

# Royal Skandia & Policyholder Protection

## Isle of Man Policyholder Protection

### 1. Is there any statutory protection on the Isle of Man for Royal Skandia policyholders?

The Isle of Man Government introduced a statutory Policyholder Compensation Scheme ("the Scheme") which would operate in the unlikely event of an Isle of Man Life assurance company being unable to meet its liabilities. The Scheme would pay affected policyholders up to 90% of amounts owed to them by way of compensation. The Scheme was originally a voluntary arrangement set up in 1988 by members of the Manx Insurance Association. In 1991 it was put on a statutory footing by the Manx Government.

### 2. Where can I learn more about the Scheme?

The rules of the scheme are contained in the Isle of Man Financial Supervision Act 1988, Life Assurance (Compensation of Policyholders) Regulations 1991. These regulations are available from Royal Skandia's regulator, the Isle of Man Government Insurance & Pensions Authority (IPA). If you would like to view the Regulations on the internet, you can do so via the IPA's website at [www.gov.im/ipa](http://www.gov.im/ipa) under "Policyholder Protection".

### 3. Are all Royal Skandia policies covered by the Scheme?

The scheme operates to cover all "protected contracts". This definition includes all policies issued by a participant insurer (of which Royal Skandia is one) after the Scheme came into force on the 1<sup>st</sup> February 1991. It also covers policies that would have been covered by the voluntary arrangement referred to in 1. above. These would include policies issued on or after the 4<sup>th</sup> April 1988 and the coming into force of the Scheme.

### 4. Are there any territorial limits on the Scheme?

No. The protection afforded by the Scheme extends to policyholders world-wide.

## Protection of Royal Skandia's Assets

### 1. How is Royal Skandia connected to other companies in the World-wide Skandia Group?

Royal Skandia Life Assurance Limited (RSLAL) is incorporated and registered in the Isle of Man and is subject to Isle of Man company and insurance law. It is part of the Skandia Group of companies, the ultimate parent being Skandia Insurance Company Limited (publ), a company incorporated in Sweden. More information about Royal Skandia's parent company can be found at [www.skandia.com](http://www.skandia.com).

### 2. Are assets linked to Royal Skandia policies segregated from Royal Skandia's business assets?

The Isle of Man Insurance Act 1986 (the "Act") sets out how Manx life assurance companies must hold assets linked to the policies it issues. Section 15 of the Act requires every authorised insurance company to set up a special fund to hold assets linked to policies issued by the Insurer. This is known as the "long-term business fund" (LTBF) in the Act. The assets held in the LTBF must only be applied for the purpose of meeting the liabilities of the policies issued by Royal Skandia.

**3. Can Royal Skandia use any of the LTBF assets for its general business purposes?**

The Act does allow an insurer to apply assets in the LTBF for purposes other than meeting policyholder liabilities but only if the assets exceed the liabilities. Even in those circumstances such a transfer can only be made following a resolution of Royal Skandia's Directors and the written consent of the appointed actuary. The appointed Actuary has a statutory duty to protect the interests of policyholders generally. As Royal Skandia currently only writes unit-linked business, there is always a close link between the value of the company's assets and the liabilities to its policyholders.

**4. How is Royal Skandia's business regulated and monitored?**

The Act requires that Royal Skandia at all times keeps its LTBF accounts separate from its general accounts. Royal Skandia must, at least annually, produce a set of audited accounts to the Isle of Man Government Insurance Supervisor for inspection. It is the responsibility of the Actuary to certify on prudent assumptions that the company is able to meet all policyholder claims and has maintained the required level of assets known as the "required solvency margin". In his professional capacity, the Appointed Actuary is answerable both to the Insurance Supervisor and the Institute of Actuaries. Both entities regulate his activities. Royal Skandia is also subject to regular internal and external audit activity, and inspection visits by its regulator.

This document is based on Royal Skandia's interpretation of Isle of Man law at 28 February 2003. While this interpretation is believed to be correct, Royal Skandia can give no guarantee in this respect.

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February 2003