

**FLEXIBLE LIFETIME ANNUITY**

**NATIONAL INSURANCE NUMBER**

**POLICY NUMBER**

**THE PRUDENTIAL ASSURANCE COMPANY LIMITED**  
**Incorporated in England Reg'd No. 15454**  
**Registered Office: Laurence Pountney Hill, London, EC4R 0HH**

ADDRESS FOR CORRESPONDENCE

Please address any letter about this document, which includes the attached Policy Schedule, called the "Policy", to:

Prudential, Flexible Retirement Income Servicing, Stirling, FK9 4UE

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Please read the Policy carefully and return it to us at once if any correction is necessary.

## **ANNUITY POLICY**

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### **GENERAL FUNDS APPENDIX**

## **A. MEANING OF WORDS**

This Policy describes the operation of the Flexible Lifetime Annuity and the options available when someone purchases such an annuity.

In the Policy the words "we", "us" and "our" refer to The Prudential Assurance Company Limited. The words "you" and "your" refer to the First Annuitant.

The "annuitant" is the person receiving the annuity. An annuity is also referred to as a pension.

The Policy refers in a number of places to a booklet called the "Investment Guide for the Flexible Lifetime Annuity and Flexible Income Drawdown Plan". Please note that the Flexible Income Drawdown Plan is not available under this Policy. This Policy relates only to the Flexible Lifetime Annuity.

The following words used in this Policy have the specific meanings given to them below:

"The General Funds Appendix" – This is attached to and forms part of the Policy: it contains details of the operation of the Funds available, valuation of the Funds and switching units between Funds. It also refers to the "Investment Guide for the Flexible Lifetime Annuity and Flexible Income Drawdown Plan", a brochure which provides information on investment strategies and investment restrictions.

"Dependant" - A spouse, civil partner or dependant. A dependant is an individual who is or who, immediately before the person's death or retirement, was, financially dependent on that person or dependent on that person because of disability. Further details as to who qualifies as a dependant are set out in the Rules.

"First Annuitant" means the person identified as the first annuitant in the Policy Schedule.

"Fixed Guaranteed Income" - means a guaranteed income provided in accordance with and subject to the provisions of section D4.

"FLA" - This means the annuity established for the First Annuitant (and the Second Annuitant if a joint life annuity is purchased) under the terms of the Policy when a Flexible Lifetime Annuity is purchased.

"Funds" - This means the Funds we make available for investing payments to the Policy. They currently include certain Unit-Linked Funds and the Prudential With-Profits Fund.

The Funds available may change from time to time (see section 1.3 of the General Funds Appendix). Please ask us if further details of the Funds currently available or their investment objectives are required.

"Lifetime Bonus" - means a bonus earned in accordance with section D1.2.2.

"Lifetime Investments" - comprise units which are used to provide an income for life and earn Lifetime Bonuses in accordance with the provisions of the Policy.

"Lifetime Investment Strategy" - means one of the pre-determined investment strategies proposed by us for the purposes of the Policy. Further details of how the different

investment strategies operate are given in the "Investment Guide for the Flexible Lifetime Annuity and Flexible Income Drawdown Plan".

"Policy" - means this document (including the General Funds Appendix) and the attached Policy Schedule.

"Policyholder" – means either:

- the administrator or trustees (as applicable) of the Source Scheme; or
- where the administrator or trustees (as applicable) of the Source Scheme have so requested, the First Annuitant (see also section B3).

"Policy Schedule" - means the Policy Schedule attached to this document.

"Ringfenced Investments" - comprise units which are used to provide income for the annuitant from outset and death benefits in accordance with the provisions of the Policy.

"the Rules" - The Rules of the Source Scheme.

"the Source Scheme" – means the Personal Pension Scheme identified as the Source Scheme in the Policy Schedule.

"Second Annuitant" - This is a Dependant identified in the Policy Schedule as the person whom the First Annuitant has chosen as the second life where a joint life annuity is purchased under the Policy. (If a single life annuity is purchased, there will not be a Second Annuitant, only a First Annuitant). If the Second Annuitant is under age 23 the duration of any annuity payable to such person will be limited in accordance with the Rules of the Source Scheme. The First Annuitant will have notified us in writing if the duration of any annuity payable to the Second Annuitant who is not under age 23 is to be limited in accordance with the Rules.

"Self-Managed Investment Strategy" - means an investment strategy which is selected by the annuitant for the purposes of the Policy on advice from his/her financial adviser. Further details of how the different investment strategies operate are given in the "Investment Guide for the Flexible Lifetime Annuity and Flexible Income Drawdown Plan".

"unit" - This has a different meaning within different types of Fund (see the General Funds Appendix). In particular:

- (a) The value of each Unit-Linked Fund is divided into equal parts, and each part is a unit.
- (b) A unit of the With-Profits Fund is a record of a payment made into the Fund plus certain of the bonuses added to the payment (see section 3.2 of the General Funds Appendix).

"unit price". Units are credited and cancelled at the unit price.

For units of Unit-Linked Funds, the unit price which applies on any particular day will be the price which is calculated by reference to the valuation (or adjusted valuation) made on that day (see the General Funds Appendix). The unit price which then applies to any particular transaction is determined by the date and time we receive all of the

information (and the payment if applicable) necessary to carry out the transaction and may vary between the different Funds. This is explained in the General Funds Appendix.

For units of the With-Profits Fund, the unit price which applies on any particular day is the price which we have calculated in respect of that day by reference to the anticipated rate of regular bonus (see section 3.2 of the General Funds Appendix). Where units of the With-Profits Fund are cancelled, an adjustment may be made under section 3.4 of the General Funds Appendix.

## **B. AGREEMENT**

### **1. General**

We have agreed to provide the benefits described in this Policy. The agreement results from the payment by the administrator or trustee(s) of the Source Scheme to buy benefits for you following your exercise of the open market option under the Source Scheme.

### **2. Agreement for the First Annuitant to deal directly with Prudential and decide certain terms of the contract**

The Policy has been set up for your benefit. It is designed to allow you to deal directly with us and to allow you to decide certain terms of the contract (where mentioned in the Policy). The Policy is therefore sent to you or your financial adviser for safekeeping.

### **3. Policyholder**

The Policyholder will be either:

- The administrator or trustee(s) of the Source Scheme; or
- You, the First Annuitant, where the administrator or trustee(s) of the Source Scheme have so requested.

### **4. Additional agreement where First Annuitant is policyholder**

Although the contract was entered into by the administrator or trustee(s) of the Source Scheme, the Policy has been set up solely for your benefit and the benefit of any Dependants stated to be so entitled. This agreement is designed to give you direct contractual rights with us. The administrator or trustee(s) of the Source Scheme have determined that all contractual rights under the Policy are to be enforceable only by you, the First Annuitant or such other person who may be entitled to receive the benefit, and not by the administrator or trustee(s).

## **C. IMPORTANT NOTES**

### **1. Annuity terms to be in accordance with the provisions of the Source Scheme**

Some of the terms – such as the level of increases to pensions and guarantee periods – chosen for your annuity must be permissible under the provisions of the Source Scheme. It is the joint responsibility of the First Annuitant and the administrator or trustee(s) of the Source Scheme to ensure that the benefits purchased are permissible.

At the time when an annuity quotation is accepted, we require confirmation that the accepted terms are permissible. We cannot accept any liability if they are not allowed under the provisions of the Source Scheme.

If we discover that the terms or options selected for part or all of any annuity are not permissible within the provisions of the Source Scheme we can change the amounts and/or terms of the annuity. We can also make any adjustments necessary to correct payments that have already been made. If as a result of such a discovery, we find that the amounts of the annuity payments already made need to be increased, we will make the necessary payment, but we do not pay any interest in respect of the underpayments.

## **2. Lifetime Allowance**

At the time when an annuity quotation is accepted, we require confirmation that the value of the benefits does not exceed the Lifetime Allowance. We cannot accept any liability if it is later discovered that your available Lifetime Allowance has been exceeded and you have become liable to pay a Lifetime Allowance Charge.

## **D. POLICY CONDITIONS**

### **1. THE FIRST ANNUITANT'S PENSION**

#### **1.1 FLA**

##### **1.1.1 *Eligibility and Source of Units***

- (a) On the date a FLA is purchased the monies paid to us by the administrator or trustees of the Source Scheme will be used to provide the First Annuitant with a FLA. The monies will be invested in units of such Funds as are indicated in the Policy Schedule.
- (b) Monies representing contracted-out benefits cannot be used to purchase a FLA.

##### **1.1.2 *Information already provided to us***

We have been provided with the following information (most of which is set out in the Policy Schedule).

- (a) How the units credited to the FLA are to be split between Ringfenced Investments and Lifetime Investments – see section D1.2 below for details.
- (b) How the units credited to the FLA are to be split between the Funds.
- (c) Whether the FLA is to be a single life annuity or a joint life annuity.
- (d) If it is to be a joint life annuity:
  - (i) The name of the Second Annuitant and any restrictions to be placed on the duration of the annuity (where applicable and in accordance with the Rules); and
  - (ii) The level of pension to be paid following the First Annuitant's death and/or the Second Annuitant's death and/or either death;
- (e) The amount of annual pension the First Annuitant wants to be paid at the outset (this can be changed by the First Annuitant at any time in the future subject to income limits).
- (f) Whether the pension is to remain level or to escalate and the level of escalation required (within the applicable limits). This can be changed by the annuitant at any time.

### 1.1.3 ***Transferring and allocating units***

- (a) The FLA comprises the units purchased with the payment received from the Source Scheme subject to any charges we may impose. Details of charges are given in the First Annuitant's personal illustration and annual management charges are shown in the "Investment Guide for the Flexible Lifetime Annuity and Flexible Income Drawdown Plan". For more details of the charges that may apply, the annuitant should contact his or her financial adviser.
- (b) The units have been split between the Funds in the way required.
- (c) The units were used to provide the FLA within four working days of receiving all of the items set out in section D1.1.2 above.
- (d) If we were not open for business on the day we received all of the items we require, we treated them as being received on the next working day.
- (e) Units may be switched between the Funds in accordance with, and subject to, the provisions of the General Funds Appendix and the provisions of the Policy. The annuitant may choose to switch units invested in Unit Linked Funds to the With-Profits Fund at any time before a specified age (currently age 85). However, between specified ages (currently the ages of 85 and 90) the annuitant may only choose to switch units from Unit Linked Funds to the With-Profits Fund provided that a specified minimum (currently 50%) of the value of the units credited to the FLA was invested in units of the With-Profits Fund at the lower specified age (currently age 85) and no units credited to the FLA have been switched out of the With-Profits Fund since that age. For joint life cases the age restrictions are determined by the First Annuitant's date of birth, and not that of the Second Annuitant.

## 1.2 **Ringfenced Investments and Lifetime Investments**

### 1.2.1 ***Allocating Ringfenced Investments and Lifetime Investments***

- (a) Units have been allocated between Ringfenced Investments and Lifetime Investments as required. The maximum percentage of units in the FLA which can be allocated to Ringfenced Investments is currently 80% but this can change from time to time and we shall notify the specified maximum at the appropriate time. Unless we allow an alternative application, the Ringfenced Investments and the Lifetime Investments will be applied on a pro-rata basis across the Funds selected. Units allocated to Ringfenced Investments will be cancelled first to provide the First Annuitant with pension instalments. Units allocated to Lifetime Investments will only be cancelled to provide the First Annuitant with pension instalments once the Ringfenced Investments have been exhausted.
- (b) Lifetime Investments cannot subsequently be converted to Ringfenced Investments.

- (c) Ringfenced Investments can be converted to Lifetime Investments by the First Annuitant at any time. The instruction to convert will be carried out on a specified working day following the day on which we receive the instruction. If, however, we receive the instruction on a day when we are not open for business, we will treat it as being received on the next working day. We will automatically convert any remaining Ringfenced Investments to Lifetime Investments on the 10<sup>th</sup> anniversary of the purchase of the FLA.

#### 1.2.2 ***Lifetime Bonuses***

- (a) Lifetime Investments may be awarded Lifetime Bonuses at our discretion. Lifetime Bonuses will be used to purchase additional Lifetime Investments.
- (b) The Lifetime Bonuses added to the FLA are in respect of the risk of forfeiting Lifetime Investments in the event of the First Annuitant's death, or the death of the First or Second Annuitant under a joint life annuity. The amount of the bonus takes into account various factors we deem to be relevant and which may change from time to time but currently include (amongst other things) the value of the Lifetime Investments, the First Annuitant's age, gender (and the age and gender of the Second Annuitant (if any)), and both current and expected mortality experience. If section 3.4(ii) applies, the calculation basis for Lifetime Bonuses becomes guaranteed at the Trigger Date (as defined in section 3.4) in respect of units retained in the With-Profits Fund to provide an income under section 1.3.1(e).

### 1.3 **Pension instalments**

#### 1.3.1 ***Limits on level of pension instalments***

- (a) We will calculate the maximum level of pension available allowing for the expected net investment return, expected mortality and taking into account the information the administrator or trustees of the Source Scheme have given to us.
- (b) The minimum level of pension is 50% of the maximum level of pension or such other percentage as we may determine from time to time having regard to the requirements of HM Revenue & Customs (HMRC).
- (c) Pension instalments will be paid to the First Annuitant within yearly maximum and minimum limits, subject to the provisions of paragraph (d) below. These limits depend on whether a single life annuity or a joint life annuity is selected and, if a joint life annuity is selected, whether the target level of income is specified to reduce on the First Annuitant's death or on the Second Annuitant's death or on either death. If a joint life annuity with a reduction on the first death is selected, the maximum level of pension available to the First Annuitant cannot exceed the maximum level of pension available calculated on the First Annuitant's life on a single life basis.

- (d) The minimum and maximum limits will be reviewed at least every three years thereafter and we will notify the First Annuitant of the revised amounts. If a joint life annuity is selected we shall also notify the First Annuitant of the percentage of units allocated to Lifetime Investments which will be forfeited on the First or Second Annuitant's death. The percentage of units allocated to Lifetime Investments which will be forfeited on the First or Second Annuitant's death will also be reviewed from time to time (see section D2.3.1 below).
- (e) If the FLA has to be switched to a guaranteed income by reason of age or underperformance in accordance with section D3 of this Policy and the units credited to the FLA (or the appropriate part) are not cancelled to provide a Fixed Guaranteed Income in accordance with section D4 but are instead retained as or switched into units invested in the With-Profits Fund, the pension instalments will be paid at the maximum level which we will recalculate and tell the annuitant about every year.

#### 1.3.2 ***Payment of pension instalments***

- (a) Pension instalments are paid by cancelling some of the units credited to the FLA at the unit price. We will cancel Ringfenced Investments first and use the amount raised to pay pension instalments. Once the Ringfenced Investments are exhausted (or converted to Lifetime Investments at the 10<sup>th</sup> anniversary of the purchase of the FLA), we will then cancel Lifetime Investments and use the amount raised to pay pension instalments to the First Annuitant.
- (b) Units will be cancelled in one or more of the Funds credited to the FLA as directed, subject to the following:
- If we are directed to cancel units in a particular Fund and there are not enough units of that Fund credited to the FLA and allocated to Ringfenced Investments or Lifetime Investments (as the case may be) to comply with the request we may cancel units pro-rata across the remaining Funds (which are allocated to Ringfenced Investments or Lifetime Investments as appropriate).
  - If any units of the With-Profits Fund are credited to the FLA or if a Lifetime Investment Strategy has been selected, units will normally be cancelled proportionately across the Funds comprising the FLA. Minimum and maximum amounts (determined by us from time to time) also apply to the income to be derived by cancelling With-Profits units. We will inform the First Annuitant of the minimum and/or maximum amounts applying to cancellations of With-Profits units at the relevant time if they affect him or her.
- (c) We will pay the First Annuitant's pension instalments to him/her in monthly, quarterly, half-yearly or annual instalments, either in advance or arrears, as directed. The First Annuitant may ask us to vary the level of pension instalments (within the above limits) from time to time but he or she must notify us in writing at least 10 working days before the payment date from which he or she wishes the revised amount of pension instalments to be paid.

- (d) If the First Annuitant asks us to pay pension instalments which exceed the maximum level of pension, payment will either not be made or will be made at a reduced level to comply with the maximum limit.
- (e) If payment of pension instalments at the requested level would be insufficient to meet the minimum level of pension for the current year, we will pay the First Annuitant a one-off pension instalment on the last monthly payment date of the year.

### 1.3.3 ***Duration of pension instalments***

- (a) Pension instalments from the FLA will be payable for the First Annuitant's life or, if a joint life annuity is selected, for the joint lives of the First and Second Annuitants (subject to any restrictions on the duration of the annuity to the Second Annuitant agreed or imposed in accordance with the Rules of the Source Scheme). In certain circumstances (as outlined in section D3 below) some, or all, of the units credited to the FLA will be cancelled and the amount raised will be used to provide a Fixed Guaranteed Income in accordance with section D4.
- (b) If a joint life annuity with a targeted reduction on the Second Annuitant's death or on first death is selected and the Second Annuitant predeceases the First Annuitant, the First Annuitant will still be entitled to pension instalments from the FLA but the applicable limits may be correspondingly reduced. For further details see section D2.
- (c) If the First Annuitant should die before the 10<sup>th</sup> anniversary of the purchase of the FLA and has units allocated to Ringfenced Investments, those units will be used to continue payment of a pension for the balance of the 10 years. For further details see section D2.
- (d) Units allocated to Lifetime Investments will be cancelled on the First Annuitant's death. If a joint life annuity has been selected a percentage of units allocated to Lifetime Investments will be cancelled on the first death and the remaining Lifetime Investments will be cancelled on the second death. For further details see section D2.

## 2. **BENEFITS ON DEATH**

### 2.1 **Single life annuity or joint life annuity**

The benefits payable on death under the FLA will depend on whether a single life annuity or a joint life annuity has been selected and, if the latter, whether a reduction of income on the First Annuitant's death or on the Second Annuitant's death or on either death has been selected and on the extent to which there are units credited to the FLA which are allocated to Ringfenced Investments and Lifetime Investments. The following section sets out the benefits payable and other provisions applicable on death and indicates where the benefits or provisions are different depending on which type of annuity has been chosen.

## 2.2 **Effect of the First Annuitant's death (joint life annuities only)**

In the case of a joint life annuity, pension instalments will continue until the second person dies or until the Second Annuitant (if the First Annuitant dies first) ceases to be entitled to a pension.

## 2.3 **Effect of the first person's death (joint life annuities only)**

### 2.3.1 ***Use of Lifetime Investments***

When either the First Annuitant or the Second Annuitant dies, we will use the Lifetime Investments in two ways. Firstly to pay an income to the survivor: we call this the survivor proportion. Secondly we will pool the rest of the Lifetime Investments to help pay the income of those that are still alive.

The amount of Lifetime Investments used to help pay income to those who are still alive is determined by reference to certain potential percentage reductions which we calculate at the outset based on the target income following first death. The potential percentage reductions will change at each three yearly review and we will notify the revised percentages that will apply on the first person's death at each three yearly review.

### 2.3.2 ***Further review***

- (a) On the first person's death, the minimum and maximum pension limits set out in section D1.3.1 will be reviewed and will be subsequently reviewed at least every three years thereafter (rather than on the triennial basis described in section D1.3.1(d)).
- (b) Should the First Annuitant die first, subject to the provisions of this section D2, pension instalments will be paid to the Second Annuitant and sections D1.1.3(e), D1.2.2, D1.3 (save for section D1.3.3(c)) and D3 will apply as if references to the First Annuitant were references to the Second Annuitant where appropriate.

## 2.4 **Effect on units allocated to Ringfenced Investments of the First Annuitant's death (single life annuities and joint life annuities)**

In the event that the First Annuitant dies before the 10<sup>th</sup> anniversary of the date on which the FLA was purchased any remaining Ringfenced Investments at the First Annuitant's death will be cancelled and the amount raised will be used to provide an income for the balance of the 10 years. Any rate of escalation selected will also apply to income from Ringfenced Investments. This income will become part of the First Annuitant's estate on death, so he or she can choose who will receive it by referring to it in his or her will.

## 2.5 **Effect on units allocated to Lifetime Investments upon the First Annuitant's death (single life annuity) or on the second person's death (joint life annuity)**

All remaining units credited to the FLA which are allocated to Lifetime Investments will be cancelled:

- (i) in the case of a single life annuity, on the First Annuitant's death; or

- (ii) in the case of a joint life annuity, on the later of the First Annuitant's death and the Second Annuitant's death.

### **3. CONVERTING TO A GUARANTEED INCOME**

If the FLA income is converted to a Fixed Guaranteed Income in accordance with sections D3.1, D3.2, D3.3 or D3.4 below, the provisions of section D4 will apply.

#### **3.1 Voluntary Conversion to a Fixed Guaranteed Income**

The First Annuitant may choose at any time up to a specified age (currently age 90) to convert some or all of the remaining units credited to the FLA to a Fixed Guaranteed Income. We require ten working days' notice in writing of any intention to do this.

If the First Annuitant chooses to do this some or all of the remaining units will be cancelled and the amount raised will be applied to provide the annuitant with a Fixed Guaranteed Income in accordance with, and subject to the restrictions in, section D4. A Market Value Reduction may be applied at our discretion if the conversion to Fixed Guaranteed Income involves the cancellation of units invested in the With-Profits Fund (see section 3.4 of the General Funds Appendix).

#### **3.2 Conversion to a guaranteed income in accordance with a Lifetime Investment Strategy**

If a Lifetime Investment Strategy has been selected then we will convert all or specified proportions of the FLA to a Fixed Guaranteed Income at specified intervals in accordance with the chosen Lifetime Investment Strategy. We will not apply a Market Value Reduction when cancelling units invested in the With-Profits Fund under this section.

#### **3.3 Mandatory conversion to a guaranteed income (by reason of investment underperformance)**

When the FLA is purchased in accordance with section D1.1 we will calculate the maximum level of pension in accordance with section D1.3.1(a) above. The maximum level of pension at the outset is referred to in this Policy as the "Initial Maximum Income". The Initial Maximum Income will be adjusted if and when part of the FLA is switched to a Fixed Guaranteed Income in accordance with sections 3.1 or 3.2 above and/or, in the case of a joint life annuity, when the income from the FLA is targeted to reduce on first death and that death has occurred.

In order to ensure that the First Annuitant receives an income for life from the FLA, we will monitor the maximum income level on a monthly basis to determine the "Current Maximum Income". We will compare the Current Maximum Income with the Initial Maximum Income each month. If the Current Maximum Income falls below a specified percentage (currently 65%) of the Initial Maximum Income, we will write to the First Annuitant setting out details about his or her income level and the options he or she has if the Current Maximum Income should fall further. (The percentage limits in this section D3.3 take into account any reduction on first death in the case of a joint life annuity). The options include converting all or part of the FLA into a Fixed Guaranteed Income or investing or maintaining some or all of the units in the With-Profits Fund. If the latter is chosen, the First Annuitant will

be required to take the maximum level of pension available as set out in section D1.3.1(e) and cannot subsequently switch any units out of the With-Profits Fund. If the Current Maximum Income does fall further below a specified percentage (currently 50%) and the First Annuitant does not reply within 10 working days to the letter we send the First Annuitant notifying him or her of the options at that stage we shall select the default position as notified to the First Annuitant in that letter. The options available will depend on whether a Self-Managed Investment Strategy or a Lifetime Investment Strategy has been chosen. In particular:

- If a Self-Managed Investment Strategy has been chosen, the options include converting all or part of the FLA into a Fixed Guaranteed Income or investing or maintaining some or all of the units in the With-Profits Fund. If the latter is selected, the maximum level of pension available as set out in section D1.3.1(e) must be taken and it will not be possible subsequently to switch any units out of the With-Profits Fund. If the Current Maximum Income does fall further below a specified percentage (currently 50%) we send a letter notifying the options at that stage. If a reply to such letter is not made within 10 working days, we shall select the default position as notified in that letter.
- If a Lifetime Investment Strategy has been selected, the respective proportions of the FLA that are converted to a Fixed Guaranteed Income and/or to units of the With-Profits Fund will be determined by us and will vary according to the type of Lifetime Investment Strategy. Full written details of the relevant proportions and the options will be issued if this applies. In general, the more cautious the Lifetime Investment Strategy, the higher the proportion that will be converted to a Fixed Guaranteed Income. No Market Value Reduction will be applied to any units of the With-Profits Fund which we have determined shall be converted to a Fixed Guaranteed Income in this circumstance.
- A Market Value Reduction may be applied at our discretion where a conversion to a Fixed Guaranteed Income involves cancelling units in the With-Profits Fund and is not in accordance with one of the Lifetime Investment Strategies (see section 3.4 of the General Funds Appendix). This may happen, for example, if a different proportion from the amount that we have determined (in the circumstances described above) to be converted from With-Profits Units to Fixed Guaranteed Income, is requested.

#### **3.4 Mandatory conversion to a guaranteed income stream (by reason of age)**

If the FLA has not been converted to a Fixed Guaranteed Income in accordance with sections D3.1, D3.2 or D3.3 above by the anniversary of the purchase of the FLA following the first Annuitants 89<sup>th</sup> birthday (the Trigger Date), then the following provisions shall apply.

At the Trigger Date, unless the First Annuitant notifies us to the contrary before the Trigger Date in accordance with the options notified to him or her:

- (i) we will cancel all of those units credited to the FLA which are invested in Unit-Linked Funds and apply the amount raised to provide a Fixed Guaranteed Income in accordance with, and subject to the restrictions in, section D4; and/or

- (ii) any units credited to the FLA which are invested in the With-Profits Fund will be retained and used to provide an income in accordance with section D1.3.1(e). Subsequent switches of any units out of the With-Profits Fund are not allowed.

#### **4. FIXED GUARANTEED INCOME**

If the FLA (or a part of it) is converted to a Fixed Guaranteed Income in accordance with the provisions of section D3, the following provisions shall apply in addition to those set out in section D5.

##### **4.1 Form of annuity**

The Fixed Guaranteed Income provides a guaranteed income in the form of a guaranteed pension annuity. We take into account the options which are to apply and we apply the amount available in the provision of that guaranteed income, using our then current annuity rates to determine the amount payable.

The annuitant will have the option if permitted by the Rules of the Source Scheme when converting to a Fixed Guaranteed Income to choose a level or increasing pension.

It may be possible to have a guarantee attaching to the annuity that the pension will continue to be paid for a specified period even if the First Annuitant dies before that period ends. However, this will be restricted to the period which can be purchased with those units (if any) which were allocated to Ringfenced Investments immediately before they were cancelled to provide the Fixed Guaranteed Income. The period of the guarantee cannot extend beyond the 10<sup>th</sup> anniversary of the purchase of the FLA. If there is a guarantee period and the First Annuitant dies before the end of that guarantee period we will pay the pension to the First Annuitant's estate or to such other person as the First Annuitant has chosen in his or her will to receive it.

Any options which are chosen must be in accordance with, and will be subject to, the Rules of the Source Scheme and the options which applied to the FLA immediately before it or that part of it was switched to a Fixed Guaranteed Income. These options, together with the amount of the proceeds available and other factors such as age, will determine the level of the Fixed Guaranteed Income.

##### **4.2 General provisions applicable to the Fixed Guaranteed Income**

###### **4.2.1 *Frequency of pension instalments***

Unless the annuitant notifies us whether he or she would like the pension instalments paid monthly, quarterly, half-yearly or annually and whether they should be paid in arrears or advance they will be paid at the same frequency and in the same way as the First Annuitant requested when the FLA was purchased (or in accordance with any later instruction). Some pension frequencies may only be available if the pension exceeds a certain amount.

The FLA is without proportion (see section D4.2.3 below).

#### 4.2.2 **Information we require**

Before we pay the first instalment of Fixed Guaranteed Income we will need the following information from the annuitant:

- (i) What type of annuity the annuitant has selected.
- (ii) What options the annuitant has selected for his or her annuity.
- (iii) Such other information as we may reasonably require, as indicated in section D5.6 below.

#### 4.2.3 **What happens on death**

On the First Annuitant's death pension instalments will continue to be paid in accordance with any contingent benefits for the Second Annuitant established at the outset and any guaranteed pension benefits. Such benefits shall at all times be subject to the Rules of the Source Scheme and shall be as stated in the Policy Schedule or as previously agreed.

FLA is without proportion, which means that if the First Annuitant dies part way between two pension instalments we will not adjust the last pension instalment paid before that date. This condition applies whether pension instalments are paid in advance or arrears

If the Second Annuitant or other annuitant dies or stops being entitled to a pension part-way between two pension instalments, we will not adjust the last pension instalment made before that date. This condition applies whether pension instalments were being made in advance or arrears.

### 5. **GENERAL**

#### 5.1 **Annual Statement**

Each year we will send a statement which will explain the following in respect of the FLA:

- (a) The number and value of units credited to the FLA at the beginning of the year and at the end of the year.
- (b) The number of the units cancelled during the year and the level of the pension instalments paid.
- (c) The allocation between Lifetime Investments and Ringfenced Investments.
- (d) The number of bonus units credited to Lifetime Investments throughout the year.
- (e) The maximum and minimum levels of pension available that can be paid during the next year.
- (f) Details of any charges (except for Fund management charges).
- (g) Details of the potential percentage reductions described in section D2.3 above (joint life only).

## 5.2 **Delay in Payments**

If units are due to be cancelled on a particular day, but we do not have the information or authority we need in order to pay or apply the amount raised in the way required then:

- (a) we will cancel the units in any event; and
- (b) we will add interest at a reasonable rate determined by us.

## 5.3 **Taxation**

We will deduct tax from any payment we make at the rate and in the way required by HMRC. Pensions in payment are taxed as earned income.

## 5.4 **Changes to Annuities**

The Policy Schedule or any special notice we send will state whether or not the annuity will increase

## 5.5 **Exchange of Annuity for Cash Payment; Right to Benefits**

An annuity may not be exchanged for a cash payment. No benefit may be assigned, mortgaged or charged other than as permitted by sections D2.4(a) and D4.2.4 above. The right to receive any benefit cannot be transferred to any other person except to the extent necessary to comply with a Pension Sharing Order.

## 5.6 **Evidence of Entitlement**

- (a) When a person makes a claim for payment, we may require evidence of that person's identity and of his or her entitlement to the money.
- (b) When a claim is made for an annuity payment, we may require evidence that the relevant annuitant was alive when the payment fell due.
- (c) When a claim is made for a payment, which is due on the death of an annuitant, we may require evidence that the annuitant has died.
- (d) We may require evidence of any annuitant's age.

We may withhold payment under this Policy should appropriate evidence not be provided.

## 5.7 **Proof of Age and Marriage/Registration of Civil Partnership**

Before we pay any benefit, we may require evidence of the First Annuitant's age and the age of any other person for whom a benefit is payable. If the age previously notified to us proves to have been incorrectly stated, we will adjust the benefits to those that would have applied if the correct age had been given. We will make any further adjustments that are required to collect or repay any overpayments or underpayments made before the mistake was put right.

If the annuitant is married or in a registered civil partnership and a benefit is payable to his or her dependant, we may also require evidence of the marriage/registration of the civil partnership.

#### **5.8 Payment of Pension**

All payments we make will be made from our administration office. Payment will be by direct transfer into a bank or building society account. A pension payable under section D1.3.3(a) above will be paid for the period specified in section D1.3.3(a).

#### **5.9 Notices to Us**

All notices, instructions and communications to us must be in writing or by such other method as we notify is appropriate.

All notices, instructions and communications in writing must quote any relevant Policy Number and must be sent to our administration office. They will take effect when we receive them unless we are not open for business on that day. In that case, they will take effect on the next day we are open for business.

#### **5.10 Notices to the Annuitant**

Each annuitant must give us an address to which we will send any notices. These notices will be treated as having been received by the annuitant two postal days after posting (excluding Sundays and Bank Holidays).

#### **5.11 Failure to comply with the terms of the Policy**

If the Policyholder or an annuitant fails to comply with any of the terms and conditions described in the Policy, then we can send a notice stating what must be done to remedy the breach or, if the breach cannot be put right in any reasonable manner, stating that fact. If the breach is not or cannot be put right as required, we can make appropriate and reasonable changes to the benefits affected.

#### **5.12 Changes**

We reserve the right to make such changes to the Policy as may be necessary in order to meet HMRC regulations. We also reserve the right to make such changes as we consider reasonable in the circumstances on giving reasonable notice of such changes.

#### **5.13 Applicable Law**

The law of England and Wales applies to the Policy and any disputes connected with it.

#### **5.14 Third Party Rights**

The Contracts (Rights of Third Parties) Act 1999 does not apply to the Policy unless the administrator or trustees of the Source Scheme and we agree that it should do so in particular circumstances. If they and we agree to this, the agreement will be included in an endorsement to the Policy.

**5.15 With Profit Benefits**

Where part of the Policy is invested in the With-Profits Fund, the resulting benefits will be eligible to share in the profits of our long-term fund in accordance with our Articles of Association (as amended from time to time). This will continue unless and until at a future date the relevant annuity is switched to a Fixed Guaranteed Income in line with the conversion procedure under section D3.

The benefits resulting from that part of the Policy which is not invested in our With Profits Fund will not be eligible to share in those profits.

**5.16 Long-term business**

The provision of annuities under the Policy is part of our "long-term" business under the terms of the Financial Services and Markets Act 2000 and is attributable to our "pension business" as described in Section 431B of the Income and Corporation Taxes Act 1988. We reserve the right to make any changes to the terms of this Policy which may be necessary or desirable to ensure that this Policy remains part of our "long-term" business and attributable to our "pension business".

Dated .....

.....  
for and on behalf of  
**The Prudential Assurance Company Limited**

Exd .....

## **GENERAL FUNDS APPENDIX TO FLEXIBLE LIFETIME ANNUITY POLICY**

This Appendix describes the operation of the Unit-Linked Funds and the With-Profits Fund. It also describes what happens when we are instructed to cancel some or all of the units credited to the FLA and to use the amount raised to credit units of a different Fund or Funds (otherwise known as "switching"). A facility which provides for automatic switching between pre-selected Funds at or around pre-selected dates is also available known as a Lifetime Investment Strategy. There are various different types of Lifetime Investment Strategy on offer and further details are included in the brochure 'Investment Guide for the Flexible Lifetime Annuity and Flexible Income Drawdown Plan'.

The special words set out at the beginning of the Policy apply to this Appendix.

In addition, the following words used in this Appendix have the specific meanings:

"Unit-Linked Fund". One of our investment funds other than the With-Profits Fund.

"With-Profits Fund". The investment fund described in section 3 of this Appendix.

This Appendix refers in a number of places to a booklet called the "Investment Guide for the Flexible Lifetime Annuity and Flexible Income Drawdown Plan". Please note that the Flexible Income Drawdown Plan is not available under this Policy. This Policy relates only to the Flexible Lifetime Annuity.

This Appendix is split into the following parts:

1. **OWNERSHIP AND DEALING WITH ASSETS**
2. **OPERATION OF THE UNIT-LINKED FUNDS**
3. **OPERATION OF THE WITH-PROFITS FUND**
4. **CREDITING AND CANCELLING UNITS**
5. **SWITCHING BETWEEN FUNDS**
6. **LIFETIME INVESTMENT STRATEGY OPTION**
7. **CHARGES**

## 1. OWNERSHIP AND DEALING WITH ASSETS

### 1.1 Units

Units are not capable of ownership. They are our method of recording the amounts and payment dates of premiums; and they help us in working out the amount of each policyholder's or annuitant's benefits.

### 1.2 Assets owned by Prudential

All the assets of the Funds (including the Life Fund) are owned by us in our own right and not as trustee for policyholders. But when we make decisions relating to the investment and valuation of assets, the division of the Life Fund profits or the amount of bonuses, charges and other deductions referable to With-Profits policyholders, we will always act in good faith in attempting to protect the interests of all affected policyholders and shareholders. We aim to strike a balance between the interests of:

- (i) our policyholders and our shareholders;
- (ii) different classes of policyholder; and
- (iii) individual policyholders.

### 1.3 Changes to or withdrawal of Funds

- (a) We can at any time change the investment objectives of any one or more of the Funds. The investment objectives are outlined in the investment funds information available.
- (b) We can at any time close any one or more of the Funds (including those linked to the performance of an external investment manager or insurance company) to new moneys, but only if we give notice.  
  
If we close a Fund it will not be possible to credit new units to it after the date of closure.
- (c) We can at any time merge or wind up any one or more of the Funds, but only if we give notice.
- (d) If, at the time we wind up a Fund under (c) above, the annuitant has any units of that Fund credited to his or her FLA, we will (unless instructed otherwise under (f) below) switch them to units of another Fund with the most similar investment objectives to the wound up or withdrawn Fund.
- (e) If, at the time we merge a Fund with another Fund under (c) above, the annuitant has any units of that Fund credited to his or her FLA, we will (unless instructed otherwise under (f) below) treat them as being switched to the new Fund which has been created by the merger.
- (f) We will always give at least one month's notice of any of the events described in (b) and (c) happening. The annuitant will be given the opportunity to instruct us regarding any units credited (or to be credited) in the relevant Fund or Funds before we carry out the switches described in (b), (d) and (e).

- (g) We will only change, close or wind up a Fund for important legal or commercial reasons and we will aim to be fair and reasonable in the way that we do so, having regard to our duty to protect both the interests of other policyholders and, if applicable, the solvency of the Fund.

#### 1.4 **New Funds**

- (a) We can at any time make available new Funds.
- (b) The terms that we may apply in respect of the Funds depend on the types of assets and the markets in which the Funds are invested. We may need to apply different terms for new Funds options.

## 2. **OPERATION OF UNIT-LINKED FUNDS**

### 2.1 **Establishing Unit-Linked Funds**

Unit-Linked Funds are established by us or another subsidiary of Prudential plc. Alternatively, they may be linked to the investment performance of another investment manager or insurance company outside the Prudential Group. The Funds available and the subsidiary which provides them may change from time to time. (See section 1 of this Appendix).

### 2.2 **Valuation of Fund assets**

The assets relating to each Unit-Linked Fund are valued from time to time. When more money is being paid into the Fund than is being paid out of it we calculate what we call the “maximum value” of the assets (this reflects the lowest market price at which we could buy the assets).

If more money is being paid out of the Fund than is being paid into it we calculate what we call the “minimum value” of the assets (this reflects the highest market price at which we could sell the assets). Our decision on all valuation issues is final.

Assets are valued in different ways, as follows:

- (a) For some assets there may be recognised price quotations that we consider appropriate to use for valuation: the maximum and minimum values of these assets may be based on the maximum and minimum quoted prices, or may, if we so decide, be based on a mid-market price which we adjust to obtain appropriate maximum and minimum asset values.
- (b) For other assets we use valuations prepared from time to time and certified by valuers we appoint. We may adjust these valuations, in consultation with the valuers, to take into account price variations between valuations.
- (c) Some Funds may consist of, or include amongst their assets, holdings of units of other Funds. Any such unit will be treated as an asset with a value equal to the unit price (calculated in the way described below) of that unit on the day in question.

### **2.3 Calculation of maximum and minimum Fund values**

The maximum or minimum value of a Unit-Linked Fund is calculated by starting with the maximum or minimum value of the assets relating to it (whichever applies), calculated as described in section 2.2 of this Appendix (plus the value of any uninvested cash and accrued income) and then making any adjustments, including those needed:

- (a) for any taxes, duties, other purchase and sale expenses and professional fees;
- (b) for any debts owed;
- (c) to allow for payments of the type listed above which are expected to arise in the future; and
- (d) for the Fund management charge (see section 7 of this Appendix).

### **2.4 Fund values and unit prices**

Having valued the Fund on either the maximum or minimum basis, we calculate the unit price for that day by dividing the chosen fund value by the number of units in issue. A single unit price will apply on any given day for that particular Fund both for cancelling and crediting units. Sections 2.2 and 2.3 of this Appendix explain how we decide what the single unit price will be for that day. The amount raised when a unit is cancelled is its unit price on the appropriate day.

When calculating unit prices, we normally round our calculations to the nearest one hundredth of a penny.

### **2.5 Calculation of unit prices on any other day**

On a day when a Fund is not valued we take the unit prices which applied on the previous day. We adjust those prices in a manner which, in our view, reflects the way in which the minimum and maximum values (as appropriate) of the underlying assets will have changed. The resulting amounts are the unit prices for that day.

### **2.6 New funds and externally linked funds and other valuation methods**

We reserve the right to value assets and calculate unit prices in respect of new funds we may introduce in the future, and in respect of all funds linked to funds managed by investment managers operating outside the Prudential Group, in a different way.

We may in any event wish to change our valuation and pricing methods from time to time. For example, we may at our complete discretion, choose to base the value of a Fund on asset values that lie between the purchase and sale prices. We may also make an adjustment to a Fund value to take account of the expenses of buying and/or selling assets. If such an adjustment is made the value will equate to a Fund value based on asset values that lie between the sale and purchase prices.

Other methods of valuation may also be used. In choosing any other method we will act in a fair and reasonable manner.

### 3. OPERATION OF THE WITH-PROFITS FUND

#### 3.1 The Life Fund

The With-Profits Fund is part of Prudential's Life Fund, which is an investment Fund holding the assets relating to a number of different types of policy.

#### 3.2 Unit prices and bonuses

The return from the investments held in the With-Profits Fund increases the value of the units in two ways:

(a) ***Unit prices***

A proportion of the regular bonus is added to the unit price on a daily basis and as a result the unit price cannot go down. When calculating unit prices we normally round our calculations to the nearest one hundredth of a penny.

(b) ***Additional bonuses***

We may add an additional bonus to the amount raised when a unit of the With-Profits Fund is cancelled. Additional bonus is not guaranteed, and the additional bonus rate can be varied or reduced to nil at any time.

The main aims of our bonus policy are:

- to give each With-Profits policyholder a return on the payments which he or she has made that reflects the earnings of the underlying investments, whilst smoothing out the peaks and troughs of investment performance; and
- to ensure that With-Profits policyholders receive a fair share of the profits distributed from the With-Profits Fund by way of bonus additions to their policies.

Our Articles of Association (which are made and can be amended in line with company law) regulate the amount which can be given to shareholders.

#### 3.3 Principles and Practices of Financial Management

We currently publish a guide called "Principles and Practices of Financial Management" which describes our bonus policy and the operation of the With-Profits Fund in greater detail. Further information on our bonus policy is contained in "A detailed guide to investing in Prudential's With-Profits Fund: Flexible Lifetime Annuity and Flexible Income Drawdown Plan". The annuitant can ask us to send him or her a copy of these brochures.

#### 3.4 The amount raised on cancellation and deductions from that amount

When a unit of the With-Profits Fund is cancelled, the amount raised will be the total of the unit price plus any additional bonus, although in some circumstances we may make a deduction (called a Market Value Reduction) from that total. Section 3.5 of this Appendix sets out the circumstances when we will never

make a deduction. Otherwise, if the value of the underlying assets is less than the value of the units, including all bonuses, we may make a deduction that will reduce the amount raised. We will have regard to our duty to protect both the interests of other policyholders and the solvency of the Fund.

### **3.5 Circumstances where no deduction is made**

We will not make a deduction in respect of units of the With-Profits Fund cancelled:

- (a) immediately after the annuitant's death for the purpose of purchasing death benefits in the form of an income;
- (b) in order to pay income;
- (c) for payment of our charges;
- (d) when units are cancelled as part of the periodic re-balancing of Funds or conversions to guaranteed income under a lifetime investment strategy; or
- (e) on any mandatory conversion to a pre-determined guaranteed income if a lifetime investment strategy has been adopted.

### **3.6 Partial cancellations**

If only part of the With-Profits Fund units credited to the FLA are to be cancelled, our normal practice is to cancel those units which have been credited for the shortest time.

## **4. CREDITING AND CANCELLING UNITS**

### **4.1 General**

This part describes crediting and cancelling units for all purposes other than for switching between investment Funds, which is described in section 5 of this Appendix.

### **4.2 Crediting units**

The Policy describes how we credit units to the First Annuitant's FLA, having received the payment to the Policy from the Source Scheme.

We credit the units to the FLA once we receive the monies together with all of the information and forms we require. We will normally credit the units using a unit price which buys units at the next valuation point following the day we receive all of these items (or treat them as having been received as explained in section 4.4 of this Appendix).

A later unit price date may be used if we do not have all of the information we need to credit the units when we receive the payment (where we hold the

monies in an interest-bearing account) or if we consider it reasonable to use a later unit price date because of the circumstances relating to a particular Fund.

#### **4.3 Cancelling units**

The Policy describes how we cancel units to provide benefits. In the event that units of Funds are cancelled to provide benefits, the units will normally (subject to section 4.5 of this Appendix) be cancelled using a unit price, which buys units at the next valuation point following the day we receive the instructions or the notification of the annuitant's death (or treat them as having been received as explained in section 4.4 of this Appendix) or at a later date if we consider it reasonable to use a later unit price date because of the circumstances relating to a particular Fund.

#### **4.4 Date of receipt not a working day**

If the day we receive all of the items we need for crediting or cancelling units is not a working day, we will treat them as being received on the next working day.

#### **4.5 Delays in crediting and cancelling of units**

- (a) We reserve the right to delay the cancellation of units if we believe there is sufficient or good reason to do so, having regard to the interests of all other Prudential policyholders. This may happen in the same circumstances and will be subject to the same terms as are described in sections 5.5(a), 5.6 and 5.7 of this Appendix.
- (b) We may delay both cancelling and crediting units in Unit-Linked Funds in circumstances in which a Fund has not been valued or a unit price has not been calculated due to exceptional circumstances beyond our reasonable control, for example if it is not possible to trade on any given day or if our systems are not operational. In such a delay, the units will normally be credited or cancelled at the end of the period of delay, using the unit price(s) then applicable.

### **5. SWITCHING BETWEEN FUNDS**

#### **5.1 Instructions to switch**

The annuitant may instruct us to cancel some or all of the units credited to the FLA, and to use the amount raised to credit units of a different Fund or Funds to the same FLA.

The instruction must be in writing to us at our Administration office or via some other method we confirm in writing will be acceptable.

The address to use is shown at the beginning of the Policy.

#### **5.2 Credit and cancellation restrictions**

The annuitant must comply with our investment restrictions, as follows:

- (a) The annuitant cannot switch where the value of the units to be cancelled from, and credited to, any Fund is less than £2,500 or such other amount as we notify the annuitant is to apply.

- (b) Where the annuitant is funding income in retirement by cancelling units, the amount he or she receives will be subject to maximum and minimum limits. In addition, the amount of income the annuitant can take by cancelling With-Profits units will be limited to that proportion of the overall limits which is equal to the proportion of the value of units credited to the FLA invested in the With-Profits Fund.

These restrictions may be varied by us from time to time. We will give the annuitant reasonable notice of any such changes.

### 5.3 **Date**

The instruction to switch will normally be carried out on a specified working day following the day on which we receive the instruction, unless a delay occurs as set out in section 5.5 of this Appendix. If however we receive the instruction on a day when we are not open for business, we will treat it as being received on the next working day.

### 5.4 **Cancelling old units and crediting new units in a switch**

Unless there is a delay under section 5.5 of this Appendix, the cancellation of the old units and the credit of the new units will normally both be carried out using a unit price which buys units at the next valuation point following the date we receive the instruction or such other date(s) as we may consider reasonable in relation to the particular Funds. Note that where there is a reference to the date of receipt of the instruction, that instruction may be treated as having been received later than it actually arrives at our office: see section 5.3 of this Appendix. In certain situations the cancellation of the old units may take place a number of days before the credit of the new units. If this happens, the amount raised on the cancellation will be held, in the interim, in a Unit-Linked cash fund or such other fund having the same or similar investment objectives.

The amount raised on cancellation, after any deductions:

- in respect of units in the With-Profits Fund under section 3.4 of this Appendix;  
or
- to collect any switching charge (see section 7 of this Appendix)

will be used to credit the new units of the chosen Fund or Funds at their unit price(s).

### 5.5 **Delays in switching - general**

- (a) A sale of assets relating to a Fund may have an adverse effect on their value, particularly in circumstances where they are not readily saleable within a short period of time. Additionally, for some types of assets or in certain markets, there may be some delay between selling the assets and receiving the proceeds. For these reasons, in order to protect the value of the annuitant's investment and the investments of all of the other policyholders, we may delay carrying out the annuitant's instruction to switch from a Fund in the following circumstances:

- (i) For up to six months from the date we receive the instruction if it would involve cancelling units of any Unit-Linked Fund which either:
  - holds assets in the form of buildings or land; or
  - holds units of another Unit-Linked Fund that holds assets in the form of buildings or land.
- (ii) For up to one month if it would involve cancelling units of:
  - any Unit-Linked Fund which does not fall within (i); or
  - the With-Profits Fund.

Please note that we may change the terms described in this section in respect of any new Funds we may make available (see section 1.4 of this Appendix).

- (b) We may delay both cancelling and crediting units for switching involving Unit-Linked Funds in circumstances where a Fund has not been valued or a unit price has not been calculated due to exceptional circumstances beyond our reasonable control, for example if it is not possible to trade on any given day or if our systems are not operational.

#### 5.6 **Delays in switching - With-Profits Fund**

If there is a delay which affects With-Profits Fund units, we will treat it as though the units were cancelled on the date of the annuitant's instruction under section 5.1 of this Appendix. We will add interest to the amount raised at a reasonable rate determined by us.

#### 5.7 **Delays in switching - Unit-Linked Funds**

If there is a delay which affects units of a Unit-Linked Fund, the following applies.

- (a) Where there is a delay in switching due to
  - the need to sell assets which are not readily saleable (such as land); or
  - the circumstances described in section 5.5(b) of this Appendix,then, unless in our opinion it would not be fair or reasonable to policyholders to do so, we normally cancel and credit all relevant units at the end of the period of delay.
- (b) Where there is a delay between cancelling units or selling assets on the one hand and crediting units or receiving the proceeds on the other, we will normally cancel at the price which applies at the start of the period of delay and credit at the price which applies at the end.

- (c) There may be occasions when the existing units have been cancelled but there is a delay in crediting the new units. In such a case, no interest will be added to the amount raised from the cancellation of the units for the interim period between the date of the cancellation and the date that the new units are credited.

**6. LIFETIME INVESTMENT STRATEGY OPTION**

The Lifetime Investment Strategy option is a facility which provides for automatic switching between pre-selected Funds at or around pre-selected dates.

Full details of the Lifetime Investment Strategy option are set out in the “Investment Guide for the Flexible Lifetime Annuity and Flexible Income Drawdown Plan”.

**7. CHARGES**

The annuitant’s personal illustration and the “Investment Guide for the Flexible Lifetime Annuity and Flexible Income Drawdown Plan” give an outline of the Fund management charges payable. He or she should contact their financial adviser for more details.

Details of any switching charge are set out in the Key Features document.

We may change any of our charges from time to time, but will keep any increases to reasonable amounts.

We will give at least three months' notice of our intention to change our charges for the Unit-Linked Funds or for switching.

# PRUDENTIAL

"Prudential" is a trading name of The Prudential Assurance Company Limited, of Prudential Annuities Limited and of Prudential Retirement Income Limited. This name is also used by other companies within the Prudential Group, which between them provide a range of financial products including life assurance, pensions, savings and investment products. The Prudential Assurance Company Limited and Prudential Annuities Limited are registered in England and Wales. Registered Office at Laurence Pountney Hill, London, EC4R 0HH. Registered numbers 15454 and 2554213 respectively. Prudential Retirement Income Limited is registered in Scotland. Registered Office at PO Box 25, Craigforth, Stirling FK9 4UE. Registered number SCO47842. Authorised and regulated by the Financial Services Authority.