

The Scottish Widows Principles and Practices of Financial Management (PPFM)

Questions and Answers

1. What is this PPFM?

The Principles and Practices of Financial Management (PPFM) is a document that sets out how we manage our with-profits fund and the with-profits parts of Scottish Widows policies. The Financial Services Authority (FSA) regulations require all companies that have a with-profits fund to establish and maintain such a document.

The Principles set out the high-level approach we use to manage our with-profits business while the Practices relate to how we currently carry out the specific processes, such as setting bonus rates.

2. How does this PPFM affect me?

The PPFM is only relevant for customers who hold a with-profits policy, are thinking of buying a with-profits policy or are thinking of switching their policies into with-profits. The PPFM sets out in some detail how we operate with-profits business.

3. Does the PPFM replace my policy provision documents?

No – it does not replace or override any obligations set out in the policy documents issued to you when you took out your policy.

4. How do I get a copy of your PPFM?

You can download or print the document from our website. Alternatively, please call us on 0845 845 0845 and we can arrange for a copy to be sent to you.

5. I've got a couple of questions on your PPFM – who do I ask?

In the first instance, you should consult your Financial Advisor. If they are unable to answer your query, then please contact us on 0845 845 0845.

6. There is another document on your website called the 'Scheme of Transfer'. What's that all about?

Scottish Widows' Fund and Life Assurance Society demutualised and transferred its business to Scottish Widows plc, a company in the Lloyds TSB Group, on 3 March 2000. The legal document that governed how that transfer would be implemented is called a scheme of transfer. That 'scheme of transfer' is still very relevant to how we operate our with-profits fund. It is referred to in our PPFM and so it is on our website for completeness.

7. Only part of the scheme of transfer is included in the PPFM. Does this mean that this is the only part that now matters?

No, more than half of the scheme is still relevant to our with-profits fund. The PPFM document, particularly in its early pages, indicates the sort of provisions that are in the scheme. We have included, in the appendix to the PPFM, those extracts from the scheme that we feel would be most helpful when reading the PPFM. The full scheme is available on this website.

8. The PPFM is heavy going. Do you have something easier to read?

Yes. We have published a summary of the PPFM called “Your guide to with-profits”. More details are given elsewhere on this website.

9. How can I tell if my policy is a with-profits policy?

Your policy is likely to be a with-profits policy (in whole or in part) if

- your policy document (issued when your policy started) mentions “with-profits” or “carries the right to participate in the profits/surplus assets of Scottish Widows/the Society”,
- **and** at least one of these applies
 - you have received each year a statement of your bonus headed “Bonus Notice”,
 - you have received an Annual Benefit Statement referring to the Unitised-With Profits bonus rate and showing the value of units in the with-profits fund,
 - your policy number starts with the letter “Z” followed by the numbers “03”,
- **and** you have not
 - switched from with-profits into unit-linked or other non-with-profits benefits, or
 - started to take a pension from your policy, unless your policy is a Unitised Annuity.

10. How can I find out what sort of with-profits policy I have?

- The with-profits part of your policy is likely to be a *Conventional With Profits Policy* if
 - you have received each year a statement of your bonus headed “Bonus Notice”, or
 - your policy is one of the following types (though this list does not cover all types of *Conventional With Profits Policy*):

Product name	Description
Life policies	
Extra Cover Assurance	Whole of life protection plan
Lifesaver Plan	Temporary protection plan
Low Cost Endowment	Endowment savings plan
Extra Cover Endowment	Endowment savings plan
Premier Savings Plan	Endowment savings plan
Versatile Endowment Plan	Endowment savings plan
Pension policies	
Pegasus Early Leavers Plan	Pension plan
Pegasus Executive Pension Plan	Pension plan
Pegasus Plus Pension Plan	Pension plan
Personal Pension Plus	Pension plan
Top Hat Policy	Pension plan

- The with-profits part of your policy is likely to be a *Unitised With Profits Policy* if
 - you have received an Annual Benefit Statement referring to the Unitised-With Profits bonus rate and showing the value of units in the with-profits fund,
 - your policy number starts with the letter “Z” followed by the numbers “03”, or
 - your policy is one of the following types (though this list does not cover all types of *Unitised With Profits Policy*):

Product name	Description
Life policies	
Regular Savings Plan	Endowment savings plan
House Purchase Savings Plan (HPSP)	Endowment savings plan
Low-Start version of HPSP	Endowment savings plan

Lifetime Protection Plan	Whole of life protection
Jersey With-Profits Bond	Investment bond
With Profits-Bond	Investment bond
With-Profits Savings Plan	Endowment savings plan
Flexible Investment Bond	Investment bond
Flexible Options Bond **	Investment bond
Pension policies	
Group Pensions Solutions	Pension plan
Personal Pension issued after 1993.	Pension plan
Group Personal Pension	Pension plan
Pensionbuilder Plan (Personal, Group, or company-sponsored)	Pension plan
Group Money Purchase	Pension plan
Money Purchase Pension Scheme	Pension plan
Executive Pension Scheme issued after 1994	Pension plan
Free-standing AVC issued after 1993	Pension plan
Section 32 plan issued after 1994	Pension plan
Civil Service AVC Scheme	Pension plan

** The with-profits units allocated to these bonds are either *With-Profits Income Units* or *With-Profits Growth Units* (or both). Our practices for each of these types of unit differ in several ways from those for other types of with-profits unit. There are special sections in our PPFM for those different practices.

- The with-profits part of your policy is likely to be a *UWP Annuity* if your policy is referred to as a Unitised Annuity.

11. Where do I look in your PPFM for details of how you manage my policy type?

Our PPFM deals in general with all types of with-profits policy under each topic, though there are some separate sections for units under Flexible Options Bonds. Although this layout has advantages for someone wanting to get a wide view of how we operate our with-profits business, it makes it more complicated to pick out those parts that relate to any given type of policy. Sections 1 and 2 of our PPFM explain this point and also give some pointers as to the key areas.

We have produced a summary guide which is specific for each type of policy. It may be better to read this document. It is called “Your guide to with-profits” and more details are given on this website.