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LONDON & COLONIAL

International Bond 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 via amendments to the Financial Services ('Investment and Fiduciary Services') Act 1989, introducing a regime for insurance distribution.

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 unique needs;
- Continue to review our products after sale and throughout the products' lifecycles.

How This Involves You

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.

Your Responsibilities

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 customers 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.

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Selecting our Target Market

The following sections explain possible target markets for the International Bond ('IB'), 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.
- Conducted and documented a Fair Value Assessment which outlines our fair value approach and the assessment outcome. Please see the Fair Value Assessment document for more information.

The Target Market

The business interaction you have with your client should establish whether their age, profile and financial position make 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.

Supporting Vulnerable Customers

LCA has in place a Vulnerable Customer Policy and actively supports clients who have or display characteristics of vulnerability, either initially or over time. Our ongoing monitoring processes include:

- Monitoring customer behaviour
- Monitoring cost of living
- Monitoring customer feedback
- Monitoring regulatory and legislative communications and updates
- Complaints process
- Product governance policy adherence
- Ongoing Solvency II risk assessments.

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.

International Bond – Target Market Statement

What the product does

The IB aims to provide your client with an income during their lifetime, or until the value of the bond reduces to zero, whilst providing an opportunity to benefit from tax deferral on income taken ('where applicable') and reduce their potential UK Inheritance Tax ('IHT') liability.

The IB is offered on either a Capital Redemption or Life Assurance basis.

How it meets customer needs

The IB is designed to give your client the following:

- Accumulation of wealth and investment flexibility: the opportunity to invest in a wide range of investments to meet their investment needs
- Capital growth: the opportunity for long-term tax efficient capital growth
- Tax control: the potential to reduce their potential UK IHT liability
- Tax deferred withdrawals: the opportunity to benefit from tax deferral on income taken, where applicable
- Preservation and transfer of wealth: the opportunity to pass on their remaining wealth to beneficiaries, under the terms of an appropriate trust
- Flexible payment options: an income during their lifetime, or until the value of the bond reduces to zero

International Bond – Target Market Statement (Continued)

Our target market

The IB is designed for individuals who are UK tax resident and aged 18 and above, with those aged between 40 and 75 being the primary target market. The product is only suitable for those with available funds of at least GBP 50,000, EUR 60,000, or USD 70,000 to invest in an IB and who are considering a medium-to-term investment period from outset (more than seven years). The IB is suitable for individuals who typically maximise their yearly Individual Savings Account ('ISA') contributions and/or have other savings available e.g., emergency funds.

Advised/non-advised

The IB must be taken out through an FCA-registered UK financial adviser firm, which has a Terms of Business Agreement with LCA.

How it can be sold directly to customers

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

Factors which might make it unsuitable to certain customers

- It is not appropriate for those who are non-UK residents and/or aged 17 or under.
- It is not suitable to those who are not prepared to accept the risk of potential investment losses.
- It is not suitable for anyone who will want full access to their investment or a guaranteed return in the short term, or for those that have no other savings in place.

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 investment made?
- Does the customer understand the potential tax implications of any chargeable event?

Complexity

The IB is a complex product which requires advice by an appropriately qualified UK Financial Adviser to the client to ensure its suitability. The IB should not be taken out without the client receiving suitable advice.

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