



Premiere and Premiere Alpha Discounted Trust Accounts

Product details at a glance

The aim of this document is to provide an overview of the Premiere and Premiere Alpha Discounted Trust Accounts. Additional information can be found in the 'Delta and Premiere Accounts Adviser Guide' (reference 6717).

Product feature	
Allocation rate	100%
Maximum number of policies	99,999 (There is no minimum for each policy)
Product basis	Life assured or capital redemption
Initial adviser charge	Can be facilitated by Canada Life International Limited
Ongoing adviser charge	Can be facilitated by Canada Life International Limited
Fund adviser fee	Can be facilitated by Canada Life International Limited
Funds	Open architecture
Number of funds	No maximum once account is issued
Standard charging options (for further details please refer to the relevant charges and fees document)	<p>Option 1 – Establishment charge of 1.5%. There is also a quarterly administration fee.</p> <p>Option 2 – Establishment charge of 0.089% taken over the first 20 quarters. There is also a quarterly administration fee.</p> <p>Option 3 – Management fee of 0.10% to 0.20% per year taken on a quarterly basis. The fee is based on a percentage of the policy value each quarter. There is also a quarterly administration fee.</p>
Transaction fees	A transaction fee is levied for each sale and/or purchase of investments
Regular withdrawal options	Minimum £50
Regular withdrawals frequency	Yearly, half yearly, quarterly & monthly
Partial surrender options	Minimum £200 (for Premiere Alpha Discounted Trust Account only available after the death of the settlor)
Policy surrenders	Yes (for Premiere Alpha Discounted Trust Account only available after the death of the settlor)
Full surrenders	Yes (for Premiere Alpha Discounted Trust Account only available after the death of the settlor)
Minimum investment	Premiere Account – £50,000 initial premium, £2,500 additional premium Premiere Alpha Discounted Trust Account – £50,000 initial premium
Currency	Sterling, US dollars or euro
Minimum age (at policy start date)	Policyholder(s) 18 attained There is no minimum age for a life assured
Maximum age (at policy start date)	Policyholder 89 attained Life/Lives assured 89 attained (youngest life)
Death benefit (life assured option only)	Value of units plus £100 less any outstanding fees and charges

Capital redemption option at a glance

In addition to the basic Premiere Account information, the following information provides an overview of the capital redemption option.

Product feature	
Availability	Capital redemption option is available on Premiere Account (Alpha) and Premiere Alpha Discounted Trust Account
Standard charging options	Identical to Premiere
Term	Fixed term of 99 years
Maturity value options at outset	Option A: 130% of premium at end of term Option B: 20% of premium at end of term
Investment options	Option A: Only the CLI Sterling Money Fund can be held throughout the life of the Account Option B: Access to the full range of Premiere investment options (subject to the policy value not falling below the maturity value)
Top-ups	Option A: The maturity value will be increased based on the amount of top-up and the years until maturity Option B: The maturity value will be increased by 20% of the top-up
Withdrawals	Withdrawals for any reason (such as payment of charges and fees, partial surrenders and regular payments) will reduce the maturity value.

What were the findings of the market research Canada Life International undertook before offering the Capital Redemption option?

- Advisers and clients did not include the maturity value offered in the criteria used to select a product.
- The minimum maturity value was viewed purely as a technical aspect of the product in the same way as the £100 life benefit offered on the life assurance basis. Policyholders do not buy the life assurance bond for the life cover benefit. Similarly, policyholders do not buy a Capital Redemption Bond for the minimum maturity value.
- As there is little value placed on the minimum maturity value policyholders are not prepared to pay for this.
- The maturity values offered by other Life companies can cause potential strain on their balance sheets and solvency if fund values significantly fall.

What is the unique selling point of Canada Life International new Capital Redemption option for their Premiere products?

- Strain on the balance sheet, either now or in the future has been largely mitigated
- Absence of investment restrictions unlike competing products (unless the account value falls below 20% of Premium)
- Absence of a clause that allows the Life company to force surrender if account value drops below a certain point
- Choice of maturity value depending on investment preference
- The product structure and design is backed by leading QC opinion as being fully compliant with current legislation
- HMRC has confirmed a minimum maturity value less than premium is acceptable under the definition of a Capital Redemption Bond for tax purposes, on the basis that the maturity value has been set using an actuarial calculation.

Why has Canada Life International offered two maturity value options on its Capital Redemption Bond?

- The value offered reflects the risk of the investment option chosen
- Offering two minimum maturity values provides policyholders with choice whilst mitigating balance sheet risk for existing and future policyholders.

Why have the minimum maturity values been set at 130% and 20%?

- The regulation applicable to Capital Redemption Bonds requires the minimum maturity values to be based on an actuarial calculation
- A wide range of investments can be held within an open architecture bond and the range of investment risk associated with these had been taken into account within the actuarial calculation of the maturity values

We chose to seek guidance from HMRC that a Capital Redemption Policy with a Maturity Value less than premium would be treated for tax purposes as any other type of Capital Redemption Bond

- The level of Maturity Value on our Capital Redemption Bond has been set based on actuarial calculation.
- If the above condition is met, HMRC have confirmed the Premiere Capital Redemption Bond option will be treated as a Capital Redemption Bond for tax purposes.
- HMRC confirmed there is no requirement from their perspective for a capital redemption policy to have a maturity value in excess of the premium as long as this lower sum arises from actuarial calculations.

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