

# Core Policy Conditions



**These Conditions apply to the Investment Bond, Advantage Investment Plan and Individual Savings Account (ISA)**

## 1. The Plan

- 1.1 The Plan comprises a number of separate policies of insurance on identical terms as shown by the numbers on the Policy Schedule.
- 1.2 The terms of the Plan and each Policy are set out in these Policy Conditions and the Policy Schedule. Unless otherwise stated, these Policy Conditions apply equally to each individual Policy comprised in the Plan.
- 1.3 The Plan and the Policies are issued on the basis that the details given in the Application Form, or otherwise provided in writing as part of the application process by (or on behalf of) the Policyholder(s) and/or the Life (Lives) Assured, are true to the best of their knowledge and belief, and shall form the basis of the contract between the Policyholder(s) and the Company.
- 1.4 These Policy Conditions may be supplemented by Specific Policy Conditions and/or by Asset Rules, as published by the Company from time to time. These set out additional terms applicable to particular types of Policy comprised in the Plan and types of assets in which each Policy may invest.

## 2. Term and Duration

- 2.1 The Plan and each Policy comprised in it will begin on the Commencement Date shown on the Policy Schedule.
- 2.2 The Plan shall remain in force until the first of:
  - all the Policies are surrendered
  - the last of the Lives Assured dies and the Death Benefit is paid
  - the Maturity Date of the Plan, if one has been specified, is reached
  - the value of the Plan reaches zero.

## 3. Investments

- 3.1 The Initial Investment is payable at the commencement of the Plan to secure the benefits described within these Policy Conditions and must be paid on or before the Commencement Date.
- 3.2 The Initial Investment will be divided and applied in equal amounts to each individual Policy shown in the Policy Schedule.
- 3.3 Additional and Regular Investments will be divided and applied to the remaining policies at the time of investment.
- 3.4 The Company may offer to accept an Additional Investment on different terms to those applied to the Initial Investment or previous Additional Investments, or it may refuse to accept an Additional Investment.

## 4. The Personal Fund

- 4.1 On the Commencement Date the Company will set up a separate internal sub-fund of the long term business fund of the Company (the "Personal Fund") by reference to which the benefits payable under the Policies will be determined.
- 4.2 The Personal Fund may be invested in one or more of the assets permitted by the Company for that purpose. These assets may include unit allocations of other internal sub-funds of the Company.
- 4.3 For the purposes of these Policy Conditions and associated documents:
  - the Personal Fund is notionally divided into parts of equal value, with each Policy notionally owning one part
  - the total value of the Personal Fund is determined by the Company in accordance with this Condition 4
  - the value of the benefits secured by a Policy is determined by reference to the value of the part of the Personal Fund allocated to that Policy.
- 4.4 Details of the assets that can be held in the Personal Fund, and the charges and conditions that apply to each type of asset (the "Asset Rules"), can be obtained from the Company at its Principal Office. The Company may alter, amend or add to the Asset Rules at any time in accordance with their terms, subject to giving reasonable notice to affected policyholders where the change is, or may be, adverse to the interests of policyholders.

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- 4.5 The Company reserves the right at any time to permit the Personal Fund to invest in additional assets or types of asset or to cease permitting investment in a particular asset or type of asset. If the Company decides that it will no longer permit investment in an asset or type of asset it will give notice in writing to the affected policyholders and propose a timetable and basis on which to realise affected assets and reinvest them in alternative assets. If the Company does not receive other satisfactory instructions from the Policyholder(s) to change the asset holdings within the timescales detailed in such notification it will carry out the proposed actions.
- 4.6 The assets to be held in the Personal Fund may be subject to minimum requirements for holdings and transactions as specified by the Company. If the value of an asset held on any particular Valuation Date is less than the Company's minimum requirement at that time, the Company may give notice to the Policyholder(s) that the asset holding should be switched. If no instructions are received by the expiration of the notice the asset will automatically be switched to the asset specified in the notice on the Valuation Date immediately following expiry of the notice.
- 4.7 The Personal Fund and each benefit due under the Policies will be valued periodically by the Company, using methods determined and published by the Company. Valuation Dates will vary by asset. The value determined by the Company is effective from and including the relevant Valuation Date until but excluding the next following Valuation Date.
- 4.8 If an asset cannot be valued on any particular Valuation Date the Company will not be able to place a value on the Personal Fund. While this remains the case, the Company will not be able to conduct any transaction that requires a value to be placed on the particular asset and reserves the right not to conduct any transactions that require a valuation to be placed on the Personal Fund.
5. Amount Allocated
- 5.1 The amount of the Initial, Additional or Regular Investment which is invested in the Personal Fund after the deduction of any charges, and after any agreed enhancement, is known as the Amount Allocated.
- 5.2 The Amount Allocated is applied to the Personal Fund and used to acquire assets for that fund.
- 5.3 The date of allocation to the Personal Fund in respect of each investment will follow the Company's published timescales which may vary for each asset selected. The Company may choose to invest the Amount Allocated in an alternative asset inside the Personal Fund from which the assets selected by the Policyholder(s) may be acquired, but only if the Company considers this to be beneficial to the Policyholder(s).
- 5.4 The allocation and the investment of the Personal Fund into assets chosen by the Policyholder(s) is made solely for the purposes of calculating the benefits secured by the Policies and the Policyholder(s) has/have no legal or beneficial interest in the Personal Fund or its underlying investments.
6. Charges and Deductions
- 6.1 The Company may from time to time deduct from the Personal Fund amounts it deems appropriate for liabilities and potential liabilities of that fund including, but not limited to, investment costs, management, administration, sales expense (including commission payments), taxes, levies, duties and any costs or losses or adjustments associated with the early encashment of assets and additional services relevant to the Fund. The charging methods and levels that apply for any asset will be published by the Company from time to time.
- 6.2 The Company reserves the right to change the amount of these charges at any time by such reasonable amount it deems appropriate, subject in each case to giving not less than three months' prior written notice to each Policyholder with units allocated in the affected Fund(s).

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## Asset Charge

- 6.3 There is an Asset Charge applicable to certain types of asset which is calculated by reference to the value of that asset held in the Personal Fund and will be deducted from the Select Account as detailed in Section 7. Where this is the case these assets are called Explicitly Charged Assets.
- 6.4 The amount of the Asset Charge is calculated daily by the Company and calculated and deducted periodically from the Select Account.
- 6.5 If a Policy is surrendered or terminated any unpaid Asset Charges applicable to that Policy will be paid to the Company prior to any payment of the proceeds of that Policy being surrendered or terminated.
- 6.6 For all other assets not covered by 6.3 there is a charge related to the assets and this will be taken into account when the Company calculates the value of the benefit linked to each asset. These assets are called Implicitly Charged Assets.

## Tax Charge

- 6.7 If applicable, the Company will reflect any relevant tax charges when valuing the assets held in the Personal Fund.

## Fund Manager Charges

- 6.8 Any charges associated with parties other than the Company, such as external fund manager charges, and the costs of buying and selling of assets, will be reflected directly when calculating the benefits derived from a particular asset.
- 6.9 If appropriate the Company may make a charge associated with the management of certain assets, in which case the charge will be reflected directly when calculating the benefits derived from that particular asset.

## Adviser Charges

- 6.10 The Company may deduct Adviser Charges in the following manner:
- an Initial Adviser Remuneration may be deducted from the Initial Investment and be directly reflected in the Amount Allocated to the Policy
  - Ongoing Adviser Remuneration will form a separate charge for Explicitly Charged Assets, in which case it will be deducted in the same way as the Asset Charge and 6.4 and 6.5 will apply similarly to Ongoing Adviser Remuneration, or be reflected directly when calculating the benefits derived from Implicitly Charged Assets

- an Adviser Review Remuneration may be deducted from the Personal Fund by cancelling benefits of equal value in designated assets as specified by the Policyholder and agreed by the Company.

## Supplementary Life Cover Charge

- 6.11 The Company may grant Supplementary Life Cover, for which there is a charge, which will pay an amount in excess of the value of the Policy at the time of notification of death. This will either be granted automatically or the Company may agree to accept a request to provide Supplementary Life Cover. The cost and terms and conditions of the Supplementary Life Cover will be published by the Company. Any such Supplementary Life Cover will increase the amount of Death Benefit to be paid. The cost of any such Supplementary Life Cover will be met by cancelling units in the Select Account as detailed in Section 7.

## 7. Select Account

- 7.1 The Select Account is a fund within the range of funds available to the Policyholder(s).
- 7.2 Charges will be met by cancellation of units within the Select Account. If any Explicitly Charged Assets are held in the Personal Fund the Company will require the Policyholder(s) to allocate an amount prescribed by the Company to the Select Account. The level of the amount allocated in this way will be reviewed by the Company periodically and where above or below the published levels it will be adjusted by cancelling or adding sufficient units to the Select Account with an equal and opposite transaction in another designated asset as specified by the Policyholder(s) and agreed by the Company.
- 7.3 Where the Policyholder does not select a Fund from which to cancel or add Units to the Select Account, then the Company shall select the largest Fund holding within the Policy.

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## 8. Death Benefit

8.1 In the event of the death of the Life Assured, or the death of the last surviving Life Assured in the case of joint life Policies, the Death Benefit payable will be that shown on the Policy Schedule.

8.2 Payment of the Death Benefit will only be made by the Company upon delivery to its Principal Office of the Policy Schedule together with proof that is satisfactory to the Company of:

- The death of the Life (Lives) Assured
- The age of the Life (Lives) Assured
- The title of the claimant
- Any other documents or information that the Company may reasonably require.

Any costs incurred in meeting these conditions shall be borne by the Policyholder(s) or the claimant.

8.3 The payment of the Death Benefit will result in the termination of the Plan, including all Policies and all of their benefits.

## 9. Withdrawals

9.1 The Policyholder(s) may at any time request that the Company dispose of some of the assets held within the Personal Fund in order to provide for the withdrawal of a single sum at any time. In this event the Company will dispose of assets nominated in the request in accordance with its published timescales and the amount withdrawn less any applicable charges, will be paid to the Policyholder once the proceeds from the disposal of the assets has been received. The value of the Personal Fund will be reduced by the amounts paid to the Policyholder(s) and the amount of any applicable charges.

9.2 Where the request requires more than one asset to be disposed of and the proceeds from the disposals are not all received on the same day, the Company will normally make the withdrawal payment to the Policyholder(s) when all the proceeds have been received. However the Company, at its discretion, may pay part of the total withdrawal prior to receipt of the total proceeds of the disposals.

9.3 The Policyholder(s) may request a withdrawal at any time, by written application to the Company at its Principal Office in a form that it specifies, subject to the following conditions:

- Any amount withdrawn must equal or exceed the minimum withdrawal amount as specified by the Company from time to time and published in its literature.

- The amount remaining allocated to benefits after a withdrawal must equal or exceed the minimum amount remaining as specified by the Company from time to time and published in its literature.
- Regular withdrawals may be requested by the Policyholder(s) (in the Application Form or subsequently) to provide withdrawals on regular payment dates.
- The amount withdrawn will be calculated so that benefits allocated to the Policy to the value of the amount of the withdrawal will be cancelled in respect of each withdrawal and subject to any withdrawal charges, if applicable.
- The timescale for the disposal of assets will be published by the Company and may vary between different assets allocated to the Personal Fund.
- A withdrawal resulting in the total cancellation of all benefits allocated to all Policies shall result in the termination of the Plan.
- If a withdrawal results in the remaining value of the Plan being less than the Company's minimum, the Company may cancel the Plan as a whole, including all Policies and all benefits under them.
- The Company reserves the right to defer a request to withdraw where in the reasonable opinion of the Company such a withdrawal would be detrimental to other policyholders of the Company.

9.4 Where the Policyholder(s) requests to withdraw a specific amount by cancelling one or more Policies in the Plan, any excess value of the Policies cancelled over the amount required to be withdrawn will be applied as an Additional Investment to the remaining Policies and for this purpose any condition with regard to the minimum amount to be contributed as an Additional Investment will be waived.

9.5 The Company will not transact a withdrawal if it is unable to sell any of the assets relevant to that withdrawal.

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## 10. Changes to Investments (Switches)

10.1 For the purposes of the Policy Conditions the term 'switch' refers to cancelling some or all of the benefits allocated to the Policy and allocating different benefits to the same value.

10.2 The Policyholder(s) may upon written application to the Company at its Principal Office in the form that it specifies for that purpose, request that the Company switches some or all of the benefits allocated to the Policy between any of the funds that the Company makes available for this purpose, subject to the following conditions:

- Benefits to the value of the amount to be switched between assets will be cancelled in the asset(s) from which the switch is to be made.
- Benefits to the same value less any charge levied will be allocated to the asset(s) into which the switch is being made.
- Before allocating the amount to be applied to the assets required to be switched into, the Company may deduct a charge to be specified from time to time and published in its literature.
- The assets from which a switch is made may have a different charging structure from the assets to which the switch is made.
- Switches are subject to a minimum amount (as set out in the Company's literature from time to time) remaining allocated in any assets in which the benefits remain allocated.
- In effecting a switch, benefits will be cancelled proportionately from all Policies in force at the effective date of the switch.
- The timescale for the disposal of assets and purchase of new assets within the Personal Fund will be published by the Company and may vary between different assets allocated to the Personal Fund.
- The Company reserves the right to charge for, defer or decline a request to switch where in the reasonable opinion of the Company the level of switching by the Policyholder(s) is outside the published guidelines on switching or otherwise excessive or the relevant transaction would be detrimental to other policyholders of the Company.

## 11. Legislation

11.1 This Plan and each Policy shall be governed by and interpreted in accordance with English Law.

11.2 Should jurisdictions other than that of England attempt to assert any right over the Plan, the Plan may be terminated at the discretion of the Company.

11.3 Where the Company has the right to vary, alter or amend any provisions, it will only do so after giving affected, or potentially affected, policyholders, at least thirty days notice and then only for any of the following reasons:

- where the Company considers it will make the provisions easier to understand or fairer to the Policyholder(s)
- to allow the Company to administer the Policy more effectively or at less cost
- to reflect any changes in the cost of continuing to administer the Policy
- to reflect market conditions or insurance practice
- because of changes in the way the Company administers its Policies
- to take account of a decision by a court, ombudsman, regulator or similar body
- because of changes to the law, codes of practice or the way in which the Company is regulated
- to reflect any changes to the Company's tax position
- because of changes in technology.

## 12. Endorsements

12.1 Where any change is made to the terms of the Plan in accordance with any of these Policy Conditions the Company will note the change in its records but will not necessarily issue an endorsement unless the Company considers it appropriate to do so.

## 13. Assignments and Notices

13.1 All Notices of Assignment affecting the Plan or any Policy must be given in writing to the Company at its Principal Office and require the express agreement of the Company.

13.2 Any notice posted to the Policyholder(s) at their last recorded address held by the Company will be deemed to have been received 48 hours after posting.

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## 14. Residence

14.1 In accordance with US Federal Income Tax regulations, it is a condition of availability of the Plan (referred to in this section as the "US Person Condition") that none of the following persons:

- the Policyholder(s), any Life Assured, and any other beneficiary of or party to the Plan
- may be or become a US Person while the Plan remains in force. For this purpose a US Person means a citizen or resident of the US, a US partnership or corporation or any trust which is controlled by one or more US Persons and is subject to the supervision of a US court.

14.2 In the Application Form, the Policyholder(s) confirms that the US Person Condition is satisfied at the time of application for the Plan. If the US Person Condition ceases to be satisfied at any time when the Plan is in force, then the Policyholder(s) (or the Policyholder's successor in title) is required to inform the Company in writing at its Principal Office accordingly without delay.

14.3 If the US Person Condition is not satisfied for any reason, the Company may:

- cancel the Plan and all Policies under it by notice in writing to the Policyholder(s); and/or
- deduct an appropriate amount from the Personal Fund if the Plan is subject to, or is likely to become subject to, any tax or other levy or penalty of any kind as a result of the Plan failing to satisfy the US Person Condition.

14.4 This Plan is only available in the United Kingdom. It is not transferable to or available in any other country in which the Company transacts business, except with the express agreement of the Company.

## 15. Claims, Currency and Payments

15.1 The Company reserves the right to withhold payment of any sort relating to the Plan unless and until it has received all information and documentation that it reasonably requires in order to be satisfied that the claimant is the person entitled to receive benefits payable under the Policies and that all relevant requirements under the Plan and the Policies have been complied with.

15.2 The Policyholder(s) must take reasonable care to ensure that all material information given in the Application Form, or otherwise provided in writing as part of the application process by (or on

behalf of) the Policyholder(s) and/or the Life (Lives) Assured, is correct at the time when it is provided to the Company. Failure to do so may result in a reduction in the benefits payable under each Policy and/or cancellation of the Policies.

15.3 Current information concerning the terms and conditions of the Plan and other relevant requirements of the Company is available to the Policyholder(s) on request at any time.

15.4 All payments and benefits under or in connection with the Plan will be denominated in Sterling unless the Company agrees otherwise.

## 16. Separate Account Protection

16.1 The Company may reinsure this Policy with another Alico Company that operates a separate account for its UK business. In order to gain the full benefit of US legislation protecting the separate account, the following clause applies to the Policy: "the portion of the assets of the separate account equal to the reserves and other contractual liabilities for the separate account is not chargeable with the liabilities arising out of any other business of the Company".

## 17. Definitions and Interpretations

17.1 For the purpose of these Policy Conditions and any other associated documents, the following definitions may apply:

### **Additional Investment**

A payment into the Plan after the Initial Investment.

### **Amount Allocated**

The amount of the Initial, Additional or Regular Investment which is invested in the Personal Fund after the deduction of any charges, and after any agreed enhancement.

### **Adviser Charge**

Charges agreed between the Policyholder(s) and their appointed adviser.

### **Adviser Review Remuneration**

An amount agreed between the Policyholder(s) and their appointed adviser when the Plan is reviewed.

### **Application Form**

An application form specified by the Company for the relevant Plan.

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## **Asset Charge**

A charge levied by the Company which is calculated for each asset as a percentage of the value of that asset held within the Personal Fund.

## **Asset Rules**

Rules governing the use of an asset within the Personal Fund.

## **Commencement Date**

The commencement date shown in the Policy Schedule.

## **Company**

American Life Insurance Company or its successors.

## **Death Benefit**

The amount that will be paid in the event of the death of the Life Assured.

## **Explicitly Charged Assets**

Assets within the Personal Fund where the charges relevant to the asset are calculated by reference to the value of the Personal Fund holding in that asset. These may also be referred to in marketing materials as "Market Funds".

## **Implicitly Charged Assets**

Assets within the Personal Fund where there are no explicit charges as all the relevant charges are taken into account when the benefit linked to the asset is calculated by the Company. These may also be referred to in marketing materials as "Defined Return Investments".

## **Initial Adviser Remuneration**

An amount agreed between the Policyholder(s) and their appointed adviser when the Plan is established or when Additional or Regular Investments are made.

## **Initial Investment**

The amount invested to establish the Policy. This may also be referred to in marketing materials as "Amount Invested".

## **Life or Lives Assured**

The person(s) whose death will result in the Death Benefit being paid.

## **Maturity Date**

The day on which the Plan will terminate if it is still in force.

## **Ongoing Adviser Remuneration**

An amount agreed between the Policyholder(s) and their appointed adviser which is calculated for each asset as a percentage of the value of that asset held within the Personal Fund and forms part of the Asset Charge.

## **Personal Fund**

A separate internal sub-fund of the long term business fund of the Company by reference to which the benefits payable under the Policies will be determined.

## **Policy**

A separate contract of insurance comprised in the Plan.

## **Policy Conditions**

The core policy conditions set out in this document as amended from time to time by the Company.

## **Policyholder(s)**

The person or persons shown in the Policy Schedule, who have legal title to the Plan and each Policy comprised in it. The Policyholder may be referred to as 'you' in marketing materials.

## **Principal Office**

22 Addiscombe Road, Croydon, England, CR9 5AZ.

## **Regular Investment**

A periodic payment by the client with frequency agreed by the Company.

## **Specific Policy Conditions**

The supplementary Policy Conditions of a particular type of Policy which may override these Policy Conditions.

## **Supplementary Life Cover**

An amount, over and above the value of the Personal Fund (or a multiple of this value specified by the Company) which forms part of the Death Benefit and for which there is usually an explicit charge.

## **Valuation Date**

The date on which a benefit is valued.