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LONDON & COLONIAL

Flexible Pension Annuity Target Market Information For Advisers

Insurance Distribution Directive

This document is for financial advisers ('you' or 'your') only and must not be distributed to customers.

Introduction and Context

The Insurance Distribution Directive ('IDD') came into effect on 1st October 2018 and regulates how insurance products are designed and distributed in the EU. The IDD was transposed into Gibraltar legislation in the Financial Services (Investment and Fiduciary Services) Act 1989.

The IDD affects manufacturers through product governance and oversight, and distributors through the customer journey. For example the IDD requires disclosure about conflicts of interest (including remuneration) and staff involved in distribution activities to undertake continuing professional development.

At London & Colonial Assurance PCC Plc ('LCA', 'we', 'us' and/or 'our') we have a process for designing, approving, and reviewing our products for retail customers. This document sets out the framework of our approval process, information about the product and the intended target market, and our suggested distribution strategies. These will help you match the product's attributes to the demands and needs of customers in our target market.

If you have any further questions about anything in this document, please speak to your LCA Business Development Manager.

LCA Product Oversight and Governance

The Gibraltar Financial Services Commission ('GFSC') has rules which require us to tell you about the governance processes we have in place to manage the design, approval, monitoring, distribution and review of our products. This is for both new products and where we make adaptations to existing products to meet our target market customers' demands and needs.

Governance and Control

LCA has governance processes in place to:

- Identify customers' needs in respect of products we could offer;
- Manage the process through which products are developed or revised;
- Enable customers to make informed decisions about what they are buying;
- Recognise that customers are different and may have different needs;
- Continue to review our products after sale and throughout the products' lifecycles.

How This Involves You

In order to monitor and review our products against the needs of our target customers, we need to know from you if there is any feature of this product which you believe does not meet their needs.

As a suitably qualified financial adviser, we will expect you to explain the risks and benefits of this product before recommending it to your clients.

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Your Responsibility

As a distributor of the product you will be required to evidence how you:

- Have taken steps to ensure the product is marketed only to the target markets we have set out;
- Have taken mitigating steps should it be established that the product has been distributed to clients who fall outside the target market;
- Consider at all stages the demands, needs and reasonable expectations of your clients;
- Establish whether there are reasons why customers may not get full value from the product due to policy terms we have put in place or due to alternative cover the customer may have;
- Will provide additional help with information, guidance or advice to anyone who may be considered a vulnerable customer.

Selecting our Target Market

The following sections explain possible target markets for the Flexible Pension Annuity ('FPA' or 'Annuity'), making clear who the product is and is not intended for and how customers can buy it.

When we were designing this product, we:

- Identified markets we were and were not aiming to target;
- Chose a distribution strategy we believe would be appropriate for the target market;
- Assessed risks which might impact the target market;
- Took responsibility to ensure the product is distributed to the target market in the manner we would expect.

The Target Market

The business interaction you have with your client should establish whether their age, profile and financial position makes this product one which would be generally considered to be suitable.

We have set out how we expect business to be transacted in the contract between us but if you have feedback which you feel can benefit the customer, we would be pleased to receive it.

Third Parties

If you sub-contract any part of your distribution process, we will expect such third parties to follow these Target Market Statements, too.

Flexible Pension Annuity – Target Market Statement

What the product does

The FPA pays out a defined sum of money each month, each quarter, every six months or each year for the remainder of the annuitant's life.

If the underlying performance of the assets within the fund do not perform (as well as assumed in the initial projections) then the income payment amounts may decrease to reduce the potential for the fund to become extinguished and for the payments to cease.

How it meets customer needs

This annuity product is designed to provide regular income payments using the proceeds from a registered pension scheme or an existing pension annuity.

Our target market

The FPA is for individuals who are UK tax resident and aged 55 and above. The product is only suitable for those with pension funds of at least £100,000 to invest in an FPA policy and would like to be able to vary the level of income they receive depending on their circumstances.

An in-specie transfer from a contract-based QROPS plan is also allowed under the following conditions:

- whereby they are held in an individual's name only, not in a Trust, and
- where the individual QROPS plan holder is now a UK tax resident

Advised/Non-advised

This FPA must be taken out through a FCA registered financial adviser firm, which has completed Terms of Business with LCA.

How it can be sold direct

This product cannot be sold direct by LCA to the end customer.

Factors which might not make it suitable to certain customers

- It is not appropriate for those who require a guaranteed fixed monetary amount/annuity payments for the rest of their lives.
- It is not suitable to those who are planning to take most or all of their pension as a lump sum in the near future.
- It is not suitable for anyone who wants a guaranteed level of escalation of their pension annuity each year.
- It is not suitable for anyone who require an in-specie transfer from a QROPS plan in a Trust.

What we would like you to consider

Have the risks of buying this policy been explained?

Does the customer understand that once choices are made regarding this Policy, they cannot be changed outside of the cancellation period?

Is the customer aware of the possibility the policy could pay out less than the initial premium they have paid?

Is the customer aware that as a unit-linked Policy the investment risk is borne by them?

Does the customer understand the tax implications of any payment made direct to them?

Complexity

Whilst in concept it is a simple product with the aim of paying regular income from a single lump sum, the implications of making a commitment for life need to be explained by a regulated financial adviser. An FPA should not be taken out without the customer/policyholder receiving suitable advice.

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