



Estate Transfer Bond

CORPORATE VALUES



The IOMA Group aspires to a number of core corporate values. These are:

- Client Focus
- Open Communications
- Corporate Integrity
- Continued Improvement
- Innovation
- Teamwork
- Commitment

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INTRODUCTION

One thing that many people do not want is for their beneficiaries to be faced with a large Inheritance Tax (IHT) bill.

You may consider you don't have enough wealth for this to be an issue, but once the value of any property, cars, life assurance and other assets have been considered the value may well exceed the Inheritance Tax threshold termed the Nil Rate Band.* Any assets in excess of the Nil Rate Band may be liable to a tax charge of 40%.

One of the ways, and possibly the simplest way, to mitigate this potential tax is to give assets away by way of a Potentially Exempt Transfer (PET). This is a gift that, provided it is not compromised by a gift with reservation, 'falls outside' of your estate after seven years.

Unfortunately very few people are in the position where they are able to make a PET and afford to lose all the potential income that those monies may provide.

With this in mind the Isle of Man Assurance (IOMA) has designed the Estate Transfer Bond.



INTRODUCTION TO THE ESTATE TRANSFER BOND

The Estate Transfer Bond (the "Bond") is a life assurance bond which has a variety of benefits that may be payable to you during your lifetime, as well as benefits payable to your heirs after your death.

The Bond allows you to:

- potentially reduce your IHT liability;
- retain some access to your money for your own purposes; and
- distribute the inheritance you intend for your beneficiaries in a direct and efficient manner.

*The Nil Rate Band threshold changes each year. Please speak to your financial adviser to confirm the current value of the Nil Rate Band.

KEY BENEFITS OF THE ESTATE TRANSFER BOND

Due to the way the Bond is structured, there are a variety of key benefits it can bring.

The Bond:

- allows money to be paid to you during your lifetime on dates and to an approximate value selected by you at outset;
- permits you to delay taking the money you indicated at outset of the contract if in fact you do not require it at that time;
- facilitates a gift of the benefit of the Bond to your nominated beneficiaries and this is deemed a PET for Inheritance Tax purposes;
- enables the PET to be potentially discounted when assessing your IHT liability if you die within seven years of making the PET;
- has an extensive range of fund options, which accumulate tax-free; and
- enables your nominated beneficiaries to receive their inheritance in an efficient manner after your death.

HOW DOES THE BOND WORK?

You invest the amount available for IHT mitigation into the Bond which consists of a series of non-surrenderable term policies. You then select the term of each policy so that they mature at predetermined dates in the future in line with the policy anniversaries. The dates of these maturities will match, as closely as possible, future requirements for capital: for example, school fee planning for grandchildren, to pay for anniversary or other family celebrations or to enable further Inheritance Tax planning.

However, because future financial requirements are hard to predict, and indeed often change, if you no longer require the money at the time of a maturing policy you can decide to extend the maturity date of that policy. This option is available on each and every policy and you will be reminded of this by IOMA prior to each maturity date to ascertain if you want to take the money or not. The amount payable at each maturity date will depend on the investment return from the assets in the policies. You should note that you have no other access to your investment (except on the selected maturity dates) and you cannot bring a maturity date forward. You will also be responsible for paying any income tax liabilities arising from gains on maturing policies.

All the policies in the Bond are gifted into an Absolute Trust for your beneficiaries. This is a potentially discounted PET. In the event you survive seven years after the date of the PET, then the value of any remaining death benefit in the Bond will be completely outside your estate for IHT purposes. If you do not survive seven years, then the value of the PET will be eligible for a discount, subject to your age, sex and health at outset. You should be aware that, if you elect to delay taking the maturity of any policy, this act constitutes a new potentially discounted PET. If a maturity occurs, the corresponding policy death benefit is extinguished.

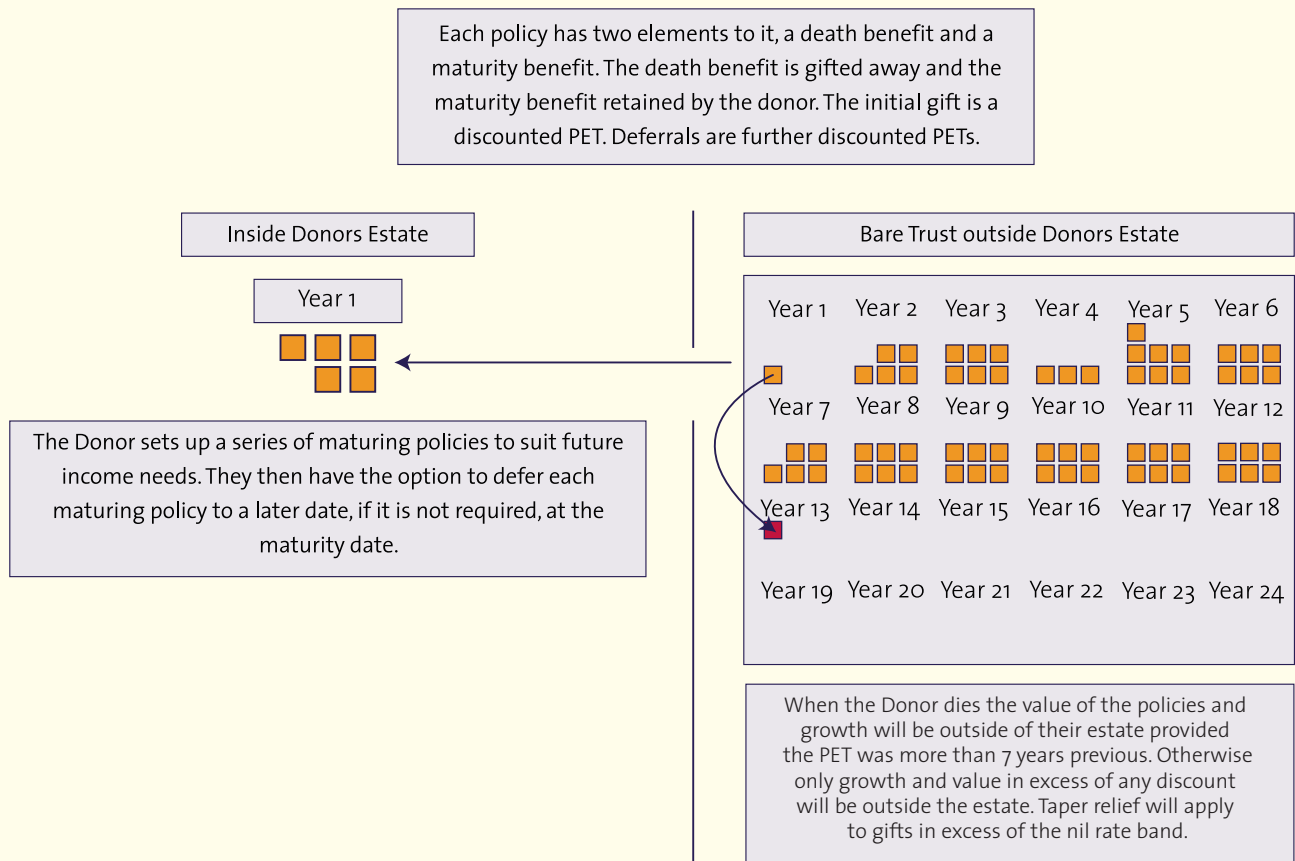
For indicative potential discount factors that may apply to your circumstances please contact your financial adviser or IOMA. Prior to proceeding with Estate Transfer Bond IOMA recommends that the potential discount factor be substantiated by medical underwriting which will provide an accurate assessment of your health. There is a small fee for underwriting (please consult your financial adviser or see the application form for further details).

Alternatively, you can forego underwriting but HM Revenue & Customs may challenge discounted values where death occurs within seven years of a PET and in such cases it will be necessary to provide evidence of your state of health at the time of your gift.

In addition to the benefit of the discount, if you die between three and seven years after making a PET, a reduced level of IHT may be payable on the element of any PET in excess of the Nil Rate Band:

Time Elapsed Since Gift	IHT Payable
Between 3 and 4 years	80% of full rate
Between 4 and 5 years	60% of full rate
Between 5 and 6 years	40% of full rate
Between 6 and 7 years	20% of full rate

The policies comprising your Bond are non-surrenderable and on your death the value of any remaining policies will be paid to your beneficiaries.



FUND OPTIONS

The Bond allows you to invest in cash or pooled fund investment options (e.g. unit Trusts, OEICs and mutual funds). You have a number of choices for how you select your investments:

- **Appointed Adviser:** in conjunction with your adviser you decide your risk profile. Collectively you and your adviser select funds to match that risk profile. Your adviser will then place the trades on your behalf for those funds you have decided to invest in via IOMA or its nominated custodian.
- **Discretionary Manager:** you appoint a discretionary manager (subject to agreement by IOMA) to select the funds they think appropriate for the investment strategy that you agree with that discretionary manager. The discretionary manager will also provide the custody for your investments held in the Bond via IOMA.

There is virtually no limit to the different fund options that IOMA permits – for complete details please contact your financial adviser or IOMA.

ARE THERE ANY OTHER TAX BENEFITS?

In addition to the IHT benefits outlined earlier, there are also some other taxation benefits.

As Isle of Man Assurance Limited is an Isle of Man company, it is not liable for corporation tax, capital gains tax nor income tax in respect of the assets allocated to your Bond. It is not required to deduct tax at source on behalf of investors or their taxation authorities so your wealth rolls up tax-free. The only exception may be withholding tax, which is tax withheld by some countries on dividend income and interest.



Income tax is payable by you on any gains made within any policies that mature. The amount of any gain is added to all other income received in the tax year in which the maturity occurs and is subject to the relevant marginal rate of income tax. There is no basic rate credit for any underlying tax (because IOMA does not pay any). However, “top slicing” is available and this allows for a calculation to average the gain over the complete number of years the policy has been in force.

Any income tax liability on your death falls on your beneficiaries as owners of the death benefit of the bond.

IOMA will issue a chargeable event certificate to HM Revenue & Customs containing details of any gains made on payment of maturity or death benefits.

INVESTOR PROTECTION

The Estate Transfer Bond is underwritten and issued by IOMA based in the Isle of Man. As an established offshore investment centre with a stable and independent legal, political and regulatory framework and with confidentiality maintained, the Isle of Man provides an ideal location for investment.

However, the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 protect investors by providing a statutory guarantee up to 90% of the amount of any liability of the insurance company under any life policy. This compensation, without limit, would be received in the unlikely event that the insurer became unable to meet its liabilities. IOMA policyholders would be eligible for this compensation. However, the compensation is not payable in the event of the failure of providers of underlying investments within your Estate Transfer Bond. Alternative compensation arrangements may apply in such circumstances and you should seek further details from your adviser.

IOMA is authorised by the Isle of Man Government Insurance and Pensions Authority and is authorised and regulated by the Financial Services Authority. IOMA is also a member of the Association of International Life Offices.

THE CHARGES

Initial Charge

An Initial Charge as outlined in the table below will be levied on all premiums paid into your Bond.

Premium	%
£75,000 - £99,999	1.75%
£100,000 - £249,999	1.25%
£250,000+	0.5%

Annual Management Charge

An annual management charge of 0.75% will be levied on the value of your Bond. This charge will be deducted proportionately, quarterly in arrears.

IOMA may also pay your adviser commission which will be in addition to the initial and annual charges above. Your adviser can give you details of any commission to be paid to them.

Monthly Policy Administration Charge

In addition, there is a monthly policy administration charge of £7.50 per month. This charge is accrued monthly and deducted quarterly in arrears.

Custodian and Dealing Charges

All dealing and custody charges levied by any third party which IOMA appoints to deal with the investments allocated to your Bond will be payable out of such investments. Details of up to date charges are available from IOMA on request.

Fund Management Charge

There will be charges within the fund options you select for investment within your Bond levied by the managers of those funds. Initial fund commissions and trail fund commission available to IOMA will be discounted or paid to your Bond account. Further details can be obtained from IOMA or from your adviser.

HOW TO APPLY

Investments can only be made by individuals and joint applicants. Individuals must be over the age of 18 and under 85. Individuals over the age of 85 may apply to IOMA, but acceptance of the application may be on non-standard terms.

The minimum investment is £75,000, unless otherwise agreed, and there is no maximum. You may invest by Cheque, banker's draft or electronic transfer.



FURTHER INFORMATION

The information contained in this document is based on IOMA's understanding of law and taxation practice in the Isle of Man and the UK as at 1 March 2009. Whilst this interpretation is believed to be correct, the taxation position of the Bond in the UK, the Isle of Man and any other jurisdiction relevant to you is not guaranteed and is subject to changes in legislation. You are strongly recommended to consult a professional adviser to satisfy yourself as to your tax position.

This brochure should be read in conjunction with the Key Features Document of the Estate Transfer Bond and the appropriate application form. The Policy Terms and Conditions and Policy Schedules contain the full terms of the contract, a copy of which can be obtained from IOMA upon request.

IOMA is authorised by the Isle of Man Government Insurance and Pensions Authority and its policyholders receive the protection of the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991. These regulations apply to all policies issued after 5th April 1988. Holders of policies

will not however be protected by the UK Financial Services Compensation Scheme should the company be unable to meet its liabilities.

Past investment performance is not necessarily a guide to future performance.

IOMA does not give investment advice, legal advice or tax advice and can accept no responsibility for the tax implications for any Bond owner in any jurisdiction.

IOMA is not subject to the same regulatory system as that applicable in the UK and the rules and regulations made by the Financial Services Authority under the Financial Services and Markets Act 2000 for the protection of investors may not apply to persons outside the UK.

The UK Finance Act 1988 ("the Act") contains provisions pursuant to personal portfolio bonds. Whilst every effort has been made to ensure that the Bond does not constitute a personal portfolio bond, IOMA is not providing any advice as to the tax implications of investing in the Bond.

The UK Finance Act 1998 further requires that, in certain circumstances, IOMA must disclose information concerning UK resident policyholders to the UK Inland Revenue. This disclosure may be required when an event occurs which results in a gain being realised. Disclosure will be dependent upon the amount of any gain and whether or not we are aware or believe that the policyholder was resident in the UK at the time the event occurred. Your tax position will depend on a number of factors including your personal circumstances and you must obtain advice from your own financial adviser, both at outset, and throughout the life of your Bond. In particular you should ensure that you are able to satisfy any local tax, exchange control or insurance legislation or regulations applicable.

ABOUT THE ISLE OF MAN

The Isle of Man has established itself as the pre-eminent international financial centre as a result of its stable and independent legal, political and regulatory framework. Its benefits are as follows:

- It has an AAA credit rating by S&P and Moody's.
- It is completely independent on matters of direct taxation.
- It is not a member of the European Union, but enjoys a special relationship through protocol 3 of the United Kingdom's Treaty of Accession of 1972.
- It affords policyholders of Isle of Man life assurance companies the security provided by the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991.
- It enacts its own legislation, generally based on English Law, applied by its own judiciary.
- Its Parliament, Tynwald, is the oldest continuous democratic government in the world.



CONTACT US

For further information on the Estate Transfer Bond please contact your financial adviser, or IOMA:

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WHO IS ISLE OF MAN ASSURANCE?

- The oldest independent insurance company in the Isle of Man.
- A company with over 25 years of success in international financial services.
- A company ultimately owned by three individuals: IOMA Chairman, IOMA Deputy Chairman and IOMA Managing Director.

SOLVENCY FACTS

- IOMA seeks to write only unit-linked business within its long-term business and does not look to accept any major or undue risk onto its balance sheet.
- This means that the assets held within IOMA's long-term business fund at least directly match its liabilities to policyholders.
- The Isle of Man Government Insurance and Pensions Authority (IPA) require all life companies to hold an additional minimum of 0.25% of the value of unit-linked business in reserves.
- The IPA monitor this solvency quarterly.
- IOMA is required to have an independent actuarial report undertaken annually on the assets it owns.

FINANCIAL STRENGTH FACTS

AKG Actuaries and Consultants Limited provide financial strength reports on the offshore long term insurance industry. The firm rates:

- IOMA's Unit Linked Financial Strength as Good.
- IOMA's quality of service, something the company prides itself on, Very Good.

Copies of the report can be obtained on request from IOMA.

INVESTOR PROTECTION FACTS

- Due to the unit-linked nature of its business, there is little danger of Isle of Man Assurance falling insolvent.
- However, if this scenario did occur the Isle of Man Government Life Assurance (Compensation of Policyholders) Regulations 1991 provide a final level of protection.
- All IOMA policyholders, individual, corporate or Trustee, are protected under this legislation.
- A policyholder is entitled to compensation of up to 90% of policy value in the event of the insurer being unable to meet its liabilities.
- This protection is in place irrespective of the size of the life insurance company in the Isle of Man.

WHO REGULATES IOMA?

- Isle of Man Government Insurance and Pensions Authority (IPA). IOMA is an authorised insurer on the Isle of Man and is regulated by the IPA who regularly audits the management and financial strength of all authorised insurers.
- Financial Services Authority (FSA). The FSA in the UK authorises and regulates IOMA in respect of UK business.

QUALITY ASSURANCE FACTS

- IOMA has been credited with the Quality standard BS EN ISO 9001 since 1997.
- The accreditation is reviewed bi-annually by an independent assessor to ensure the continuing effectiveness of IOMA's quality policy.

This brochure is available only from a financial intermediary who is authorised under the Financial Services and Markets Act 2000 to conduct investment business. If you receive this brochure from any other source, you must consult an authorised independent financial adviser about the suitability of the Bond for you. Isle of Man Assurance Limited is not authorised to provide you with this advice.

Isle of Man Assurance Limited a member of the IOMA Group.

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Authorised by the Isle of Man Government Insurance & Pensions Authority.

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IOMA is a member of the Association of International Life Offices.

