

Friends Life announces with-profits bonus rates

14 February 2014

Friends Life today announced the bonus rates for its with-profits funds.

During 2013, world stock markets generally saw improved performance and returns on property were boosted by strong rental demand. However, the UK Gilt market performed poorly as a result of the potential rise in interest rates accompanying economic recovery. Against this backdrop, we are pleased to report that all of our with-profits funds have earned reasonable investment returns.

Key information about Friends Life's main with-profits funds

Please refer to the 'Which fund' section on our website to help you work out which with-profits fund your policy is invested in. If you are not sure whether you have a unitised or a conventional policy, please look at our PPFM summaries.

Friends Life FLAS With-Profits Fund (ex Sun Life Assurance Society policies)

- The Fund earned a return of 10.3% in 2013 before tax.
- Shares and property are targeted to be 50% of the Fund's investments.
- For the majority of the business regular bonus rates have been maintained or increased but some reductions have been made.
- No Market Value Reductions apply on any policies.
- Final bonus rates have generally been increased.

Friends Life FLC With-Profits Funds (ex AXA Sun Life policies)

- The Funds earned a return of 11.4% in 2013 before tax.
- Equities and property are targeted to be 60% of the Funds' investments.
- For the majority of the business regular bonus rates have been maintained or increased but some reductions have been made.
- No Market Value Reductions apply on any policies.
- Some final bonus rates have increased and some decreased.

Friends Life FP With-Profits Fund (ex Friends Provident policies)

- The Fund earned a return in 2013 of:
 - 7.5% in respect of policies written before 9 July 2001 (pre demutualisation) before tax.
 - 9.5% in respect of policies written after 8 July 2001 (post demutualisation) before tax.
- Shares and property are targeted to be:
 - 45% of the Fund's investments for pre demutualisation policies.
 - 55% of the Fund's investments for post demutualisation policies.
- Regular bonus rates have been increased or maintained.

- No Market Value Reductions apply on any policies.
- Final bonus rates for conventional policies have generally been increased.
- Some final bonus rates for unitised policies have increased and some decreased.

Notes

With-profits governance

The With-Profits Committee has considered these bonus rates and has assessed them against the Principles and Practices of Financial Management published by Friends Life. The Committee is satisfied that the rates represent reasonable and appropriate application of the company's discretion.

How with-profits policies work

- A with-profits policy differs from a unit linked policy in that it is not totally reliant on the current value of the underlying assets. This cushion against uncertainty takes the form of the guaranteed benefits and additional regular bonuses, which are guaranteed in certain circumstances even if the market subsequently falls.
- Some with-profits policies give further protection by providing an element of life assurance cover.
- We have a range of bonus series to cater for different product structures and premium rates. These are designed to achieve fairness between policyholders.
- Please note, that as bonus rates are regularly reviewed they may change at any time.
- Future bonuses cannot be guaranteed as they come from profits that have not yet been earned.
- Further details as to how bonus rates are applied can be found in the PPFM summaries on our website.
- Please refer to your policy/plan literature for details of the plan/policy's aims, commitment, its charges and any risks associated with it.

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