges for**

We apply the Ongoing Portfolio Charges for each Investment throughout the lifetime of the Bond.

### **4.2 When We apply the charges**

We apply the Ongoing Portfolio Charges with effect from the Bond Fund Valuation Dates. For each Investment We take:

- › the first Ongoing Portfolio Charge with an effective date of the first Bond Fund Valuation Date following the Investment Date or Additional Investment Date of that Investment, as appropriate, and
- › the final Ongoing Portfolio Charge with an effective date of the date the Bond is Fully Cashed In.

The Ongoing Portfolio Charge We take with effect from each Bond Fund Valuation Date will normally be based on the yearly percentage, shown on Your Contract Schedule or Related Documents, divided by four. However, a pro-rata calculation will apply for:

- › the first charge in respect of an Investment, based on the number of days the Bond is in force between the Investment Date or Additional Investment Date, as appropriate, and the first Bond Fund Valuation Date following that Investment (for example, if there are 90 days in the quarter and the Bond is in force for 40 days, the charge for the quarter will be 40/90ths of the standard quarterly percentage), and
- › the final Ongoing Portfolio Charge in respect of an Investment, based on the number of days the Bond is in force between the last Bond Fund Valuation Date and the date the Bond is Fully Cashed In.

### **4.3 What We apply the charges to**

We apply the percentage charge in respect of each Investment as described in 4.2 above, to an amount equal to the proportion of the Bond Fund Value in respect of that Investment at the relevant Bond Fund Valuation Date.

Where an Additional Investment is made, the Bond Fund Value is proportioned between the different Investments. We show how the proportions are calculated in Condition 13.

## 5. The Delegated Management Charge

If Your Bond or part of Your Bond is managed by a DAM from the outset, any Delegated Management Charges will be shown in the Discretionary Asset Manager confirmation statement that We send You with Your Contract Schedule.

Where Your Bond is placed under a discretionary management arrangement after the Bond has started, the Delegated Management Charge will be shown in the Discretionary Asset Manager confirmation letter that We send You.

### 5.1 How long We apply the charges for

We apply the Delegated Management Charges for each Investment for as long as any part of the Investment is managed by a DAM. A proportional calculation of the charge will not be applied if the management by a DAM begins or ceases between Bond Fund Valuation Dates as mentioned in Part 7 Condition 5.3.

### 5.2 When We apply the charges

We apply the Delegated Management Charges with effect from the Bond Fund Valuation Dates. We take:

- the first Delegated Management Charge with an effective date of the first Bond Fund Valuation Date following:
  - the Investment Date or Additional Investment Date of that Investment, as appropriate, or
  - the date that a new DAM is appointed for the Bond.

- the final Delegated Management Charge with an effective date that:
  - the Bond is Fully Cashed In, or
  - the Maturity Benefit becomes payable, or
  - the Policyholder Agreement between You and the current DAM that You have nominated is cancelled, or
  - the Investment Management Agreement between Us and the current DAM We have appointed in relation to Your Bond is terminated for any reason, or
  - We receive a written instruction from You that the current DAM is no longer to act on Your behalf.

### 5.3 We will take a Delegated Management Charge with effect from each Bond Fund Valuation Date for as long as any part of Your Bond is under the management of a DAM.

The charge will normally be based on the yearly percentage, shown on Your Contract Schedule or Related Documents if Your Bond was wholly or partly under a discretionary management arrangement at outset, and, divided by four.

This charge is taken in addition to the Discretionary Asset Manager Annual Management Charge(s) and also in addition to any Fund Adviser Fees in the case of a Bond being only partly subject to a discretionary management arrangement.

There is no pro-rata calculation of this charge. A full charge for the first quarter or part thereof will be taken on the first Quarterly Valuation Date following the Investment Date for new or Additional Investments or the appointment of a DAM at a later date.

Similarly, there will be no pro-rata calculation of the Delegated Management Charge when:

- the Bond is Fully Cashed In, or
- the Maturity Benefit becomes payable, or
- the Policyholder Agreement between You and a DAM that You have nominated is cancelled, or
- the Investment Management Agreement between Us and a DAM We have appointed in relation to Your Bond is terminated for any reason, or
- We receive a written instruction from You that a DAM is no longer to act on Your behalf.

#### 5.4 What We apply the charges to

We apply the percentage charge, as described in 5.2 above, to the Bond Fund Value of the Assets that are managed by a DAM at the relevant Bond Fund Valuation Date. Where more than one DAM is managing Assets within Your Bond Fund, each DAM's Assets will be assessed and charge separately.

The Delegated Management Charge will be taken from across the whole Bond and not from any tranche of Investment in isolation where Additional Investments have been made.

Where Your Bond or part of Your Bond is under a discretionary management arrangement at outset, the rate of Delegated Management Charge will be shown in the Discretionary Asset Manager confirmation statement that We will send You with Your Contract Schedules

Where Your Bond or part of Your Bond is placed under a discretionary management arrangement after the Bond has started, the rate of Delegated Management Charge will be shown in the Discretionary Asset Manager confirmation letter that We will send You.

#### 6. Discretionary Asset Managers' Annual Management Charges

If Your Bond Fund is wholly or partly managed by a DAM that We have appointed, We will be charged for the provision of that asset management service. The level of this charge will be detailed in the Investment Management Agreement with each DAM.

Where more than one DAM is managing Your Bond Fund Assets, each DAM will charge Us separately and these charges may vary between DAMs.

We will take by Unit deduction a charge from Your Bond Fund of an equivalent amount to that charged to Us by a DAM. The charge will only be taken from that part of the Bond Fund managed by the DAM. Where more than one DAM is managing Assets within Your Bond Fund, each DAM's charge will be taken separately and only from the Assets relevant to that DAM. This charge will be made as soon as practicable after the DAM has levied a charge on Us.

Where Your Bond or part of Your Bond is under a discretionary management arrangement at outset, the rate of Annual Management Charge (AMC) that We expect the DAM(s) to charge Us will be as shown on Your Discretionary Asset Manager Nomination Form or an equivalent document.

Where Your Bond or part of Your Bond is placed under a discretionary management arrangement after the Bond has started, the rate We expect a DAM to charge Us will be as shown on Your Discretionary Asset Manager Nomination Form or an equivalent document.

Copies of Your Discretionary Asset Manager Nomination Forms are available on request from Our Administration Centre in Ireland.

A DAM has the right to vary the rate of Annual Management Charge by giving Us notice of the change as detailed in the Investment Management Agreement between Us and the DAM. The notice period given by a DAM advising of a change in Annual Management Charge rates will vary between DAMs.

#### 7. Capital Redemption Charges

The Capital Redemption Charges that apply to the Bond will be shown in Your Contract Schedule or Related Documents.

##### 7.1 How long We apply the charges for

We apply the Capital Redemption Charges for each Investment throughout the lifetime of the Bond.

##### 7.2 When We apply the charges

We apply the Capital Redemption Charges with effect from the Bond Fund Valuation Dates. For each Investment We take:

- the first Capital Redemption Charge with an effective date of the first Bond Fund Valuation Date following the Investment Date or Additional Investment Date of that Investment, as appropriate, and
- the final Capital Redemption Charge with an effective date of the date the Bond is Fully Cashed In.



The Capital Redemption Charge We take with effect from each Bond Fund Valuation Date will normally be based on the yearly percentage, shown on Your Contract Schedule or Related Documents, divided by four. However, a pro-rata calculation will apply for:

- › the first Capital Redemption Charge in respect of an Investment, based on the number of days the Bond is in force between the Investment Date or Additional Investment Date, as appropriate, and the first Bond Fund Valuation Date following that Investment (for example, if there are 90 days in the quarter and the Bond is in force for 40 days, the charge for the quarter will be 40/90ths of the standard quarterly percentage), and
- › the final Capital Redemption Charge in respect of an Investment, based on the number of days the Bond is in force between the last Bond Fund Valuation Date and the date the Bond is Fully Cashed In.

### 7.3 What We apply the charges to

We apply the percentage charge in respect of each Investment, as described in 7.2 above, to the Bond Fund Value in respect of each Investment at the relevant Bond Fund Valuation Date.

## 8. Administration Charges

If the Administration Charges apply to the Bond, they will be shown in Your Contract Schedule.

### 8.1 How long We apply the charges for

We apply the Administration Charges throughout the lifetime of the Bond.

### 8.2 When We apply the charges

We take an Administration Charge with effect from each Bond Fund Valuation Date. The initial level of each charge is as shown in the Contract Schedule. As explained in Our note in the Statement of Charges, the level of this charge may increase every year and will be as published by Us at the time.

A pro-rata calculation may apply:

- › for the first Administration Charge, based on the number of days the Bond is in force between the Investment Date and the first Bond Fund Valuation Date following the Initial Investment (for example, if there are 90 days in the quarter and the Bond is in force for 40 days, the charge for the quarter will be 40/90ths of the standard quarterly percentage), and
- › for the final Administration Charge, based on the number of days the Bond is in force between the last Bond Fund Valuation Date and the date the Bond is Fully Cashed In.

Where the level of Administration Charges change, We will take the first charge at the new level with an effective date of the first Bond Fund Valuation Date following the date that the Administration Charges are deemed to change.

### 8.3 What We apply the charges to

Where the Administration Charges apply to the Bond, the full amount of Administration Charge applicable with effect from a Bond Fund Valuation Date will be deducted from the Bond Fund Value in respect of the Bond Policies in force at the time that the charge is applied.

## 9. Renewal Charges

If the Renewal Charges apply to the Bond, they will be shown in Your Contract Schedule or Related Documents.

### 9.1 How long We apply the charges for

We apply the Renewal Charges for each Investment throughout the lifetime of the Bond.

### 9.2 When We apply the charges

We apply the Renewal Charges with effect from the Bond Fund Valuation Dates. For each Investment We take the first Renewal Charge with an effective date of the first Bond Fund Valuation Date following the Investment Date or Additional Investment Date of that Investment, as appropriate.



The Renewal Charge We take with effect from each Bond Fund Valuation Date will normally be based on the yearly percentage, shown on Your Contract Schedule or Related Documents, divided by four. However, a pro-rata calculation will apply for the first Renewal Charge in respect of an Investment, based on the number of days the Bond is in force between the Investment Date or Additional Investment Date, as appropriate, and the first Bond Fund Valuation Date following that Investment (for example, if there are 90 days in the quarter and the Bond is in force for 40 days, the charge for the quarter will be 40/90ths of the standard quarterly percentage).

We take the final Renewal Charge with an effective date of the last Bond Fund Valuation Date before the Bond is Fully Cash In or the Maturity Date, if the Bond is not Fully Cash In before then. This means that We do not take a proportional Renewal Charge if You Fully Cash In the bond.

### 9.3 What We apply the charges to

We apply the percentage charge in respect of each Investment, as described in 9.2 above, to an amount equal to the proportion of the Bond Fund Value in respect of that Investment at the relevant Bond Fund Valuation Date.

## 10. Early Cash In Charge

An Early Cash In Charge may apply if Your Contract Schedule, or Related Documents, shows that Your Bond satisfies **both** of the following criteria:

a) The Bond is under one of the following Charging Options:

- Establishment Charge Option, or
- Ongoing Charge Option – Establishment Version,

and

b) At least one of the Investments is within its 5 year Establishment Charge Period at the date that the Bond ends by way of being Fully Cash In.

Where the Early Cash In Charge applies to an Investment, We calculate the proportion of Establishment Charges that will not be paid as a result of the Bond ending. We multiply this proportion by:

- the yearly rate of Establishment Charge shown on the Contract Schedule or Related Document, as appropriate,
- five (this is the number of years in the Establishment Charge Period), and
- the amount of the Investment.

This gives the amount of Early Cash In Charge in respect of that Investment.

The total Early Cash In Charge for the Bond is the aggregate of Early Cash In Charges for each Investment to which the Early Cash In Charge applies.

### Example

A Bond is taken out for £100,000 on 2 February 2013 and is Fully Cash In on 2 September 2015. The yearly rate of Establishment Charge is 0.5%.

Number of days the Establishment Charge was applied while Bond in force	Number of days Establishment Charge could have been applied for	Proportion of Establishment Charges We will have applied by the Bond end date	Proportion of Establishment Charges that We have not been able to apply
944	1826*	$944/1826 \times 100 = 51.69770\%$	$100\% - 51.69770\% = 48.3023\%$

$$48.3023\% \times 0.5\% \times 5 = 1.2075575\%$$

$$1.2075575\% \times £100,000 = £1,207.55 \text{ (Early Cash In Charge)}$$

\* this figure takes into account an additional leap year day (in 2008)

## 11. Negative Balance Charges

If the Deposit Account has no funds or insufficient funds at the time a deduction is made in respect of charges, External Expenses and Regular Withdrawals, as described in Condition 2.5 of Part 4, a Negative Balance Charge results. We will apply a Negative Balance Charge daily on the Negative Balance and any accumulated Negative Balance Charges using the basis shown in the Statement of Charges, as amended from time to time.

## 12. Telegraphic Transfer Charge

If You cash in part or all of Your Bond and ask Us to pay the proceeds by telegraphic transfer, We will make a Telegraphic Transfer Charge of an amount shown on the Statement of Charges (as amended from time to time).

If You are Fully Cashing In one of more of Your Bond Policies, We will take this Telegraphic Transfer Charge by deducting it from the Bond Fund.

If You are taking Regular Withdrawals from the Bond Policies, We will deduct each Withdrawal amount from the Bond Fund plus an amount equal to the Telegraphic Transfer Charge.

If You are taking a One-off Withdrawal You can ask Us to either:

- (a) deduct an amount from the Bond Fund equal to the Withdrawal You ask for, plus the Telegraphic Transfer Charge, or
- (b) deduct the Telegraphic Transfer Charge from the Withdrawal You ask for before We pay it to You (this will reduce the amount You receive for the One-off Withdrawal)

## 13. Establishment Charges and Ongoing Portfolio Charges

For the purposes of the above charges We have to calculate the proportion of the Bond Fund Value in respect of an Additional Investment, any previous Additional Investments and the Initial Investment, as applicable.

We add the amount of the latest Additional Investment to the Bond Fund Value at the relevant Additional Investment Date. We then calculate what proportion of this total the latest Additional Investment represents.

### Example

	Investment Number	
Initial Investment	1	£100,000
Additional Investment	2	£150,000
Bond Fund Value at the Additional Investment Date ( <i>before the Additional Investment is applied</i> )		£110,000

$$\begin{aligned}\text{Proportion of Bond Fund Value for Investment No.2 is} \\ \text{£150,000}/(\text{£150,000} + \text{£110,000}) &= 57.6923\% \\ \text{Proportion of Bond Fund Value for Investment No.1 is } 100\% - 57.6923\% &= 42.3077\% \\ \text{Total} &= 100\%\end{aligned}$$

If a further Additional Investment is made the same method of calculation as above is made for the latest Additional Investment. The proportion already calculated for the previous Investments is then applied to the remainder of the Bond Fund Value.

### Example

	Investment Number	
Initial Investment	1	£100,000
Additional Investment	2	£150,000
Additional Investment	3	£200,000
Bond Fund Value at the latest Additional Investment Date ( <i>before the Additional Investment is applied</i> )		£280,000

$$\begin{aligned}\text{Proportion of Bond Fund Value for Investment No.3 is} \\ \text{£200,000}/(\text{£200,000} + \text{£280,000}) &= 41.6667\% \\ \text{Proportion of Bond Fund Value for Investment No.2 is} \\ 57.6923\% \times (100\% - 41.6667\%) &= 33.6538\% \\ \text{Proportion of Bond Fund Value for Investment No.1 is} \\ 42.3077\% \times (100\% - 41.6667\%) &= 24.6795\% \\ \text{Total} &= 100\%\end{aligned}$$





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