

Questions and Answers

Q1. Will my bonuses change in future?

A. As long as you make all the payments that are due and do not ask for your policy to be changed, your bonuses will not change from the levels shown on the statement of future bonuses enclosed with this letter.

Q2. Why is this change being made?

A. There are only a small number of policies left in the Lloyds TSB Life with-profits fund which supports your policy. As a result, to ensure we run the fund efficiently, and to help you plan your financial future, we feel it is now appropriate to guarantee future bonus levels from the fund.

Q3. What happens if I surrender my policy before it matures?

A. We will calculate your surrender value taking into account the guaranteed bonuses set out on the enclosed statement of future bonuses but reflecting how many premiums you have actually paid and how long you have kept the policy for.

Q4. Will I still receive an annual bonus notice?

A. We have set these out on the statement of future bonuses enclosed with this letter, instead of informing you annually on a bonus notice of the levels of future bonuses.

Q5. What happens if stockmarket levels change substantially between now and when my policy matures?

A. The bonus levels have been set allowing for our best estimate of future investment returns from the with-profit funds. Since the bonus rates are guaranteed, stockmarket movements won't affect your policy in future.

Q6. If I want to cash in my policy, what should I do?

A. Please contact us in writing and we will provide further information.

Q7. I took out this policy to cover my mortgage. Do I need to take any action as a result of this change?

A. If the amount now guaranteed is less than you need for mortgage purposes, you will need to take action to make up the shortfall. The options include:

1. Making changes to your mortgage loan, such as switching the amount of the projected shortfall to a repayment mortgage, repaying some of your mortgage early, or switching to a repayment mortgage.

2. Starting an additional savings plan, such as an ISA, to cover the expected shortfall.

We recommend that you speak to a financial adviser.

If you have any other questions, you may like to check the Questions and Answers which were sent with my last letter. If you have not received that letter (or no longer have a copy), please call us on **0845 303 0450 (UK only)**, or **+44 1634 834106** (if you are calling from outside the UK).

The helpline is open at the following times (British Standard Time):
Monday - Friday (excluding Bank holidays)
8.00 a.m. - 6.00 p.m.

Please use the helpline only if you need specific information about the proposed transfer of your policy.

Alternatively, if you are hard of hearing and you have access to a textphone, you can contact us on **01634 834568**.



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Mr A B Sample
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XXXXX

3175

September 2004

Dear Mr A B Sample

Transfer of the business of Lloyds TSB Life to Scottish Widows plc and Scottish Widows Annuities Limited

With-profits policy number: 999999/99

In my recent letter to you, I promised to let you know how the proposed transfer of the business of Lloyds TSB Life to Scottish Widows would affect your with-profits policy.

I have enclosed a statement of future bonuses that includes the sum assured for your with-profits policy and the total bonuses added to your policy up to the end of 2003.

The changes

We have taken the opportunity to review how our Lloyds TSB Life with-profits policies work as part of the proposed transfer of business from Lloyds TSB Life to Scottish Widows plc. As a result, and to help you plan your financial future, we propose to set future bonus levels now.

We have applied to the Court of Session in Edinburgh for permission to make this transfer, which, as I explained in my last letter, must be approved by a relevant court. If the transfer is approved by the Court, which we expect to happen in December 2004, the proposed changes will be formally incorporated in your policy. To make sure your interests are protected, the proposals have been examined by an independent expert and our regulator, the Financial Services Authority.

The statement of future bonuses shows the bonuses we propose to add each year to your policy for the rest of your policy's lifetime. These bonuses are the bonuses we expect that we would declare in the future for Lloyds TSB Life with-profits policies. By letting you know now - rather than advising you each year - how much the bonuses will be, we hope that it will be easier for you to plan your financial future.

What it will mean to you

As a with-profits customer of Lloyds TSB Life, **you do not need to do anything**. On a day-to-day basis, all your payments to Lloyds TSB Life, including any Direct Debits, will automatically be transferred to Scottish Widows plc.

continued overleaf/...

After the transfer of business is complete:

- we will add the regular bonus set out in the statement of future bonuses each year;
- when your plan matures we will pay the final bonus set out in the statement of future bonuses in addition to any existing bonuses;
- these bonus payments are guaranteed assuming you make all payments due and keep your policy until maturity without making any changes to the policy;
- we will continue to administer your policy as at present;
- we will not change your contact point for anything to do with your policy; *and*
- the ultimate ownership and the regulatory controls of the combined businesses will not change as a result of this transfer.

For more information

I have enclosed a Question and Answer sheet and if you have any other questions, please write to me at the above address or call us on 0845 303 0450. Your call will be charged at local rates and we are open from 8.00 a.m. - 6.00p.m., Monday - Friday (except bank holidays). If you are calling from outside the UK, call us on +44 1634 834106.

Finally, if you have assigned your policy - for instance, to a mortgage lender by way of security, to a trustee or to anyone else - please pass this letter to the person or company it is assigned to.

I hope this letter has helped to explain the changes to your policy. In summary, you do not need to do anything as a result of this part of the proposal to transfer the business of Lloyds TSB Life to Scottish Widows plc and Scottish Widows Annuities.

Thank you for continuing to invest with us.

Yours sincerely



Ron Whatford
Managing Director

Statement of future bonuses

Policy Number:	999999/99
With Profits Sum Assured:	£ 1000
Total bonus added by end 2003:	£ 500
Regular bonus* to be added:	
at end 2004	£20
at end 2005	£20
at end 2006	£20
at end 2007	£20
at end 2008	£20
at end 2009	£20
at end 2010	£20
at end 2011	£20
at end 2012	£20
at end 2013	£20
at end 2014	£20
at end 2015	£20
at end 2016	£20
at end 2017	£20
at end 2018	£20
at end 2019	£20
at end 2020	£20
Interim Bonus in 2020	£5
Final* bonus to be added: in 2020 :	£500
Total guaranteed maturity payout at 99/99/9999	£2085

*There are two types of bonus:

- **Regular (or 'reversionary') bonus** which is added during the life of the policy to increase the minimum amount you are guaranteed to receive when your **policy matures**. Once added, the regular bonus cannot be taken away so long as you continue your policy for its full term, make no changes to the policy and make all the payments that are due. **Interim Bonus** is added in the final year of your policy, in lieu of regular bonus that would be due at the end of that year.
- **Final (or 'terminal') bonus** which will be added when your policy matures and you claim the proceeds of your policy. The amount above will apply so long as you continue your policy for its full term, make all the payments that are due and make no changes to the policy.

Please remember that amounts above are only payable at the maturity date of your policy, and assuming you pay all the premiums that are due and make no changes to your policy. If you cash in your policy earlier, we will calculate your surrender value taking into account the guaranteed bonus rates set out above, but reflecting how many premiums you actually pay and how long you have kept the policy for.

THIS DOCUMENT IS IMPORTANT. PLEASE KEEP IT IN A SAFE PLACE.