



ReAssure

ReAssure Limited

Guardian Assurance With-Profits Fund

Consumer-Friendly Principles and Practices of Financial Management

31 December 2016

**This guide is for you if you have a
Unitised With-Profits policy with ReAssure Limited
(which was formerly with Guardian Assurance Limited)
or Countrywide Assured.**

CONTENTS

- 1 What is this guide for?
- 2 Background to the Guardian Assurance With-Profits Fund
- 3 What does my policy pay out?
- 4 Where do profits and losses come from?
- 5 What bonuses might I get?
- 6 How are annual bonuses set?
- 7 What affects terminal bonus?
- 8 How are terminal bonus rates set?
- 9 What if I cash-in or transfer my policy?
- 10 What if I defer taking the savings from my pension plan until after the retirement date I originally chose?
- 11 What is your investment strategy for the Guardian Assurance With-Profits Fund?
- 12 What is the estate and how do you manage it?
- 13 What are the ongoing risks to my investment in this fund?
- 14 What discretion does the company have?
- 15 Other relevant issues

Glossary



1 What is this guide for?

In this guide we explain how we manage the money invested in the Guardian Assurance With-Profits Fund (GAWPF) and what it means for you. We'll explain any investment terms as we go through this guide, but there's also a glossary of terms at the end for easy reference.

If you require financial advice when you've read this guide, then you should contact your financial adviser.

Please note we can't give you any financial advice, but if you would like more information about your policy or how we run the GAWPF, please contact us:-

ReAssure
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Lytham St Annes
Lancashire
FY8 4JZ

Tel: Freephone 0800 980 6595
or +44 1253 708 710 (overseas)

We have separate guides for other types of policy, available on request:

- Traditional with-profits pension policies
- With-profits life assurances
- With-profits group pension contracts

In addition, we have a more detailed guide to our with-profits management strategy called 'Principles and Practices of Financial Management of With-Profits Business' (PPFM). We also produce a yearly report on our with-profits business confirming whether we've complied with the PPFM during the year. If you would like any of these documents, please ask us or download them from our website www.reassure.co.uk

The Fairness Committee reviews and challenges the with-profits management on a quarterly basis and ensures an element of impartial judgement in the ongoing assessment of our compliance with the PPFM.



2 Background to the Guardian Assurance With-Profits Fund

ReAssure Limited is a life insurance company wholly-owned by Swiss Re. In January 2016 Swiss Re bought the Guardian group of companies and Guardian Assurance Limited was renamed ReAssure Life Limited in June 2016.

Premiums paid by with-profits policyholders are paid into the GAWPF. The profits arising in this fund are shared between our with-profits policyholders and our shareholder, Swiss Re Life Capital Limited. The with-profits policyholders receive 90% of the profits and the shareholder receives 10%.

In 1998 the with-profits fund was closed to new business. The estate (that's the excess of the fund's assets over its liabilities) is being distributed gradually to with-profits policyholders by paying higher bonuses than would otherwise have been the case. Only with-profits policies that were in-force when we announced that the fund was closing will benefit from the distribution of the estate.

In 2012 the GAWPF was restructured and most of the guaranteed annuity business was transferred into a new non-profit fund. The impact of this on our with-profits policyholders will be a faster and more equitable distribution of the estate. Current final bonus rates for most policies are higher than they would have been had the 2012 restructure not taken place, and no policyholder has been adversely affected by the restructure.

On 31 December 2016 the assets and liabilities of ReAssure Life Limited were transferred to ReAssure under the terms of the High Court approved Scheme in accordance with Part VII of the Financial Services and Markets Act 2000. The GAWPF is now a ring-fenced fund in ReAssure which means that it is managed and accounted for separately from all other funds of ReAssure.



3 What does my policy pay out?

Please note, the purpose of this document is to explain how we determine the value of your unitised with-profits units, rather than describe the options available to you with your policy.

A unitised with-profits policy pays out:

- A minimum guaranteed with-profits unit value. This is the value of the with-profits units attaching to the policy. The unitised with-profits unit price will never decrease.
- A share in the profits and losses of the GAWPF by means of bonuses.

The unitised with-profits fund has two types of units – ‘Long-Term’ units and ‘Short-Term’ units. The type of units attaching to your policy will depend on the term of your policy. Long-Term units and Short-Term units have different unit prices and bonus rates. Most policies have Long-Term units. The short-term fund invests significantly less in shares than the long-term fund. This means that different annual and terminal bonus rates apply based on the performance of the underlying investments.

Please note that your policy may also have units invested in other funds such as the Managed fund, but these units do not have a minimum guaranteed value.

4 Where do profits and losses come from?

The main source of profits and losses are the GAWPF's investments. Minor profits also come from non-profit policies.

As you pay into your policy, we put your payments together with those of the other with-profits policyholders.

- This ‘pooling’ of money generally means that on your behalf we can invest in a wider spread of assets than if you’d invested on your own. This can help to spread the risk and the costs.

We invest your money in a mixture of company shares (equities), fixed interest securities (for example loans to the Government or to large corporations) and cash deposits.

We aim:

- To earn dividend income and an increase in value from the equities.

- To earn interest on the fixed interest securities and cash deposits.

The return on these investments is put back into the fund and is then shared by with-profits policyholders and the shareholder (See Section 2 - "Background to the Guardian Assurance With-Profits Fund").

5 What bonuses might I get?

We add your share of the profits through two main types of bonus:

Annual bonus (also known as regular bonus or reversionary bonus):

- We add it each day by increasing the with-profits unit price.
- It increases the minimum guaranteed unit value of your policy.

Terminal bonus

- We may pay a terminal bonus when the life assured dies or when the policy reaches its end date.
- Terminal bonus is not guaranteed and it is possible that no terminal bonus will be payable.

Terminal bonus on early cash-in or transfer

- We may also pay some terminal bonus if you cash-in your policy early. You may know this as 'surrendering' your policy.
- If you cash-in or transfer your policy, the amount you will get is not guaranteed. In normal circumstances, the amount you receive will not however be less than the current value of the with-profits units attaching to the policy.
- If you have a pension policy you can't normally take your pension savings until age 55. It is however possible to transfer your pension savings to another provider at any time.

Final bonus

We also may pay another type of terminal bonus called final bonus for policies that were investing regular premiums into the GAWPF when it was closed to new business in 1998.

6 How are annual bonuses set?

We have set our annual bonus rates at 1.50% for Pension Policies Long-Term units (1.25% for Short-Term units) and 1.25% for Life Policies Long-Term units (1.00% for Short-Term units) and they will remain at these levels in the future, except in extreme or exceptional circumstances. Our investment strategy is consistent with our intention to maintain the annual bonus rates at these levels.

If future investment returns were significantly better than expected, we would increase terminal bonus rates rather than the annual bonus rates.

We send you a yearly statement to confirm the current with-profits unit value of your policy.

7 What affects terminal bonus?

Various factors affect how much terminal bonus we may pay. These include:

- **Taxation.** The investment returns on life assurance policies are subject to tax which reduces the amount available for bonuses.
- **The guarantees offered on your policy.** Terminal bonus is determined as your fair share of the with-profits fund on top of the guaranteed unit value (See Section 8 - "How do you calculate terminal bonuses?"). It is possible that no terminal bonus will be payable.
- **The smoothing of investment returns.** We do not alter the rates of terminal bonuses for normal day-to-day fluctuations in investment markets (for example, share prices going up and down). However, we may alter the rates in response to significant market movements such as investment value movements greater than 5% compared to when terminal bonus rates were previously set.
- **Estate distribution.** Any enhancements resulting from the gradual distribution of the estate (See Section 12 - "What is the estate and how do you manage it?").
- **The performance of the investments.** This is the biggest factor affecting how much you might get (See Section 11 - "What is your investment strategy for the GAWPF?").

8 How are terminal bonus rates set?

Terminal bonus rates are set for the with-profits units purchased in each past year. For example, for a policy taken out in 1995 different terminal bonus rates will apply to the units purchased in 1995, 1996, and all years up to the year of claim. The terminal bonus rates for your policy will normally be the rates we determine for the group of policies with units purchased in the same calendar years as yours.

We use the “asset share” for a group of policies as the basis for that group’s terminal bonus, cash-in, or transfer values.

- The asset share is a calculation of the policies’ accumulated income including investment return less outgoings.

The outgoings could potentially include deductions for the cost of guarantees provided. However, currently we do not make these deductions because they are met by the estate.

When we set terminal bonus rates we look at the relationship between asset shares and the guaranteed unit value.

- If the asset share for the group of policies is more than the guaranteed unit value, then terminal bonus will be payable.

The amount of terminal bonus will be set so that the maturity value broadly equals the asset share.

- However, if the guaranteed unit value is more than the asset share then no terminal bonus will be payable.

We usually review terminal bonus rates every month.

- We will change them if the asset shares for groups of policies are less than 95% of the maturity values or more than 105%.
- We don’t give advance notice when we change terminal bonus rates.
- The rate may be zero for certain calendar years.

9 What if I cash-in or transfer my policy?

Similar to the calculation for terminal bonus rates, we use the asset share for the group of policies similar in age and type to yours as described in the section above.

If the asset share for the group of policies is more than the guaranteed unit value, then we increase the cash-in or transfer value. The amount of the increase will be set so that the value equals the asset share. In exceptional circumstances, for example a significant rise in interest rates or a significant fall in

stock markets, the total amount you receive may be less than the current value of the with-profits units attaching to the policy.

If you are thinking of cashing-in or transferring your policy we strongly recommend you take appropriate independent financial advice before making a decision. If you do not have a financial adviser and you are resident in the United Kingdom, you can find one in your area from the website www.unbiased.co.uk or by calling 0800 023 6868. If any factual information would be helpful please contact us at the address given in Section 1 - "What is this guide for?"

If you have a pension policy you can't normally take your pension savings until age 55. It is however possible to transfer your pension savings to another provider at any time.

10 What if I defer taking the savings from my pension plan until after the retirement date I originally chose?

We'll automatically switch the value of any Long-Term units, plus any bonus applicable, into Short-Term units. Any further contributions will also buy Short-Term units. You will have the option to remain invested

in the Long-Term units after your original retirement date. Please contact us at the address in Section 1 for further details.

The short-term fund invests significantly less in shares than the long-term fund. This means that different annual and terminal bonus rates apply based on the performance of the underlying investments.

The bonus rates for Short-Term units have historically been generally lower than those applying to Long-Term units although there is no guarantee that this will always be the case as they are dependent upon investment returns achieved.

11 What is your investment strategy for the GAWPF?

We invest the GAWPF fund in a mixture of company shares (equities), fixed interest securities (for example loans to the Government or to large corporations) and cash deposits.

We choose fixed interest securities and cash deposits to provide the fund with sufficient money at the right time to match the guaranteed benefits of the policies as they fall due.

- We use the same approach for other business within the fund, such as pensions in payment.

- This approach of matching known commitments with fixed interest securities and cash deposits aims to protect the fund from strains arising from interest rate movements.

However, the fund is not protected against significant levels of defaults on corporate bond holdings. By defaults we mean large corporations failing to repay their loans.

The benefits which are not guaranteed, such as terminal bonus, are backed by equity investments.

- The proportion of assets invested in equities is known as the equity backing ratio.
- The equity backing ratio for with-profits policies varies by policy type and also by duration within each policy type reflecting the investment strategy.
- For our unitised with-profits life assurances, the current ratios are between 25% and 65%. For our unitised with-profits pensions, the current ratios are between 40% and 75%.
- These ratios vary from time to time.
- A table of the equity backing ratio is available on our website at www.reassure.co.uk and is updated every 3 months.

If we make any significant changes to the asset mix, we will write to you to let you know.

12 What is the estate and how do you manage it?

The estate is the excess of the GAWPF's assets over its liabilities. By liabilities we mean an estimate of the amount needed to pay all the claims on policies as they become due.

The estate exists to cover the risk of any unforeseen decrease in the value of the fund's investments or increase in the amounts it needs to pay out to policyholders.

The estate is also used to meet:

- the cost of guarantees, e.g. the cost of future pensions. The cost of guarantees also includes meeting the excess when more than the asset share is paid out,
- the cost of smoothing of investment returns, and
- any policyholder compensation due in connection with the way we have marketed or sold the policies.

The cost of the above has been estimated and allowed for in determining the size of the estate. If the costs are greater, or other unforeseen costs emerge, then the estate will be smaller.

When we pay the shareholders their share of the profits arising in the fund some additional tax has to be paid, and this is met by the estate.

If there are no unforeseen circumstances then we intend over time to distribute the estate fairly to customers who have with-profits policies. The distribution of the estate is achieved through enhancements to asset shares which improves terminal bonuses and cash-in or transfer values.

The estate distribution made in 2015 was equivalent to an additional return of 3% on asset shares, which increased final bonus rates.

13 What are the ongoing risks to my investment in this fund?

We have set our annual bonus rates at 1.50% for pension policies (1.25% for short-term units) and 1.25% for life policies (1.00% for short-term units) and they will remain at these levels in the future,

except in extreme or exceptional circumstances.

The level of terminal bonus payable will primarily depend on the investment return achieved on equity investments over the term of your contract. Hence if equity returns are “poor” then terminal bonus rates will be lower than they would otherwise have been.

The level of terminal bonus will also potentially be impacted by levels of defaults on our corporate bond holdings. If defaults are significantly greater than expected then terminal bonus rates will be lower than they would otherwise have been. By defaults we mean large corporations failing to repay their loans.

The level of terminal bonus will also depend on future distributions from the estate. The factors influencing the size of the estate, and hence the level of distributions from the estate, are described above in Section 12 – “What is the estate and how do you manage it?”.

14 What discretion does the company have?

The directors of ReAssure Limited have discretion over the key aspects of the operation of all with-profits

policies, in particular the investment policy, bonuses and early surrender adjustments. However, the Principles and Practices of Financial Management of With-Profits Business (PPFM) for the GAWPF tell you how the directors expect to exercise this discretion. If this expectation changes and we change the PPFM, we'll let you know.

15 Other relevant issues

There are a number of additional issues that are relevant to the operation of the GAWPF:

- The fund pays the shareholder an agreed annual fee based on the number of policies in-force. The shareholder administers the policies in return for the fee.
- The fund also pays the investment managers an agreed annual fee based on the value of investments. The investment managers manage the investments in return for the fee. From 2013 the equity investment objective is to closely track the performance of an index that represents the 350 largest companies on the London Stock Exchange.

- The equity investment management fee was reduced accordingly to the benefit of policyholders.
- GAWPF does not sell new with-profits policies but is legally obliged to accept additional payments from current policyholders and options on certain life and pension policies.
- Once the value of the assets in the GAWPF falls below a stated level then management actions can be considered to merge the GAWPF with another with-profits fund and also to consider potential conversion to non-profits status. These actions would be subject to approval of the Fairness Committee, Board of Directors, Regulators and an Independent Expert appointed to review the exercise to ensure with-profits policyholders are treated fairly.



Glossary of Terms

Annual bonus:

Also known as regular bonus or reversionary bonus. When an annual bonus is added to your policy by way of an increase in unit price, it's guaranteed to be paid in full provided you pay all the premiums due and keep the policy for the full term.

Asset share:

This is a calculation we use when setting terminal bonus rates and cash-in or transfer values for with-profits policies. It is done for each policy and is the accumulated income, including premiums, investment returns and distributions from the estate, less outgoings, including annual management charges and taxation.

Estate:

The estate is the amount by which the fund's investments are more than the amount we believe it will need to pay out to all the policies as they become due. It exists to cover the risk of any unforeseen decrease in the value of the fund's investments or increase in the amounts it needs to pay out to policyholders.

Terminal bonus:

We may pay a terminal bonus when the policyholder dies or when the policy reaches its end date. Terminal bonus is not guaranteed and it is possible that no terminal bonus will be payable.

Shareholder:

Swiss Re Life Capital Limited – established in 2016, to manage all closed and open life and health insurance books, including the existing Admin Re[®] business. Part of the global Swiss Re group.

ReAssure Limited - Registered Office: Windsor House, Telford Centre, Telford, Shropshire, TF3 4NB. Registered in England No 754167.
ReAssure Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and
the Prudential Regulation Authority. Firm reference number 110495. Member of the Association of British Insurers.

Uwp CFPPFM-31 December 2016