GET LIFE RIGHT

IVALIFE Insurance Limited

With-Profits Principles Document

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www.iva.life

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1. EXECUTIVE SUMMARY

1.1 EXECUTIVE SUMMARY

IVALIFE Insurance Limited ("IVALIFE") is a life insurance company authorised and regulated by the Malta Financial Services Authority to carry on long term business of insurance under the Insurance Business Act (Chapter 403 of the Laws of Malta) in respect of commitments where Malta is the country of commitment.

IVALIFE's main objective when managing its With-Profits business is to optimise the return and growth over the long term of its With-Profits policies, while maintaining a healthy financial position to ensure that all guaranteed benefits are paid. In order to fulfil this objective, IVALIFE is required to apply significant judgements and take appropriate decisions having regard the policyholders' reasonable expectations and the need of fair treatment of all policyholders. Any judgements and decisions are made by IVALIFE in good faith, and by aiming to maintain a balance of the different interests of:

- Policyholders of different plans;
- Policyholders commencing plans at different times with different durations;
- Policyholders remaining in the With-Profits Fund and those leaving the Fund.

IVALIFE also aims to balance the interests of With-Profits policyholders and shareholders, always subject to the fair treatment of policyholders.

This document was prepared to provide an understanding to the policyholders of the principles followed by IVALIFE in the management of its With-Profits business.

IVALIFE will regularly adapt this document to respond to changes in experience within the With-Profits Fund as well as to the external economic and regulatory environment.

The principles and information in this document represent the way in which IVALIFE currently manages its With-Profits business.

2. APPLICATION OF THIS DOCUMENT

2.1 SCOPE OF THIS DOCUMENT

This document includes the principles followed by IVALIFE in the management and disclosures on the operation of its With-Profits business.

The principles and information in this document represent the way in which IVALIFE currently manages its With-Profits business and are expected to be amended on a regular basis.

This document is not intended to alter the contractual terms and conditions of any policy. If there is any conflict between this document and any contractual term and condition of a policy, the latter shall prevail.

The preparation of this document is a requirement of the MFSA and the minimum requirements to be covered are prescribed by MFSA.

This document includes, among others, the principles applied on:

- Benefits provided including:
  - The types of bonus applicable and how bonus rates are determined
  - How MVAs are determined and when they apply
  - Smoothing Methodology
  - Any guarantees applicable
  - The role that asset shares play in determination of bonuses
  - Treatment of (exit) tax
- Investment Strategy, including information on the mix of assets backing the With-Profits policies and possible use of derivatives.
- Charges and Expenses, including which expenses and charges apply to its With-Profits policies and how these are allocated.
- Equity between With-Profits policies and shareholders, including a description of when the current allocation may change.
- Governance in place regarding amendments to this document, including a defined set of circumstances when changes to this document can be made and a defined notification period.

2.2 GOVERNANCE IN PLACE

This document will be reviewed on an annual basis by the Product Oversight and Governance committee of IVALIFE. As the circumstances of IVALIFE change, the content of this document can be amended following such a review. Changes in circumstances of IVALIFE include but are not limited to:

- Alteration of business and / or economic environment;
- The launch of new products;
- Significant changes in the financial position and / or management of the With-Profits Fund;
- Consideration of fairness between different types of product, different generations of policyholders and / or different types of claim; and
- Regulatory or legal changes.

Any amendments will be reviewed by IVALIFE's Appointed Actuary and will be approved by IVALIFE's Board of Directors.

Policyholders affected by any material amendments to the With-Profits insurance policy will be notified 2 months prior to the effective date of the amendments. If unforeseen circumstances require an immediate amendment to the With-Profits insurance policy, then changes will be made without prior notification of the policyholders. In such circumstances, any amendments will be discussed and agreed with MFSA prior to their implementation.

The compliance of the actions taken with the With-Profits Principles in this document will be monitored on annual basis by IVALIFE's Board of Directors.

3. INTRODUCTION TO WITH-PROFITS BUSINESS

3.1 OVERVIEW OF WITH-PROFITS POLICIES

With-Profits policies are insurance contracts that participate in the profits of a life Insurance With-Profits Fund. IVALIFE writes unitized With-Profits policies. Under these type of policies, the contractual benefits are determined by reference to the number of units allocated under these relevant policy. The premiums paid are used to buy the units allocated to the policy. The number of units allocated following the payment of premium, depends on the offer price applicable at the time of allocation as well as certain contractual charges.

Under these type of policies, unit prices in any sub-fund grow in line with the sum of:

- The applicable guaranteed minimum growth rate set out in the contractual terms and conditions (0% p.a.); and
- Any discretionary bonus growth rate in relation to units of that sub-fund (subject to a minimum of 0% p.a.).

Details of the different products available can be found in Appendix A.

3.2 FUNDS

IVALIFE currently has only one long-term With-Profits Fund.

The fund includes both regular and single premium contracts. All allocated contributions of the With-Profits contracts are invested in the With-Profits Fund.

4. BENEFITS OF WITH-PROFITS POLICIES

4.1 BENEFITS OVERVIEW

Benefits are paid in the event of maturity, death and surrender (partial or full).

The pay-out values in the event of maturity or death are subject to smoothing while the pay-out values in the event of surrender are also subject to Market Value Adjustment.

In addition to the above benefits, bonuses may also be provided by the Company on an annual basis. These bonuses are guaranteed to be non-negative.

4.2 BONUS APPLICABLE

4.2.1 OVERVIEW

The amount of profit available for distribution among With-Profits policyholders and shareholders is determined annually by the Board of Directors of IVALIFE after considering the professional advice of the Appointed Actuary. The profit to be distributed depends on the performance of the fund in the last year, any undistributed investment returns retained as part of smoothing from previous years and the expected future return. The distribution of available investment profit between policyholders and shareholders is 90% and 10% respectively.

Policyholders receive their share of profit through bonuses declared on a yearly basis.

4.2.2 ASSET SHARE

As mentioned, IVALIFE's decisions are taken having regard the policyholders' reasonable expectations and the need of fair treatment of generations of policyholders and shareholders. Thus, IVALIFE, requires that policyholders will receive benefits in line with smoothed asset shares and their guaranteed benefits. Targets are set for pay-out values in terms of the asset shares of the policies.

The asset share of a sample policy is a fair value of the assets backing the policy, and comprises of the:

- Accumulation of premiums (less any withdrawals) at the investment return on the backing assets;
- Less deduction of charges and costs of maintaining the With-Profits Fund;
- Less any guarantee cost and adjustments for smoothing;
- Less Shareholders' profit transfer;
- Less any tax paid (or allowance for tax on unrealised gains);
- Plus or Minus miscellaneous profits or losses;

Further details regarding charges and costs of maintaining the With-Profits Fund, smoothing and Shareholders' profit transfer are discussed in Sections 6, 4.3 and 5 respectively.

4.2.2.1 ACCUMULATION OF PREMIUMS AT THE INVESTMENT RETURN ON THE BACKING ASSETS

This refers to the return that the asset share for all With-Profits policies achieves by investing in a particular asset pool. This return is credited to the asset share.

Further information in relation to the investment strategy followed by the Company is illustrated in Section 7.

4.2.2.2 TREATMENT OF TAX

For life Insurance business, tax is payable on investment income and realised capital gains. At the maturity, surrender or death, the payout will be adjusted by applying the (exit) tax rate on the total gain of the policy. The exit tax is allowed in the return used in the Asset Share roll-up.

The current (exit) tax rate is 15% however, this may be amended following any regulatory change.

Government Stamp Duty is also a form of tax. Stamp Duty is equal to 0.1% of the Death Benefit subject to a minimum of €2.33 will be allowed for within the unallocated premium at the start of the contract.

The Governent Stamp Duty and exit tax is born by the Company.

4.2.2.3 MISCELLANEOUS PROFIT OR LOSS

Miscellaneous profit or loss may arise due to difference between the expenses incurred and the charges deducted from asset share to cover these expenses. Such differences mainly arise due to the discontinuance of policies.

4.2.3 TYPES OF BONUS APPLICABLE

As mentioned, policyholders receive their share of profit through bonuses declared on a yearly basis. There are three types of bonuses:

- Annual Bonus declared by IVALIFE at the end of each financial year;
- Interim Bonus which may be paid on surrender; and
- Terminal Bonus which may be paid on death or maturity of the policy

The rates of bonuses declared are generally different for each type of policy and they are guaranteed to be greater or equal to zero.

IVALIFE seeks to treat all With-Profits policyholders fairly by providing:

- Terminal Bonuses that are fair between policyholders of different types of policies and policyholders starting plans at different times;
- Interim Bonuses that are fair between policyholders remaining in the With-Profits Fund and those leaving the With-Profits Fund.

4.2.3.1 ANNUAL BONUS

Annual Bonus is paid once every year. Rates of Annual Bonus are determined for each type of policy primarily based on the asset share of the policy or group of policies.

Annual Bonus rates are guaranteed to be greater than or equal to zero; that means that the premiums paid (subject to charges applied) and the accumulated bonus will be protected as long as the investment is held to maturity or to death.

In general, it is expected that changes to Annual Bonus rates will be gradual over time however, the Company retains the discretion to choose whether a non-zero annual bonus will be declared, and there are no restrictions on the amount by which Annual Bonus rates can change from year to year. The policyholders will be notified on the Annual Bonus rates declared.

4.2.3.2 INTERIM BONUS

An Interim Bonus may be added on partial or full surrender of the policies.

The Company will, in general, aim to provide an interim bonus so as the payout value of the policy is within the range of 60% - 100% of the asset shares of the policy, however, the bonuses are not guaranteed and are completely at the discretion of the Company. While providing interim bonus, the Company will ensure that a strong solvency position is maintained by the Fund and the Company.

Interim Bonuses are subject to Smoothing and Market Value Adjustment (MVA). Further information regarding Smoothing and Market Value Adjustment can be found in Section 4.3 and 4.4 respectively.

4.2.3.3 TERMINAL BONUS

A Terminal Bonus may be added on the death of the life assured or on maturity and is usually expressed as a percentage of the Account Value of the policy.

The Company will, in general, aim to provide a terminal bonus so as the payout value of the policy is within the range of 80% - 120% of the asset shares of the policy however, the bonus rates are not guaranteed (unless otherwise stated on the contractual terms and conditions).

Terminal bonus rates may vary depending on the type of policy and the period in which the policy commenced and each premium was paid.

Terminal Bonuses are subject to Smoothing. Further information regarding Smoothing can be found in Section 4.3.

4.3 SMOOTHING

Smoothing is applied in the determination of both terminal and interim bonus. IVALIFE aims to smooth terminal and interim bonus rates by holding back a proportion of the profits earned during good years in the form of smoothing reserve and distribute them in years of poor performance. This reduces the volatility of bonus rates in the short term and ensures that reasonable returns are provided during years of poor performance.

The extent of any smoothing on maturity and death claims or in surrender can vary by product, sub-fund, and policy type. Payout values on maturity and deaths are smoothed primarily by looking at the change in payout value on a sample of representative policies from one year to the next. In normal circumstances, IVALIFE will seek to apply smoothing so as the payout values on similar policies (same duration, type etc.) from one year to the next will not differ by more than 10% and payout values are within the target ranges as described in Sections 4.2.3.2 and 4.2.3.3. However, this remains at the discretion of the Company and larger changes may deemed necessary.

4.4 MARKET VALUE ADJUSTMENT

A Market Value Adjustment (MVA) may be applied in the calculation of payouts in case of surrender (partial or full). The MVA is a deduction from the smoothed asset share of the surrender individual in the benefit of the With-Profits Fund to ensure that neither the scrutiny of the fund nor the return to continuing policyholders is affected by providing Interim Bonuses.

IVALIFE does not intend to apply a MVA that will reduce the pay-out in case of surrender below an amount fairly reflecting the value of the assets underlying the policy. In general, there will be a reduction on the impact of MVA as policies approach maturity with the aim of ensuring that surrender values progress smoothly into maturity values.

5. EQUITY BETWEEN WITH-PROFITS POLICIES AND SHAREHOLDERS

5.1 OVERVIEW

The below sections describe IVALIFE's approach to balancing the respective interests of With-Profits policyholders' and shareholders.

5.2 SHAREHOLDERS' SHARE OF PROFIT

The available investment profit is distributed among With-Profits policyholders and shareholders on proportion 90% and 10% respectively. The profits distributed to the shareholders is transferred out of the With-Profits Fund but will be retained, if deemed necessary, to ensure that any contractual liability is met.

IVALIFE will not take any actions to favour the distribution of profits to shareholders, if these are inconsistent with policyholders' reasonable expectations and the duty and need to treat policyholders fairly.

5.3 CHANGES IN ALLOCATION

As the circumstances of IVALIFE change, the allocation between policyholders and shareholders may change if this would achieve a better balance between policyholders' and shareholders' interests. Any change in allocation will be approved by MFSA and all the policyholders will be notified at least one month prior to the implementation of the change.

6. CHARGES AND EXPENSES

6.1 CHARGES AND EXPENSES

IVALIFE will incur expenses relating to the operation of the With-Profits Fund. These expenses will be charged to the With-Profits policies.

With-Profits policies will only be charged expenses that in the reasonable opinion of the Board have been incurred or will be incurred in the operation of the With-Profits Fund.

Expenses are allowed in the calculation of asset shares and pay-outs for different products through:

- explicit charges (such as explicit annual management fees);
- a deduction from the investment return applied to asset shares;
- appropriate deductions for expenses incurred (such as an allowance for renewal expenses); or
- a combination of the above.

For With-Profits policies, any explicit charges applied including annual management charges, allocation chargers, surrender charges and charges from switching between funds will be clearly stated in the contractual terms and conditions. In some cases, reductions to charges of larger fund sizes or other adjustments may be applied with aim to ensure that no policyholder is disadvantaged by any historic change in charging structure.

7. INVESTMENT STRATEGY

7.1 INTRODUCTION

IVALIFE usually invests its with-profits assets in a wide range of asset classes, including local and foreign equities, sovereign bonds, corporate bonds and cash.

In the future, given the growth of the fund and the economic environment, IVALIFE may choose to diversify to investment property as well.

The investment to these assets is achieved through holding appropriate derivative contracts or the underlying assets themselves.

7.2 OBJECTIVES

IVALIFE's objective for its investment strategy is to optimize the investment return on assets backing with-profits policies while:

- Maintaining an appropriate balance between the risk undertaken and the expected return;
- Maintaining an appropriate and broad mix of asset classes;
- Maintaining a healthy financial position and adequate levels of liquidity for the With-Profits Fund;
- Protecting appropriately the relative interests of all groups of policyholders;
- Ensuring the fair treatment of all policyholders.

7.3 ASSET MIX

The With-Profits Fund's asset mix is expected to change gradually from time to time to remain in line with the objectives of the investment strategy. In determining the asset mix of the With-Profits Fund, the Company assumes no reliance on any assets outside the With-Profits Fund.

Information relating to the current asset allocation mix for each sub-fund are published on our website: www.iva.life

7.4 DETERMINATION OF INVESTMENT STRATEGY

7.4.1 OVERVIEW

IVALIFE determines its investment strategy within investment benchmarks, associated performance targets for the assets and a set of constraints to be applied to the invested assets. These are reviewed on an annual basis and a contingency plan is set in place in case of significant changes in market circumstances prior to the next annual review. Within these constraints, IVALIFE will establish a number of different asset pools for different classes of policies and / or sub-funds depending on the nature of their liabilities, the level of any guarantees provided and their overall acceptable risk levels.

Senior managers will review and monitor the constraints and contingency plans, as well as the investment performance against benchmarks and associated performance targets and report regularly to the Board. The investment benchmarks, associated performance targets, the constraints to be applied to the invested assets and the contingency plan will be approved by the Board.

7.4.2 INVESTMENT CONSTRAINTS

The Company's investment constrains are set out in the Risk Policy of the Company and include predefined minimum criteria that financial instruments should meet. The use of new types of investment, or investments whose nature has changed is monitored to ensure that the minimum criteria are met. The predefined minimum criteria include, among others:

- The need of financial instruments to be capable of being priced and administered;
- Limitations on credit risk, market risk, liquidity and capital management, demographic and expense risk as well as operational risk;
- Requirements on the quality of assets;
- Limitations on counterparty exposures, exposure to investment market sectors and exposure to corporate bonds of different credit ratings;
- Limitations on overall currency exposure.

Credit limits and Exposure limits are monitored regularly and any breach of the requirements set in the Risk Policy are communicated to the Asset Liability Investment Advisory Committee.

7.4.3 USE OF DERIVATIVES

As mentioned, the investment in some asset classes may be achieved through holding appropriate derivative contracts. Derivatives will only be used for the purpose of efficient portfolio management or reduction in investment risk.

Derivatives will be employed only:

- To meet contractual obligations;
- If they are efficient means to reduce risk and / or cost;
- If they can generate additional capital.

APPENDIX A: PRODUCTS

A.1 IVAINVEST WITH-PROFITS – SINGLE PREMIUM

Minimum contributions	€10,000 with no maximum contribution
Minimum Age	18 yrs
Maximum Age	65 yrs
Duration	10 yrs
Premium ADD-ONS	One time and add-ons are permitted
Payment method	Direct Debit (SEPA), Bank Transfer or Cheque
Policy Fees	€80
Joint lives	Applicable
AMC	1% of Asset Share
Withdrawals	Surrender charges apply on withdrawals in first five years. Minimum withdrawal €1,000 subject to retaining a minimum of €10,000 as policy account value
Allocation charge	2% on initial deposit and top ups
Bonuses Withdrawal	Client has option to accumulate or withdraw annual bonus
Death Benefit	101% subject to a maximum of €1,000 free life cover in addition to the policy account
Govt stamp duty	1 per mille on the death benefit (minimum €2.33)
Surrender charges	Less than 1 yr 7% 2 years 5% 3 year 3% 4 year 2% 5 year 1%
Market Value Adjustment	Applicable
Top Ups	Min €500 – no maximum (allocation charge as per initial premium)

A.2 IVASAVE WITH-PROFITS – REGULAR PREMIUM

Minimum contributions	Monthly € 40 Quarterly € 120 Semi-annually € 240 Annually € 480 No maximum contribution
Minimum Sum Assured	€1,000 free life cover in addition to the policy account NB: In case of a death claim the Death Benefit rider (if applicable) will be paid in addition to the policy account or €1,000 whichever is the greater
Minimum Age	1yr
Maximum Age - entry	65 yrs
Minimum duration	10 yrs
Maximum duration	57 yrs up to age 75
Premium Payment Frequency	Monthly, quarterly, semi-annually, annually
Payment method	Direct Debit (SEPA), Standing Order, Bank Transfer, Credit Card or Cheque
Policy Fees	€3.33 monthly €10 quarterly €20 semi-annually €40 annually
Joint lives	Applicable
Withdrawals	Applicable after the 3rd year premium year has been paid. Surrender charges will apply. Minimum withdrawal €1000 subject to retaining a minimum policy value of €1000
Management fee	1.02% of Asset Share
Surrender charges	Year 1 to 3 100% Year 4 80% Year 5 60% Year 6 50% Year 7 40% Year 8 30% Year 9 20% Year 10 10% Year 11 onwards 1.25% for every year between the date of surrender and policy maturity date capped at 10%.
Investment Increases	Applicable on frequency anniversary
Add Ons	Min € 240 with no maximum. Allocation charge as per With Profits Regular Premium product applies
Top Ups	Min € 500 with no maximum. No top-up is allowed in the final year of the policy and allocation charge as per With Profits Single Premium product applies

APPENDIX B: GLOSSARY

In this With-Profits Principles Document, the following terms shall have the meanings given below:

Asset Share: the asset share of a policy is a fair value of the assets backing the policy, and comprises of the:
- Accumulation of premiums (less any withdrawals) at the investment return on the backing assets;
- Less deduction of charges and costs of maintaining the With-Profits Fund;
- Less any guarantee cost and adjustments for smoothing;
- Less Shareholders' profit transfer;
- Less any tax paid (or allowance for tax on unrealised gains);
- Plus or Minus miscellaneous profits or losses;

Board: the Board of Directors of IVALIFE.

Class of policy: the grouping of policies used for common treatment, e.g. in the determination of bonus rates. The grouping may be different for different purposes and/or sub-fund and may change over time.

Credit rating: an estimate of the ability of an entity to fulfil their financial commitments.

Company: IVALIFE Insuance Limited, registered as a limited liability company under the Laws of Malta, bearing company registration number C 94404, our head office situated at Centris Business Gateway II, Level 1D, Triq is-Salib tal-Imriehel, Central Business District, B'kara CBD 3020.

Credit risk: the risk that losses may arise from the failure of a third party to meet its obligations to IVALIFE under a contract entered into with IVALIFE.

Demographic risk: the risk associated with the policyholders getting older and thus the probability of death (and as a result death claim) increases.

Derivative: a contract between two parties which derives its value/price from an underlying asset thus instead of buying directly the underlying asset, the derivative can be bought.

Expense risk: the risk of the Company facing expenses higher than expected.

Financial year: the financial year is any 12 months ending on 31 December.

Guaranteed benefits: any minimum benefit guaranteed to be paid on dates or events specified under the contractual terms and conditions of the policy.

Investment return: profits or losses from investments.

Maturity: a claim other than one arising on death or withdrawal.

Market Risk: the risk that investments will yield lower return than expected due to events that affect the whole market in general.

Market Value Adjustment: a deduction from the smoothed asset share of the surrender individual in the benefit of the With-Profits Fund to ensure that neither the scrutiny of the fund nor the return to continuing policyholders is affected by providing interim bonuses.

MFSA: Malta Financial Services Authority

Payout: the actual benefits paid on a claim (i.e. maturity, withdrawal or death).

Partial Surrender: amount is deducted from the Account Value of the policy at a defined timing as chosen by the policyholder.

Representative sample of policies: the payout are set by considering a sample of representative policies, each policy in the sample has characteristics that reflect the group of policies to which each payout calculation will be applied.

Smoothing: Terminal and interim bonus rates are smoothed by holding back a proportion of the profits earned during good years in the form of smoothing reserve and distribute them in years of poor performance. This reduces the volatility of bonus rates in the short term and ensures that reasonable returns are provided during years of poor performance.

Sub-fund(s): notional funds within the With-Profits Fund in which units of a with-profits policy are allocated. A with-profits policy may have units allocated in more than one sub-fund.

Surrender (Either partial or in whole): switches out of any With-Profits Fund.

With-Profits policy: insurance contracts that participate in the profits of a life Insurance With-Profits Fund.