

Q&A

Special bonus

your questions answered

February 2008



**NORWICH
UNION**
an AVIVA company

We just make it easier.

Great news for over 1 million with-profits customers

In February 2008 we announced that over the next three years we're awarding special bonuses worth an estimated £2.1 billion to over one million eligible with-profits customers.

This is possible because we've changed the way we manage the with-profits funds to reduce the investment risks. Because of this, we don't have to set aside so much money to cover these risks.

By awarding special bonuses we're sharing this money with you over the next three years.

You'll be reassured to hear that our With-Profits Committee (with its majority of independent members) supports these changes. You can read more about the Committee in part 8 of this brochure.

Of course, you'll have some questions about the special bonus, so we've designed this brochure to help answer them for you.

If you have a question that doesn't appear here, we'll be pleased to help. Call us on either of the numbers below between 8.30am and 5.30pm, Monday to Friday.

Pensions

0800 158 2472

Life (other policies, including investment bonds and endowment policies)

0800 158 2473

Please have your policy details available when you call, and be prepared to answer some short security questions. We may record and/or monitor calls for your security.

Special bonus

your questions answered

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Part 1 - What is a special bonus?

What is a special bonus?

A special bonus is a bonus added to a with-profits policy in addition to any other standard bonuses (e.g. a regular or final bonus). Special bonuses are only awarded in exceptional circumstances.

In this case we're awarding up to three special bonuses to over 1 million customers invested in the CGNU Life and CULAC with-profits funds (excluding stakeholder pension policies and Provident Mutual policies).

To qualify for any of the three special bonuses you must have been invested in one of these funds on 1 January 2008.

The special bonus is made possible by a 'distribution' – a payment made from the inherited estate of a with-profits fund.

More information about distributions is included in part 6.

Part 2 - Am I eligible?

Who is eligible for the special bonuses?

You are eligible for the first special bonus if you were invested in the CGNU Life or Commercial Union Life Assurance Company (CULAC) with-profits funds on 1 January 2008. Stakeholder pensions, Provident Mutual policies and Norwich Union Life and Pensions (NULAP) policies are not eligible. Policies that started on or after 1 January 2008 are not eligible.

You are only eligible for the second or third special bonuses if you were invested in the CGNU Life and CULAC funds on 1 January 2008.

You are eligible for the second special bonus if you stay invested in the same with-profits fund until 1 January 2009.

If your policy ends for any reason, or you switch to another fund before 1 January 2009 you are not eligible for the second special bonus.

You are eligible for the third special bonus if you stay invested in the same with-profits fund until 1 January 2010.

If your policy ends for any reason, or you switch to another fund before 1 January 2010 you are not eligible for the third special bonus.

I am a trustee of an occupational pension scheme – can pension schemes qualify for the special bonuses?

Yes – the same qualification rules apply to pension schemes.

I have a Norwich Union International policy – can I qualify for the special bonuses?

Yes – Norwich Union International customers invested in the Euro, Sterling or US Dollar with-profit funds also qualify to receive these special bonuses as these funds are invested in the CGNU Life and CULAC with-profits funds.

What are the qualification dates for the special bonuses?

The qualification dates for the special bonuses are:

- First special bonus – 1 January 2008
- Second special bonus – 1 January 2009
- Third special bonus – 1 January 2010

What if I move my investment out of the CGNU Life or CULAC with-profits funds between 1 January 2008 and 5 February 2008 (e.g. my policy matured, I switched my investment to another fund, I cancelled my policy)?

If you left these funds between 1 January 2008 and 5 February 2008, we did not add the first special bonus to your policy. That's because we had not announced the special bonus at that time.

You are, however, still entitled to receive the first special bonus. We will be writing to you later in 2008 to tell you how and when we will be paying the special bonus.

However, because your investment moved out of the funds before the qualification dates you are not eligible for the second and third special bonuses.

My policy matures after 1 January 2008 – what happens if you haven't added the first special bonus before the maturity date?

We'll be adding the special bonus to policies at the end of 2008. In March 2008 we will finish updating our final bonus rates, so that the special bonus will be automatically added to the value of your investment when it matures.

If your investment matures before we update the final bonus rates, we'll be writing to you later in 2008 to tell you how and when we will be paying the special bonus.

My policy matures between 1 January 2008 and 1 January 2009 – what happens to the second and third special bonuses?

Because your investment matures before the second and third qualification dates you will not receive the second or third special bonuses.

My policy matures between 1 January 2009 and 1 January 2010 – what happens to the third special bonus?

Because your investment matures before the third qualification date you will not receive the third special bonus.

I want to cancel my policy or move my investment out of these funds – will I still qualify for the special bonus?

If you qualify for the first special bonus, and you cancel your policy or switch your investment to other funds, you will still receive the first special bonus.

In March 2008 we will finish updating our final bonus rates so that the special bonus is automatically added to the value of your investment if you cancel or switch your investment out of the funds.

If you cancel or switch your investment before we finish updating the final bonus rates, we'll be writing to you later in 2008 to tell you how and when we will be paying the special bonus.

You should remember that to receive the second and third special bonuses you must stay invested in the relevant funds until the qualification dates.

(See 'What are the qualification dates for the special bonuses?')

I have sent in a request to switch / transfer to another fund or cancel my policy. Can I change my mind?

If the transaction has not been processed you can cancel the request. Unfortunately, if the transaction has already been processed this will not be possible. In this situation we'll contact you later in 2008 to pay you the first special bonus.

My policy is due to mature this year - can I extend the term?

If your policy has the option to extend the term (sometimes known as 'deferring maturity'), then we are happy for you to do this. If you extend the term and meet the qualification rules then we'll award these bonuses.

If your policy does not have this feature you'll only receive special bonuses you're qualified for when your policy matures.

My investment moves out of the fund before one of the qualification dates (e.g. cancellation, switch, transfer, maturity, lifestyling). Why aren't I entitled to all of the special bonuses?

It is normal practice for any special award made by a company to its customers (e.g. a demutualisation share award), to have qualification rules. The same applies to the special bonuses.

If you do not meet the qualification rules for all of the special bonuses, which have been approved by the Norwich Union With-Profits Committee, you will not receive all of the special bonuses.

For more information about the With-Profits Committee, see part 8.

Part 3 - How and when will you award the special bonuses?

When will you award the special bonuses?

If you're eligible for the first special bonus it will be added to your policy at the end of 2008.

Provided you meet the qualification rules, the second special bonus will be added to your policy at the end of 2009, and the third at the end of 2010.

How will you award the special bonuses?

This depends on the type of policy you've invested in:

Unitised investments in the With-Profit Fund & With-Profit Income Fund (e.g. investment bonds):

We'll add your special bonus to your policy and convert it into extra units. These extra units will reflect the value of the special bonus. Once it's been added, the special bonus will be automatically included in the plan value shown on your statement.

Other investments in the With-Profit Fund (e.g. most endowment policies):

Each special bonus will be automatically added to your total bonus for the year in which we apply it. Once we've added it, the special bonus will be included on your statement.

In March 2008 we will finish updating our final bonus rates to allow for the special bonus. This means that if your policy ends for any reason or you switch your investment out of the with-profits funds before we add the bonus to your policy at the end of the year, we'll award the first special bonus as part of the final bonus rate you receive on your policy. The first special bonus will be included in the final value of your policy.

If your policy ends for any reason or you switched your investment before we finish updating our final bonus rates, we'll write to you later in 2008 to tell you how and when we'll pay the special bonus.

Why aren't you awarding the special bonus all at once?

We have a duty to be fair to all investors in our with-profits funds. By awarding the special bonuses over 3 years we maintain the stability of the funds for all our customers, including those that are not eligible for a special bonus. The With-Profits Committee supports this approach.

Why aren't you paying the special bonus in cash?

Under the 'Principles and Practices of Financial Management' (the rules that govern the management of the funds), any distribution has to be paid in the form of a bonus added to your policy. The special bonuses are a distribution of the inherited estate within the funds.

You can find out more about this and other principles on our website:

www.norwichunion.com/PPFM/

Part 4 - How much are the special bonuses worth?

How much are the special bonuses worth?

At this time we can't confirm exactly how much we'll add to your policy for the first special bonus.

We estimate the first special bonus will be worth around 3.6% of the value of your investment in the relevant with-profits funds on 1 January 2008.

The second and third special bonuses will be based on the value of your investment in the relevant with-profits funds on the qualifying dates, and they are likely to be a similar percentage value to the first special bonus. The value of your investment in the funds on these dates could be more or less than it is now.

New investments (including increases to regular premiums, additional single premiums and switches) made into the funds on or after 1 January 2008 will not qualify for a special bonus.

Can I increase the value of my special bonus by investing more in the funds?

Unfortunately not – new investments (including increases to regular premiums, additional single premiums and switches) made into the relevant funds on or after 1st January 2008 do not qualify for a special bonus.

How will withdrawals affect my Special Bonus?

Any special bonus is based on the value of your investment in the funds on the qualification date for each bonus. Any withdrawals you take between the qualification dates will reduce the value of your investment in the plan. This means the more you withdraw, the lower the value of any subsequent special bonuses.

I recently received a valuation on my policy. Was the special bonus included?

The process of updating final bonus rates for your policy to reflect the first special bonus will be completed in March 2008. Any cash-in or maturity valuations and quotations provided before then did not include the special bonus.

If you are unsure whether the valuation or quotation you have recently received included the first special bonus, please call us using the telephone number on the letter that accompanies this booklet, and we'll be happy to help you.

Are the special bonuses affected by investment performance?

Yes. The value of the special bonuses will increase and decrease in line with the value of the underlying assets in the funds.

This means that their current total estimated value (£2.1 billion) could rise or fall. Once they are added to your policy their value could rise or fall – just like any other investment you have in the funds.

Part 5 - Will a special bonus affect my policy terms and conditions?

Will a special bonus affect my policy terms and conditions?

All policy terms and conditions will stay the same, e.g. premiums, length, sum assured, any other benefits.

Will a special bonus affect any other bonuses?

No. The special bonus is completely separate from (and in addition to) any other bonuses we add to your policy.

Part 6 - How are you able to do this?

How are you able to pay a special bonus?

By changing the way we manage these with-profits funds, we've been able to reduce the investment risk. This means we don't have to set aside so much money to cover these risks. We are committed to sharing this money with eligible customers over the next three years. The changes to the funds' management are supported by our With-Profits Committee – the body that oversees the management of the funds. The committee includes a majority of independent members to ensure our customers' interests are promoted and protected. It is important to know that the changes to the funds do not reduce the potential for strong returns in the future.

What is an inherited estate?

An inherited estate is money that has built up in a with-profits fund over many years, which is above the amount that is expected to be needed to meet current and future policyholder commitments and other obligations such as tax and expenses. The inherited estate is used to provide guarantees, manage risk, and allow investment freedom and smoothing.

Are the special bonuses a distribution of the inherited estate?

Yes – a distribution is a payment made to policyholders from the inherited estate of a with-profits fund – in this case, the CGNU Life and CULAC with-profits funds. Payments to policyholders are made in the form of bonuses added to their policies.

This distribution is a ‘special distribution’ because there is an ‘excess surplus’ in the inherited estate of the with-profits funds. The special bonuses are worth an estimated £2.1billion – a large slice of the inherited estate.

A distribution is paid out of the inherited estate on a ‘90:10’ basis to policyholders and shareholders respectively.

Will the special bonuses affect the strength of the with-profits funds?

No. We are able to award special bonuses largely because the relevant with-profits funds are strong.

A distribution and the resulting special bonuses are paid from an ‘excess surplus’ of capital in the inherited estate of these with-profits funds.

The remaining inherited estate will continue to provide the necessary capital reserves to manage risk, provide guarantees, and allow investment freedom and smoothing.

What is an ‘excess surplus’?

An ‘excess surplus’ is an amount in the inherited estate of a with-profits fund that the board of directors considers to be above and beyond the amount needed for the inherited estate to perform its role now and in the future.

Is a special bonus different from your proposed 'retribution'?

Yes - in a retribution customers choose to receive a payment in return for giving up their rights to participate in possible future distributions from the inherited estate. It is unlikely that we will be able to make any more distributions in the medium term.

Unlike a distribution, customers are able to choose whether or not to participate in a retribution.

More information for customers on this subject can be found at

www.norwichunion.com/fundtransfer

Am I eligible for your proposed retribution payment?

If you have policies that are eligible to receive a retribution payment, we have already written to you to explain the next steps.

If you are not eligible for our proposed retribution payment, the letter sent with this brochure confirms this.

If you are unsure, please ring the relevant number at the front of this brochure, or visit

www.norwichunion.com/fundtransfer.

If I accept an offer for a retribution payment will I still receive the special bonuses?

Yes. Any retribution offer we may make in the future does not affect the special bonuses. We will automatically add the special bonuses provided you continue to hold an investment in the funds on the qualification dates – regardless of whether you decide to accept any retribution offer.

Part 7 - What if I want to complain?

What do I do if I want to complain?

How you can contact us

You can write to us at:

Norwich Union Life & Pensions

Customer Relations

PO Box 3182

NORWICH

NR1 3XE

You can call us on **0800 158 2474**.

Calls are free within the UK and we are available between 8am and 8pm Monday to Friday and 9am and 5pm on Saturday. Our calls are recorded and monitored to help us improve our service to you.

You can email us at

helpdesk@norwich-union.co.uk

You can fax us on **0845 304 1122**

How you can help us

When contacting us about a complaint, please provide us with your full name, address, date of birth and policy number (if you have one).

As soon as we receive your complaint, we'll get in touch to let you know we're dealing with it. If you are happy to provide us with a contact number, we can do this by phone and it will help us keep you informed of how we're getting on.

If your complaint is about the service you've received then we will try to resolve the issue within five working days.

For more complex issues or for complaints about the sale of your policy, it's likely we'll need longer to investigate. If this is the case, we'll get in touch to let you know when we expect to be able to give you an answer.

In all cases, we'll provide you with a direct contact number of the person dealing with your complaint.

In the unlikely event we've been unable to resolve your complaint within eight weeks, we'll contact you again with a further update. At this point, we'll explain your rights to take your case to the Financial Ombudsman Service.

Part 8 - Norwich Union's With-Profits Committee – there to protect your interests

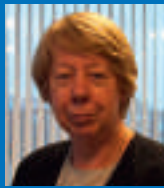
Norwich Union has introduced a new With-Profits Committee – it's part of our continuing commitment to looking after your interests. The committee is made up of three independent members, plus two members of Norwich Union's Executive Management Team. The three independent members joined Norwich Union in 2007 to further increase the transparency and governance of our with-profits funds. They bring valuable extra insight and experience that can only complement Norwich Union's strong with-profits management.

Independent committee members – working on your behalf



Nicholas Montagu KCB

Non-executive director of Xafinity and of the Pension Insurance Corporation, and adviser to PricewaterhouseCoopers. A civil servant for 30 years, ending his career as chairman of the Board of the Inland Revenue 1997-2004 (also chairman of the Civil Service Benevolent Fund 1998-2003, and permanent secretary diversity champion 1999-2004). He was appointed a Knight Commander of the Order of the Bath in the 2001 Birthday Honours list.



Harriet Maunsell OBE

Non-executive director of the Serious Fraud Office and former chairman of the Occupational Pensions Regulatory Authority. In 1994 she was awarded the OBE for services to pensions.



John Hylands

Joined Standard Life in 1979. He was group finance director from 2001 until 2005 and then led the demutualisation of the company. He retired from his position as an executive director of Standard Life plc in March 2007. He has recently been appointed chairman of the trustees of the Standard Life staff pension scheme. He is an actuary.

Added reassurance

In addition to these independent members, Norwich Union has appointed two of its most senior directors as With-Profits Committee members. It's reassuring to know that the committee is there on your behalf, working to protect your interests.



We just make it easier.

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www.norwichunion.com

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