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05 March 2015

Dear <<Salutation>>

IMPORTANT NOTIFICATION THAT REQUIRES YOUR ATTENTION

Update on the Suspension of the OFS International Balanced (the "broker fund") Policy number - <Policy Number>

Further to our communication dated 11 July 2013 regarding the suspension of the OFS International Balanced broker fund, in which you invest through the above policy, we write to you with an update.

The broker fund is managed by OFS (Asset Management) Limited and was originally added to the SPILA internal fund range for the purposes of exclusive promotion by OFS Financial Advisers to their client base. However, the fund was available to any Scottish Provident International policyholder, either through the recommendation of their own financial adviser or directly, if they became aware of the fund, and wished to invest in it.

The broker fund currently invests directly in 2 underlying Private Client Portfolio (PCP) funds:

- PCP Aggressive fund (circa 28% of OFS International Balanced)
- PCP Balanced fund (circa 72% OFS International Balanced)

Background as to why the broker fund was suspended

In 2013 the directors of The Private Client Portfolio fund had to suspend the pricing of both funds due to the fact that LM Investment Management Limited (LMIM), the manager of the LM range of funds in which both the Aggressive fund and the Balanced fund invests, was placed into voluntary administration in Australia on 19 March 2013.

LMIM was an Investment Management Company founded by a New Zealand national named Peter Drake. The Company was registered and operated in Australia. Investors were offered a range of funds that were, allegedly, deploying different investment positions in the Australian residential property market.

LM Investment Management was placed into voluntary administration in March 2013, wiping out nearly all of the \$800 million that had been invested in three of its funds by more than 12,000 investors in Australia and offshore.

During the course of 2013, the Queensland Supreme Court appointed administrators to the LM funds in order to commence the liquidation process and seek to realise value from the assets owned by the LM funds in order to pay back creditors.

Based on published reports and the available information, once the total cost of the LM liquidation process is accounted for and primary creditors are paid there will be either very little or no proceeds left to pay back to individual investors.

The Balanced fund, in addition to LM assets, also has some exposure to a traded life fund, the Aurora Defined Benefits fund which suspended redemptions in August 2013 but continued pricing to November 2014. The manager is currently working through the process of redeeming the liquid assets, with the first distribution to shareholders including the Balanced Fund expected to be complete early April. Following the receipt of proceeds the Balanced Fund will also distribute to its shareholders.

Impact of suspended funds

The OFS International Balanced broker fund has remained suspended since 26 June 2013 because the value of the underlying PCP funds could not be determined. PCP, or any administrator, would not be able to fairly price any fund whilst a large majority of its holdings are in suspended assets. Whilst the Aurora Defined Benefits fund was trading until November 2014, it only accounted for a small proportion of the total broker fund, and it would therefore not have been fair to continue to allow investors to add premiums or take withdrawals during this time.

When a RL360° regular savings policy holds a suspended fund the policy effectively becomes 'frozen' meaning that the policy owner is restricted from carrying out certain transactions on their policy. This includes switching between funds, taking part withdrawals, viewing a current valuation or fully surrendering the value in their policy.

What are the prospects for the OFS International Balanced broker fund?

As the prospects for retrieving any value in the PCP funds are bleak, which in turn affects the value of the broker fund, we are taking the following course of action which we believe will be in the best interests of policyholders:

- We will formally close the OFS International Balanced broker fund on 23 April 2015, and this does mean that it will be closed without value
- The fund will be removed from linked policies on this date. This will allow policyholders who also invest in other funds in their policy to once again have full access to their policy, allowing switches, part withdrawals or surrender of the policy. For anyone with no other fund holdings an auto-surrender will be triggered.
- Although closing the fund at this stage may seem drastic, we will retain a ledger of holdings of each policyholder as at 21 April 2015 and should any proceeds be paid back from PCP from investments linked to the closed broker fund we will request immediate and full redemption. We will then allocate proceeds back to affected policyholders.

Should policyholders wish to surrender their policy after the above action has been taken, they will still have entitlement to any recovered monies from the PCP funds. It will therefore be important that these policyholders continue to keep us up to date with their current correspondence address if surrender is taken up.

What this means for policyholders

Once we remove the fund from linked policies any that are above our minimum permitted policy value will remain active.

Where a policy falls below our permitted policy value the policy will immediately lapse. The permitted policy minimums which apply to your policy are as follows: £2,500 / US\$4,000 / €4,000 / JPY425,000 / HK\$30,000. In these circumstances we will trigger an automatic surrender of your policy and send you a surrender request form in order that we can return the residual value to you. We will waive any outstanding surrender fees that may apply at this time.

Queries

We understand you may have queries regarding this letter, and we would urge you to discuss them with your financial adviser. Where we hold details on file, a copy of this letter has been sent to the adviser firm we have recorded as being your nominated servicing agent for your policy.

Should you wish to contact us directly regarding this matter, our Customer Service Team can be contacted by email: csc@rl360.com or by telephone on: +44 (0)1624 681682, and they will be pleased to assist you.

Kind regards,



Natalie Hall
Director of Marketing

cc. <<Servicing Agent>>