

# Further information about Norwich Union's reattribution and fund transfer



## A recap on our proposals

The two changes we propose to make are a **fund transfer** and a **reattribution**.

We propose to transfer all the policies of:

- **CGNU Life, CULAC and Norwich Union Life (RBS) Limited**

to one existing company:

- **Norwich Union Life & Pensions Limited (NULAP)**

At the same time, we are planning to reorganise or 'reattribute' part of the money that has built up in the CGNU Life and CULAC with-profits funds. This money, known as the inherited estate, is above the expected amount needed to meet policyholder and other commitments. The inherited estate provides working capital for the with-profits fund and supports its operation.

If the proposals for a reattribution go ahead, we intend to offer eligible policyholders an incentive payment in return for giving up their future interests in any possible payouts ('special distributions') from the inherited estate.

Policyholders have complete freedom of choice whether to accept the offer or not.

**Please note that we're unable to tell you about your individual offer at this point. Please look out for the election mailing pack we'll send you during winter 2008/spring 2009.**

Our proposals will not affect the terms of your policy, your regular premiums or potential future returns.

## Eligibility for the proposed reattribution

If you are eligible for our proposed reattribution we wrote to you to confirm this in December 2007.

For your policy to be eligible for a potential reattribution incentive payment it must meet three basic rules:

1. It must be a with-profits policy invested in the CGNU Life With-Profits Fund or Commercial Union Life Assurance Company (CULAC) With-Profits Fund. These funds include Norwich Union Life (RBS) Ltd (NUL RBS) and Norwich Union International Limited (NUIL) with-profits policies.
2. It must have been in force on 21 November 2006.
3. It must still be in force on the day the reattribution takes place, which will be in spring 2009 at the earliest.

Eligible policies that mature after 21 November 2006 or on which a death or critical illness claim is made before the date the reattribution takes place will still be eligible. These policies will still be eligible to receive a payment as long as the investment remained within the with-profits fund at the date of maturity or claim.

Policies that are surrendered, switched or transferred out of the with-profits fund before the date the reattribution takes place will lose eligibility for an incentive payment. Part-surrenders or withdrawals may reduce the amount of any incentive payment. Stakeholder pensions, Provident Mutual and NULAP policies are not eligible for the reattribution.



## More about the special bonus

Whilst still working on our reattribution plans, we were very pleased to announce separately in February 2008 that over the next three years we're awarding special bonuses worth an estimated £2.1 billion to over 1 million customers who hold with-profits policies invested in the CGNU Life or CULAC with-profits funds. The special bonuses are entirely separate from, and in addition to, the reattribution. The special bonuses will not be affected by how you vote in the reattribution.

The special bonuses are the result of a special distribution from the inherited estates of the CGNU Life and CULAC with-profits funds and will provide a total bonus of around 10% of the with-profits policy value for each eligible policy.

In line with the principles and practices governing the funds, the special distribution will be paid out on a 90:10 basis with policyholders receiving £2.1 billion in special bonuses and shareholders receiving £230 million. This represents a substantial payout (more than 40%) of the inherited estates to current policyholders. Taken together with the £2.1 billion special bonus distribution to policyholders, the reattribution offer means a potential total of £3.1 billion to be allocated to policyholders. This is equivalent to around 70% of the value of the inherited estates being released to policyholders, if all policyholders voted to accept.

The eligibility criteria for the special bonus are different from those applying for the reattribution. If your policy is eligible for the special bonus we wrote to you to confirm this in March or April 2008.

If your with-profits policy was invested in the CGNU Life or CULAC with-profits funds (excluding Stakeholder pensions and Provident Mutual policies) on 1 January 2008 you will be eligible for the first special bonus.

You are eligible for the second and third special bonuses if you are eligible for the first special bonus, and you're still invested in the CGNU Life or CULAC with-profits funds on the following qualifying dates:

- 2nd special bonus qualification date - 1 January 2009
- 3rd special bonus qualification date - 1 January 2010

The special bonuses will be added to eligible policies by the end of December 2008, 2009 and 2010 respectively.

If you leave the fund for any reason (for example on maturity, through switching, surrendering or selling your policy, or where a death or critical illness claim is made) your policy won't be eligible for any future special bonus instalments.

If you'd like more information about the special distribution and special bonuses please visit [www.norwichunion.com/specialbonus](http://www.norwichunion.com/specialbonus)



## Explanation of terms

<b>CGNU Life</b>	CGNU Life Assurance Limited. An insurance company that is part of the Norwich Union Life group of companies. This company has previously been known as both General Accident and CGU.
<b>CULAC</b>	Commercial Union Life Assurance Company Limited. An insurance company that is part of the Norwich Union Life group of companies.
<b>Fund transfer</b>	A fund transfer moves all policies and the assets that back them from one company to another. The proposed fund transfer will move all CGNU Life, CULAC and NUL RBS policies into Norwich Union Life & Pensions Limited.
<b>Incentive payment</b>	A payment from shareholders' funds to eligible policyholders in return for accepting the reattribution offer.
<b>Inherited estate</b>	The inherited estate is money that has built up in the CGNU Life and CULAC with-profits funds over many generations. It is in addition to the expected amount needed to meet current and future policyholder commitments, guarantees and other obligations such as tax and expenses. The inherited estate provides working capital for the with-profits fund and supports its operation. The inherited estate is important because it is used to provide: <ul style="list-style-type: none"> <li>- security for policyholders against unexpected adverse conditions, such as mitigating substantial falls in stock market values</li> <li>- investment flexibility and</li> <li>- the finance needed to support the continued writing of new business in the funds.</li> </ul>
<b>NUL RBS</b>	Norwich Union Life (RBS) Limited. An insurance company that is part of the Norwich Union Life group of companies and reinsures with-profits investments to the CGNU Life and CULAC with-profits funds.
<b>NULAP</b>	Norwich Union Life & Pensions Limited. An insurance company that is part of the Norwich Union Life group of companies.
<b>Policyholder Advocate</b>	The Policyholder Advocate is an individual approved by the Financial Services Authority who is appointed to represent the interests of policyholders in negotiating a reattribution. Clare Spottiswoode has been appointed to represent Norwich Union policyholders.
<b>Reattribution</b>	A reattribution is a reorganisation of the inherited estate that allows eligible policyholders to choose to receive an incentive payment in return for giving up their interests in any possible future special distributions. The incentive payment comes from new money provided by shareholders, so the inherited estate remains in place for as long as it's needed to support the with-profits funds.
<b>Smoothing</b>	A with-profits fund holds back some of the distributable profits from years of high investment returns. The money that is kept in reserve is used to support bonuses in years when investment conditions are poor. This concept is known as smoothing.
<b>Special distribution</b>	Under a special distribution from the inherited estate, payments are made out of the inherited estate to policyholders and shareholders in the form of a special bonus. The money paid out is no longer needed to support the solvency and investment freedom of the with-profits funds.  Norwich Union would only make a special distribution if there is deemed to be an 'excess surplus' in the inherited estate. Excess surplus represents an amount that the board of directors, using its discretion, considers to be above and beyond the amount needed for the inherited estate to perform its role now and in the future and which it would be unfair to policyholders not to distribute. A special distribution totalling £2.3 billion was announced in February 2008. Special bonuses totalling around £2.1 billion arising from this special distribution will be paid to qualifying policyholders over three years.
<b>With-profits fund</b>	With-profits funds are investment vehicles designed to provide savers with access to stock market investment at lower risk than direct investment in shares. The products that use with-profits are typically regular and single premium savings plans (endowments and bonds) and pensions.  With-profits funds pool policyholders' investments, which the insurance company manages and reflects by adding bonuses to the value of the policies. The size of these bonuses depends on how well the investments perform and are subject to smoothing. A regular bonus (sometimes known as a reversionary bonus) is added to policies every year. A final bonus may be paid when the investor leaves the fund when the policy ends.

## New Indicative Timetable

Date	Event
Summer 2008	<ul style="list-style-type: none"> <li>Norwich Union and the Policyholder Advocate agree that a reattribution offer should be put to eligible policyholders.</li> </ul>
Autumn 2008	<ul style="list-style-type: none"> <li>Policyholders mailing update and initial court hearing to review Norwich Union's proposed reattribution and fund transfer scheme.</li> </ul>
Autumn/winter 2008	<ul style="list-style-type: none"> <li>Election mailing packs produced for more than one million eligible policyholders.</li> </ul>
Winter 2008/ spring 2009	<ul style="list-style-type: none"> <li><b>Your chance to vote.</b> Reattribution election takes place. Policyholders will be entirely free to choose whether to accept the reattribution offer or not. You must vote to accept the offer to receive your incentive payment.</li> </ul>
Spring 2009	<ul style="list-style-type: none"> <li>Election result, and subsequent FSA review and consideration and approval of reattribution and fund transfer scheme by High Court.</li> </ul>
Spring 2009	<ul style="list-style-type: none"> <li>If approved by the court and confirmed by the board, reattribution and fund transfer completed.</li> </ul>
Summer 2009	<ul style="list-style-type: none"> <li>Payment made to policyholders who voted to accept the reattribution offer.</li> </ul>

It is possible that this timetable may change.



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an AVIVA company

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