# Accumulation & Maintenance Plan

02/01/2024

***For distribution to authorised EU/EEA intermediaries only. Not intended for distribution to customers.***

# Product Information

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| Insurer | Lombard International Assurance |
| Brief description | The Accumulation & Maintenance Plan a single premium, unit-linked whole-of-life assurance Policy. It is designed to support controlled generational wealth planning through the efficient transfer of cash and/or assets to specific beneficiaries. This is typically done by setting a period whereby the right to surrender the contract fully is suppressed and withdrawals are limited to a maximum amount each year (the "Suppression Period").<br><br>The Policy is designed to allow the Policyholder to place limitations on how and when the beneficiary/trustees access the Policy value, thereafter to be assigned to the intended beneficiary or trustees on behalf of the beneficiary.<br><br>It also aims to accumulate income and capital gains within the Policy without deduction of tax whilst it is held in the Policy (although withholding tax may apply to the Underlying Assets in some jurisdictions). |
| Duration | Whole of Life |
| Policyholder | One or more physical (natural) person(s) (between 18 and 85 years old). |
| Life assured | One or more physical person(s) not more than 85 years old (if an Enhanced Death Benefit has been agreed, not less than 16 or more than 85 years old). |
| Beneficiaries | Generally not appointed, but possible on a Beneficiary Nomination Form, subject to the Insurer's consent. |
| Contract currency | GBP (other currencies upon request) |
| Premium payments | Single premium by bank transfer. Transfer in kind is not permitted without express prior approval of the Insurer. |
| Minimum initial payment | GBP 1,000,000 (or equivalent in another currency) |
| Additional payments | Generally not applicable; subject to review and agreement of the insurer |
| Initial Period | In case of partial or total surrender during the initial period of five years, there may be a discontinuance charge equal to maximum the amount of Administration Charge still outstanding. Not applicable during the Suppression Period. |
| Partial surrender | Scheduled partial surrenders may be set up at policy inception. |
| Full Surrender | Possible at any time after the expiration of the suppression period. No |

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| | surrenders other than those regular programmed withdrawals are permitted during the suppression period. |
| Suppression Period | Period of time selected by the policyholder during which the policy value, except for the pre-programmed regular withdrawals, may not be accessed. |
| Cancellation | Possible for 30 days after policy issuance. Cancellation results in a refund of Policy value (reflecting any reduction in value of the investments made), net of any initial fee paid to an intermediary. |
| Investment supports available | • Discretionary mandate following strategy selected by Policyholder<br>• Fund selection based on a list of approved funds maintained by the Insurer. |
| Payment in case of death | The Policy value in the event of the death of the last surviving Life Assured plus a standard death cover. |
| Death cover | • Standard death cover of 1% of NAV capped at GBP 5,000 (or EUR 8,000, if applicable)<br>• Enhanced Death Benefit may be requested and is subject to ongoing charges |
| Recommended Minimum Holding Period | 10 years |
| Contract Assignment or charge | Possible at any time. |

# Product costs

For standard business, the maximum charges applicable to a policy are defined as below.

The maximum charges do not necessarily reflect any specific distribution agreement.

- Potential initial fee, on each premium payment, of maximum 2% (for Lombard International Assurance and/or the distributor),
- Administrative annual fee, during the life of the Policy, on the Policy value, deducted on a quarterly basis,
    - annual Administration and Renewal Charge rate of maximum 2% (to be split between Lombard International Assurance and the Distributor),
    - potential Policy Fee (for year 2024: GBP 647, EUR 1,050, or other currencies upon request),

      The Policy Fee will be indexed annually at 1 January each year. The rate of indexation will be less than 2% above the reference index but never less than 0%. The reference index is the 12- monthly IPCH (Indice des Prix à la Consommation Harmonisé (Harmonised consumer price index)) rate, as published by STATEC (Service central de la statistique et des études économiques – the Luxembourg State Statistics Department) on 30 November.
- In case of partial or total surrender during the initial period of five years, there is a discontinuance charge equal to maximum the amount of Administration Charge still outstanding.
- There are also third party fees including, but not limited to, distribution fees which will be charged on the Policy; Custodian bank fees, Investment Manager fees and, if applicable, fund administrator fees which will be charged on the relevant Fund.

For non-standard business, for processing certain administrative activities or any complex set-up, Lombard International Assurance will charge additional fees.

The inclusion of Non-Traditional Assets as Underlying Assets is subject to the prior consent of Lombard International Assurance and to additional charges, with the mark-up ranging between 25% of the Administration Charge with a minimum of EUR 750 and 100% of the Administration Charge with a minimum of EUR 3,000, depending on the type of Non-Traditional Asset and assessed on a case by case basis.

Mortality costs for any Enhanced Death Cover (a death benefit over the Standard Death Cover amount) will be charged quarterly on the Policy value for the additional death cover. Mortality costs will vary according to the age and health of the youngest life assured as well as the sum at risk.

Each distributor needs to factor in his own costs of intermediation in order to preserve a good outcome and do not affect heavily the value of the policy, above all in cases where the policyholder has a defensive, moderate strategy/profile.

# Conflicts of interest

Regarding the promotion, intermediation and conclusion of the Policy, Lombard International Assurance does not consider that it is in a situation of conflict of interest.

Nevertheless, there could be situations on occasion which might present an unavoidable situation of conflict of interest. In these situations, if all organisational and administrative provisions that have been taken are not sufficient to ensure that risks of damage to Policyholder interests will be prevented, Lombard International Assurance will provide the concerned Policyholder with a specific description of the conflict of interest. This communication will disclose the general nature and where applicable, the source of such conflict of interest, as well as the risks that arise as a result and steps undertaken to mitigate these risks. Lombard International Assurance will also clearly state that the organisational and administrative arrangements established by the insurer to prevent or manage the conflict of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the customer will be prevented.

Examples of these situations may include the execution of a variety of activities, including (i) investment activity, divestment of Eligible Assets, and/or (ii) connected activities such as deposit or management.

These activities could arise, for example, when the issuer of Eligible Assets, the Investment Managers, or the Custodian Bank are bound to Lombard International Assurance by business relations or make part of the same group.

Lombard International Assurance has defined a procedure to identify, prevent and manage those situations of conflict of interest. In particular, this procedure is designed to:

(a) identify the situations of conflict of interest;
(b) prevent and manage potential conflicts of interest;
(c) inform Policyholder about potential situations of conflict of interest that might harm their interests;
(d) register conflicts of interest.

The Distributor and the Policyholder can request and obtain from Lombard International Assurance additional information about the procedure related to conflicts of interest and obtain a copy of the document that lays out the procedure.

# Product Approval process

The Product Approval process applies the right balance of control, depth of detail in documentation and challenge depending on the risk assessment of the product and market at stake. The process is made up of several stages and each stage has a set of activities and decisions associated.

## Idea Generation

This stage of the process is to develop an understanding of customer, commercial and/or compliance needs and to start to develop a concept that meets these needs.

## Idea Screening

Based on the information acquired, a formal decision is made on that basis whether the requested development is being taken to the next stage. This process will benchmark the product against agreed criteria and where relevant, market information.

## Planning & Due Diligence

Should the idea succeed to the screening stage, the project plan will be drafted with a number of specific development steps to go through to build the product/service. It will be shared with all stakeholders asking them to approve deadlines and resource needs.

The results of this preliminary analysis and recommendations will be presented to the Product Oversight Committee, whose authority is delegated from the Executive Committee, which will decide whether the requested development will be taken to the next stage of development.

## Development

Following the Product Oversight Committee’s agreement to develop the product, the Product Development Team will proceed with the development phase, which includes, but is not limited to: setting up the products, system integration testing and risk mitigations actions on the identified risks.

In this framework, the Target Market, compatible with the product under development is identified and a Product Testing is performed.

# Risks for Policyholders

**Investment risk in the underlying assets, including from the failure of an asset issuer or other investment counterparty, is borne by the Policyholder.**

Lombard International Assurance is subject to Luxembourg legislation governing the protection of insurance-linked assets. The underlying assets of its policies are segregated from the Insurer's own assets and liabilities and are deposited with an independent credit institution with the approval of the insurance regulator, the Commissariat aux Assurances. All such assets, other than cash deposits, are required to be held off-balance sheet at the credit institution.

In the unlikely event of the failure of Lombard International Assurance, Policyholders have a super-preferential right over the value of underlying assets. Furthermore, Policyholders have a preferential right, which overrides any other right, except those defined by law (including legal charges over assets), over the assets of the Insurer in the event that the segregated pool of underlying assets is not sufficient to cover all insurance claims. The above asset protection regime is neither a compensation scheme nor a guarantee scheme.

The Policyholder bears the risk associated with the negative performance of the assets underlying the Units of the Assets linked to the Policy, the relevant "Fund".

The typical financial investment risks to which the Policyholder is exposed can be summarised as follows:

(a) **Specific risk and Systematic risk**: this risk is typical of the equity securities (e.g. shares) in which the Fund invests, and is linked to the variability of their prices, which reflect both the market outlook regarding the issuer's economic performance (specific risk) and fluctuations in the markets on which the instruments are traded (generic risk);

(b) **Credit risk**: this risk is typical of the debt securities (e.g. bonds) in which the Fund invests, and is linked to the possibility that the issuer may be unable to pay the interest or repay the principal; the value of the security, and therefore of the respective Fund, reflects this risk by fluctuating as the issuer's credit conditions change;

(c) **Interest risk**: this risk is also typical of the debt securities in which the Fund invests, and is linked to the variability of their prices due to fluctuations in market interest rates; the longer these fluctuations last, the more pronounced the impact on the prices of the securities and therefore, on the yields, especially in the case of fixed-income securities - a rise in market rates will cause a fall in the price of the security, and therefore of the respective Fund, and vice versa.

(d) **Counterparty risk**: the risk that the issuer or counterparties will be unable to meet their obligations;

(e) **Liquidity risk**: the risk that the securities in which the Fund invests may not be readily convertible into cash without a loss of value, when necessary. This depends primarily on the characteristics of the market on which the security is traded;

(f) **Exchange risk**: the risk of fluctuations in the exchange rate of the Policy currency, namely EUR, against the Fund Currency and any other currency of denomination of the assets in which the Funds' assets are denominated;
(g) **Country risk**: the risk linked to investments in foreign markets, particularly emerging markets, where the political and/or economic situation of the issuer's country or the relevant regulations may offer lower levels of guarantee and protection for the Policyholder.
(h) **Derivative investment risk**: this risk is typical of the derivatives in which the Funds may invest, and is linked to the variability of their prices due to (i) the leverage associated with them, (ii) the creditworthiness of the counterparties involved, and/or (iii) the potential illiquidity of the markets on which they are traded (particularly in the case of instruments not traded on regulated markets or "over the counter"). Where derivatives are used for hedging purposes, the investment risk is linked to price variability arising from insufficient correlation with the value of the underlying asset or of the hedged position.

**The Policy pays out on the death of the relevant life assured and its duration cannot be extended.**

## Customer Vulnerability

The Target Market of the product may include customers with vulnerabilities or who may develop vulnerabilities over the course of their investment in the product. Such vulnerabilities may affect a Policyholder's judgement and/or decision making capabilities. Therefore, it is important that these vulnerabilities are assessed and taken into account during the advice process both at the initial sale and over the lifetime of a Policy.

Vulnerabilities may be exhibited more frequently by customers with the following characteristics:

- The language of the Policyholder differs from the language of the product
- Elderly
- Young/Minor
- Dependency
- Incapacity

Lombard International Assurance has a defined procedure to support fair treatment and positive outcomes for customers who may have specific needs. These include the appointment of an internal Vulnerability Champion who ensures ongoing staff training and awareness and provides specific support when needed.

Intermediaries who seek additional guidance or support to identify or serve vulnerable customers may contact Lombard International Assurance for assistance.

# Target market – Product highly complex

## Client Type

The product is designed for natural persons, retail and professional clients as defined in Directive 2014/65/EU and it is intended for policyholders who are at least 18 years old with a maximum age of 85 year at Policy inception and lives assured with a maximum age of 85 years at Policy inception (minimum age of 16 applies for Enhanced Death Benefit).

## Knowledge and experience of the client

The product is addressed to a client with (i) an average level of knowledge of, or investment experience in, packaged retailed and insurance-based investment products, financial markets and asset class(es) allowed by the product or with (ii) financial industry experience, acquired personally or through professional advice.

## Risk tolerance and ability to bear losses

The product is intended for a client who is able to bear investment losses. He/she is able to afford the risk associated with downward fluctuations from limited to very high and losses over the short to medium-long term as defined in the suitability assessment process based on the Target Market profile.

| **Target Market Profile** | **Risk** | **Volatility** | **Desired Return** |
|---|---|---|---|
| 1 Cautious /defensive | Limited | Low | Conservative |
| 2. Moderate profile | Moderate | Medium-low | Moderate |
| 3. Balanced profile | Medium | Medium | Medium |
| 4. Active profile | High | Medium high | Medium high |
| 5. Aggressive profile | Very high | High | High |

The level of risk of the product is from 2 to 6 on a scale of 1 to 7, according to the summary risk indicator in accordance with PRIIPS Regulation 1286/2014. It indicates the likelihood that the product will lose money because of markets movements or the insurer’s inability to pay out. The level of risk varies according to the investment strategy associated to the underlying investment supports or their asset allocation.

## Personal and financial situation of the client

The client targeted by the product has at least a minimum amount of GBP 1,000,000 (or the equivalent in another currency) to be invested in the product, with no planned need of liquidity in the short-medium term.

## Objectives and needs of the client

The product is intended for clients who seek a UK whole of life insurance policy that is designed to support efficient wealth transfer while providing a degree of control over the withdrawal and surrender rights of the recipient. The intended client seeks a medium to long term investment hence, the recommended holding period is 10 years.

### Insurance objectives

This product is a whole of life insurance based investment product, which in return for a single initial premium paid, provides an insurance benefit upon the death of the relevant Life Assured. It is intended for a client who is willing to accept the exclusions specified in the documentation, including limitations on withdrawals during the selected suppression period and for the Policy to come to an end following the death of the relevant life assured.

It is designed to support controlled generational wealth planning through the efficient transfer of cash and/or assets to specific beneficiaries. This is typically done by setting a period whereby the right to surrender the contract fully is suppressed and withdrawals are limited to a maximum amount each year (the “Suppression Period”). The product is designed to allow the client to place limitations on how and when the beneficiary/trustees access the Policy value, thereafter to be assigned to the intended beneficiary or trustees on behalf of the beneficiary.

The product can satisfy one or more sustainability preferences being expressed by the client in the appropriate questionnaire, depending on the characteristics of the investment options offered. Therefore, the product only takes into account the sustainability factors considered by the fund management companies and investment managers in relation to the investment options offered from time to time. The type of client targeted by the product varies on the basis of the underlying investments (potentially envisaging sustainability factors), their characteristics and their potential combinations.

The investment objectives differ depending on the investment profiles of the identified TM:

1. **Cautious or defensive**: this profile is designed for clients seeking a conservative return taking a limited risk. The objective of the client is to achieve progressive capital growth while undertaking limited risk in normal economic and market conditions. Clients accept that risk hedging strategies will be applied to reduce the volatility of the portfolio;

   **Asset allocation** to meet the needs and objectives of this group would mainly invest in bonds/bonds-type and money market instruments with a small proportion in equity/equity-type instruments representing maximum 10% of the policy. No alternative investments are allowed.

2. **Moderate**: this profile is designed for clients seeking a moderate increase in capital in the medium term while undertaking limited risk under normal economic and market conditions. The client accepts relatively weak portfolio volatility and is ready occasionally to give up certain measures of investment security and invest in more volatile financial instruments such as shares, accepts that risk hedging strategies can reduce the volatility of the portfolio as well as that part of the investment may be invested in alternative investments;

   **Asset allocation** to meet the needs and objectives of this group would allow investment in more volatile financial instruments such as shares and alternative investments representing a maximum 30% of the policy.

3. **Balanced**: this profile is designed for clients, seeking a moderate growth in capital in the medium/long term through a balance between security and performance. The level of risk is average. The client accepts that risk hedging strategies can reduce the volatility of the portfolio and that part of the investment may be invested in alternative investments.

   **Asset allocation** to meet the needs and objectives of this group would allow a maximum portion of 65% invested in equity/equity-type and/or alternative investments. The rest will be invested in bonds/bonds-type and/or money market instruments.

4. **Active**: this profile is designed for client, seeking a capital appreciation over the years. The client accepts that the capital invested can rise or fall and that portfolio volatility includes the risk of considerable losses. The risk level of the client is high. The client accepts that risk hedging strategies can reduce the volatility of the portfolio, as well as accepts that part of the investment may be invested in alternative investments.

   **Asset allocation** to meet the needs and objectives of this group would allow investment into equity/equity-type instruments and alternative investments up to 80% of the policy.

5. **Aggressive**: this profile is designed for clients, seeking a high performance in the long term and is ready to undertake substantial capital risk in exchange for this. The client accepts that the volatility of his/her portfolio is elevated. The risk level of the client is very high. The client accepts that risk hedging strategies can reduce the volatility of the portfolio as well as that part of the investment may be invested in alternative investments.

   **Asset allocation** to meet the needs and objectives of this group would allow 100% of policy be invested in equity/equity-type and/or alternative investments.

Each distributor needs to ensure that the type of client's profile matches the client's investment strategy, which term includes the selected funds allocation.

## Distribution Strategy

The product is distributed only on an advised basis outside of the UK through authorised intermediaries and employees of Lombard International Assurance. The assessment of suitability, which includes sustainability preferences of a client, is a mandatory requirement when the product, given its complexity, is sold to a client with advice. The insurer does not offer its products without advice. Before providing advice to clients, distributor must obtain relevant information from the client regarding its personal financial situation, demands needs and objectives in order to provide appropriate advice.

The requirements of the client, drawn up via his financial position, investment horizon, investment objective and his knowledge and experience of financial investments result in his investment profile. The distributor needs to gather it before the client subscribe the policy or in “other” circumstances such as a change in his situation which might have an influence on his investment profile.

The distributor must inform the client if a periodic assessment of suitability is recommended and agree whether this service will be carried out on a regular basis. Where the distributor and the client have agreed that the service will be carried out on a regular basis, the suitability assessment must be reviewed at least annually. The insurer does not currently provide periodic assessments on a systematic basis. However, where the contract is distributed directly by the employees of the insurer, further assessments of suitability may be performed at the client’s request and/or upon certain transactions.

## Negative Target market

This product is not appropriate for clients looking for a guaranteed return product or a product with a capital guarantee or for clients who are not able to bear losses, even of minimum amounts.

It is also not appropriate for :

- initial clients who wish to have future or continuing rights of access to the policy. The assignment of the policy is an outright gift of the Policy (and its value) and once the Policy is issued, the amendment of the policy terms cannot be changed.
- future clients following an assignment (individual or trustees) who require access to Policy value in excess of pre-set annual withdrawal limits (“restrictions”) programmed at Policy inception, The restrictions are unchangeable during the Suppression Period, or
- initial or future clients who wish to invest personalised assets or to self-manage investments that are not included in the Insurer’s approved list of collective funds.