



Flexible Inheritor Plan

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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INTRODUCING THE FLEXIBLE INHERITOR PLAN

You may consider you don't have enough wealth for Inheritance Tax 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 (£300,000 2007/8, £312,000 2008/9, £325,000 2009/10, £350,000 2010/11). 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 of reservation falls outside of your estate after seven years.

However, in 2006 the rules changed so that making a PET is now more difficult. Furthermore, 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. Traditionally other solutions to these issues are designed for clients seeking to access stockmarket investments. However, many people affected by these issues are low risk investors who prefer to keep their money in cash at the bank or building society.

With this in mind Isle of Man Assurance (IOMA) has designed the Flexible Inheritor Plan.

KEY BENEFITS OF THE PLAN

The Flexible Inheritor Plan (the Plan) is a life assurance bond which is placed within a special trust.

Due to its structure, the Plan:

- provides a guaranteed amount payable on your death (or on the death of your spouse in the case of joint applications) which will not form part of your estate if you live for seven years, or more, from the date of the gift,
- enables the guaranteed amount to be potentially discounted when assessing your IHT liability if you die within seven years,
- permits you to take regular, or one-off, withdrawals of capital,
- accesses a low risk cash fund yielding an attractive return that accumulates tax-free,
- ensures you retain control over who may receive your assets after your death.

THE PLAN ALLOWS YOU TO:

- potentially reduce your IHT liability,
- retain some access to your money for your own purposes,
- maintain control over who may receive your assets on your death.

HOW DOES THE PLAN WORK?

When you take out a Plan, you will (with the help of your adviser) determine the size of gift you want to make to your intended beneficiaries (the Guaranteed Minimum Sum Assured). The maximum gift you are able to select is your premium less initial charges and commission. This Guaranteed Minimum Sum Assured (GMSA) is a fixed sum, cannot be changed once the Plan is in place and is the amount that will be paid to your chosen beneficiaries on your death (or on the death of your spouse in the case of joint applications).

Importantly although you have NO access to the value of the GMSA, you do have access to any monies that are in excess of this amount. These may be drawn on regularly or as one off withdrawals. These monies will include the yield and growth on ALL of your investment, including on the GMSA.

Therefore you should consider carefully what access to capital you require in the future from your investment as this will determine the value you set for the GMSA (ie the value of your gift).

As soon as the plan is set up, the GMSA will be assigned into the Trust immediately. You have a choice of either a trust enabling a Potentially Exempt Transfer (PET) or a trust enabling

a Chargeable Lifetime Transfer (CLT). If the trust enables a PET there is no limit to the value of the gift. If the gift is a CLT and its value (adding in the value of any previous CLTs made within the last seven years) is not in excess of the Nil Rate Band it will not be subject to the 20% CLT charge. Your adviser can talk you through the exact details of the differences between the two types of trust and assist you in selecting the most appropriate to your circumstances.

Under the terms of the trust, the Trustees will hold the GMSA for your nominated beneficiaries upon your death.

Since you select the value of the GMSA, the higher you set the value the less scope you have for withdrawals in the future but your beneficiaries will be guaranteed to receive a higher amount.

Upon your death the bond ends and the trustees hold the value of the GMSA for your beneficiaries. Any excess value over the GMSA is the residual value in the bond and will form part of your estate and could be subject to IHT. In the case of joint applications this excess value will pass to the surviving spouse IHT free on first death and then form part of the surviving spouse's estate and could be subject to IHT on their subsequent death.

If you have survived seven years the GMSA will not form part your estate and will not therefore be liable for IHT.

If you die within seven years then the value of the GMSA will be potentially discounted for IHT purposes. The value of the discount will depend on your age, sex and state of health when you take out Flexible Inheritor Plan.

You can either rely on the standard discount factors or alternatively, elect to be medically underwritten which will provide an accurate assessment of your health and thereby provide a more detailed calculation of the discount that might be expected (please consult your IFA or see the application form for further details).

In addition to the benefit of the discount on the value of the GMSA, if you die between three and seven years after taking out Flexible Inheritor Plan, a reduced level of IHT may be

payable on the element of any gift in excess of the Nil Rate Band. See table 1 for further details.

Remember that if there is any residual value in the bond on death, over and above the value of the GMSA, then this forms part of your estate and therefore could be subject to IHT.

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

Table 1

FUND OPTIONS

Flexible Inheritor Plan is designed for investors who have concerns about inheritance tax but who are only seeking cash investments that provide attractive returns. For this reason all Flexible Inheritor Plan policyholders are linked to the IOMA Offshore Cash Fund.

IOMA Offshore Cash Fund: The investment objective is to generate a return that closely tracks UK base rates. This will

be achieved by holding money with high street banks and building societies on agreed terms. It is anticipated that the return on the fund will at least be equal to the level of UK base rates and track the movements in UK base rates on an ongoing basis.

For information on current rates, please speak to your IFA or contact IOMA.

ARE THERE ANY OTHER TAX BENEFITS?

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

Your liability to income tax will depend on your own personal circumstances. However, as a UK resident you can take withdrawals of up to 5% per annum of your original investment and defer any income tax charge. Any amount you do not take one year can be rolled forward. Any withdrawals over this limit could give rise to a UK income tax liability.

Any income tax liability on your death falls on your estate. The income tax liability at this point will be calculated in accord with legislation for chargeable gains in life policies (for the tax year (2007/8 this is S.484(1b) TOIA 2005).

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

As Isle of Man Assurance Limited is an Isle of Man tax-exempt company authorised under the Insurance Companies Act 1986 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.

INVESTOR PROTECTION

Flexible Inheritor Plan 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.

Holders of policies issued by IOMA will not be covered by the United Kingdom Financial Services Compensation Scheme should the company become unable to meet its liabilities. However, the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 protects 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.

IOMA is authorised under the Isle of Man Insurance Act 1986 by the Isle of Man Government Insurance and Pensions Authority and is regulated by the Financial Services Authority in respect of UK business. IOMA is also a member of the Association of International Life Offices.

HOW TO APPLY FOR THE FLEXIBLE INHERITOR PLAN

Anyone aged over 18 and under 85 years old can apply for Flexible Inheritor Plan. Applicants aged 85 or over can apply and IOMA will seek to accept them on non-standard terms. Flexible Inheritor Plan is designed for individuals who have a potential inheritance tax liability in the UK.

The minimum investment is £50,000, unless otherwise agreed, and there is no maximum. You may invest by cheque, banker's draft or electronic transfer.

WHAT ARE THE COSTS?

Initial Charge

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

Premium	%
£50,000 - £74,999	2.25%
£75,000 - £99,999	1.75%
£100,000 - £249,999	1.25%
£250,000+	0.50%

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 IFA commission which will be an additional charge to those above. Your IFA 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 where plans are set up with premiums of less than £100,000. This charge is accrued monthly and deducted quarterly in arrears.

Fund Management Charge

There is no fund management charge on money in the IOMA Offshore Cash Fund.



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 September 2007. 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 Flexible Inheritor Plan 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 Control 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. In 2006 it rated:

- 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.

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

