

For Adviser Use Only

## **RL360 Quantum**

### **Draft paragraphs for a Suitability Report**

**We understand that before making a personal recommendation to your client, you will have carefully considered their personal and financial circumstances, financial needs, priorities and attitude to risk.**

These sample paragraphs are designed to help you prepare your suitability report for your client. However, please note that it is your sole responsibility to ensure that the content of the suitability report meets any regulatory requirements and any recommendations made are appropriate for the client's individual circumstances.

Whilst every effort has been made to ensure the accuracy of the following information, RL360 accepts no responsibility for any actions taken or not taken as a result of acting upon it.

Full details of the Quantum offshore policy are available through the Key Features Document (KFD), Fund Guide and the Terms and Conditions, which are available from the RL360 website:

<http://www.rl360.com/row/downloads/products.htm>

### **What is Quantum?**

Quantum is a regular premium offshore policy issued in the Isle of Man, by RL360 Insurance Company Limited (RL360). It is designed to allow regular premiums to be linked to a wide range of investment funds and offers the potential for growth, over the medium to long term.

## ***Aims, commitments and risks of the RL360 Quantum offshore policy:***

### **Aims**

- Quantum aims to give the customer the opportunity to invest regular premiums over the medium to long term with the aim of achieving tax efficient capital growth (subject to the taxation rules of your country of residence).
- To allow you to link to a wide range of different funds with the flexibility to switch between those funds at any time.

### **Commitments**

- You must pay regular premiums for the selected premium term, subject to a minimum of:

Premium Term

5-9 Years

10 Years +

**USD 640 per Month**

**USD 320 per Month**

Or currency equivalent, as determined by RL360.

- You should consider Quantum as a medium to long-term investment (**10 years+**).

### **Risks**

- The value of funds linked to your policy may go **down** as well as up, and you may get back **less** than you paid in.
- Where the provider of a fund linked to your policy becomes insolvent or is unable to meet its liabilities for any reason, your policy **will** suffer the loss.
- If you **surrender** your policy during **the initial allocation period**, you will **not** receive any proceeds.

After this period your policy will be subject to a **surrender charge** until the end of the premium term. The charge reduces over the premium term and could mean you get back less than you paid in, particularly in the early years.

- Where you are investing in funds denominated in a currency different to that of your policy, the investment returns will be subject to **currency fluctuation risk**.
- Changes to the law may affect the tax treatment of your policy or the funds linked to it and **reduce the amount** you get back in the future.

## **Quantum features**

Quantum offers the technology to make the administration of your policy really straightforward. RL360 then backs this up with quality personal, technical and administrative support.

Benefits to you include:

**Convenience** – Online is easy. From the comfort of your own home, or on the go via desktop, laptop, tablet or phone, you can view your policy details with a quick click, pinch or swipe.

**Unlimited access** – Access is available 24 hours a day, 7 days a week, apart from those occasions when RL360 is improving its systems and adding new features.

**Secure service** – Security of your data is of the utmost importance to RL360 and you'll only ever be able to access your policy via a secure and encrypted link.

**Comprehensive valuations** – Quickly see how all of the funds held within your Quantum policy are performing, line by line, with no need to phone up and wait for it to be delivered in the post.

**Online switching** – That's right, if you don't like how one of your funds is performing, RL360 can set you up with online switching access. This means you can instruct changes without the hassle of paper forms and faxes.

Therefore, you can switch between funds whenever you want. There is currently **no charge** levied for switching funds, however, **RL360 reserves the right to levy a charge for new switches at a later date.**

## **General Quantum details**

Quantum can be issued on a **life assurance** or a **capital redemption** basis.

Your financial adviser will be able to help you decide which option would be most appropriate.

### **Life assurance**

Quantum on a life assurance basis can be set up in one of two ways:

➤ **Single life –**

There is only 1 life assured and when the life assured dies the policy comes to an end.

➤ **Multiple life last death –**

There can be up to 6 lives assured on the policy, and it comes to an end when the last life assured dies.

Applicants and lives assured cannot be older than 65 years of age when the policy is issued.

### **What happens upon death?**

For life assurance policies (**where the life assured has died**)

When the life assured dies or the last life assured on a multiple life last death basis dies, your Quantum policy will end. RL360 will then require written notification of death along with satisfactory documentation (legal entitlement - “probate”) to be sent to their head office address, **before proceeds can be paid**.

The **death benefit** payable will be **101% of the policy value**, payable on the death of the last life assured.

For life assurance policies (**where the policyholder has died, but lives assured remain**)

Where the policy is held in the names of joint policyholders, sole ownership will pass to the surviving policyholder. Where the policy is held by you only, ownership passes to the personal representatives of your estate.

RL360 will then require written notification of death along with satisfactory documentation (legal entitlement - “Isle of Man probate”) to be sent to their head office address, before a new policyholder can be appointed.

## **Capital redemption**

A Quantum policy on a capital redemption basis will remain in-force for a total of 99 years at which point it will mature and RL360 will pay out the surrender value plus a guaranteed amount of **USD 160** (or currency equivalent).

If the policy is surrendered early, then the fund value (less any early surrender charges if applicable) will be payable.

## **Surrender/cash in policy**

You can surrender your policy at any time, but during the premium term it will be subject to a surrender charge and **you may get back less** than you paid in.

If you **surrender** your policy whilst your original premiums are still within its **initial allocation period**, your policy will have **no surrender value** – in effect suffering a **100%** surrender charge.

A policy or sub-policy surrendered after the initial allocation period, but during the premium term, will be subject to a **surrender charge equal to a percentage of the initial unit value**.

The charge depends on the period of time remaining between the date of surrender and the end of the premium term.

Further details of the surrender charge percentages are detailed in the **Key Features Document** (KFD).

## **What happens upon death?**

Capital redemption policies will not automatically come to an end on the death of the policyholder(s). Ownership can be determined by the personal representatives of your estate.

RL360 will then require written notification of death along with satisfactory documentation (legal entitlement - "Isle of Man probate") to be sent to their head office address, before a new policyholder can be appointed.

You **cannot** change the basis of your policy after it has been issued.

## **What currencies can be selected for Quantum?**

Quantum is available in the following currencies:

- Pound sterling (GBP)
- Euro (EUR)
- United States dollar (USD)
- Swiss franc (CHF)
- Australian dollar (AUD)
- Japanese yen (JPY)
- Hong Kong dollar (HKD)
- Australian dollar (AUD)

The currency of your Quantum **cannot** be changed after issue. Your policy will be valued in this currency and fees will be deducted in this currency.

## **Cooling off period**

If you change your mind and do not want to continue your policy after it starts, there is a cooling off period within which you can cancel.

- **You will have 30 days from when you receive your Welcome Pack to do this.**

If you decide to cancel, you will get your initial premium back **except where it has fallen in value**, in which case the amount you receive back will be less.

Typically, RL360 will return your money within 2 weeks, however this may take longer where the sale of funds is delayed for any reason.

You can also cancel any time before your policy is issued simply by telling RL360.

## **Quantum investments**

Your premium(s) can be invested into as many funds as required (subject to the minimum investment levels and **registering for online fund switching**) from a range of UK authorised and international collective investment schemes.

**Without** online access you will be limited to investing each premium into a maximum of **10** investment funds.

A full list of available funds can be found in the **Fund Guide**.

## **Sub-policies**

For flexibility and tax-efficient management, your policy can be set up **either as 1 individual policy, or as a series of 100 individual sub-policies.**

The ability to assign the policy to others may be beneficial as it sometimes can help to lower any potential tax liability.

For example, it could allow you to retain full control over the policy throughout the investment period and then perhaps utilise your spouse's, or adult child's (who is aged 18+) personal income tax allowance and marginal tax rates at the point of surrender, which may be lower than your own.

Please bear in mind that there may be **gift tax** consequences, depending on your country of residence.

## **Initial allocation period**

At the start of your policy an initial allocation period applies. During this period your regular premiums **will purchase initial units.**

The length of the initial allocation period depends on your selected premium term as shown in the table below:

Premium Term ( <b>Years</b> )	Initial Allocation Period ( <b>Months</b> )
5 – 18	18
19	19
20	20
21	21
22	22
23	23
24+	24

At the end of the initial allocation period, your regular premiums **then purchase accumulation units.**

If you increase your regular premiums, whether by request or automatic indexation, the increased amount will be subject to its own initial allocation period and its length will depend on the premium term remaining.

## **What happens at the end of the premium term?**

On completion of the premium term as shown in the Policy Schedule, RL360 **will** convert all remaining **initial units** into **accumulation units on a one for one basis**.

## **Allocation of premiums**

RL360 allocates each regular premium at a rate between **100%** and **102%**. When you pay in additional monies, depending on the total premium received the allocation rate may also increase.

### **Monthly premium allocation rates**

USD (or currency equivalent)	Allocation rate
320 to 849	100%
850 to 1,499	101%
1,500+	102%

For example, a monthly premium of USD 750 qualifies for an allocation rate of **100%**, but if you increase that premium to USD 1,500, the allocation rate will **increase** to **102%**.

Any **additional single premiums** will be allocated at a rate of **93%** and only purchase **accumulation** units.

## **Premium incentive**

The premium incentive will purchase **initial** units.

For your policy to qualify for the premium incentive, you must choose a premium term of **at least 10 years** and the amount you pay must be equal to or greater than the monthly amounts shown in the table below (or currency equivalent):

<b>Minimum regular premium</b>	<b>Monthly premium multiplier based upon premium term</b>					
	Years	5-9	10-14	15-19	20-24	25-30
USD 480 per month		0	1.5	3	4.5	6

As an example, if you choose to pay USD 500 per month for 15 years, your policy will receive 3 x USD 500 as a premium incentive at the start of the policy. That's the equivalent of USD 1,500 added to the initial units of your policy.

If your premium allocation rate is above 100%, RL360 will also apply this to the premium incentive you receive.

For example, USD 1,500 per month for 15 years would receive a premium incentive of USD 4,500 x 102% = USD 4,590.

An increase to your regular premiums may also qualify for an incentive subject to the following rules:



- The increase must be equal to or greater than the qualifying minimum in its own right; and there is 10 years or more left to run of the original premium term.

The premium incentive is subject to a **100% surrender charge** if the policy (or sub-policies if applicable) is **surrendered within 5 years** of the incentive being applied to the policy.

### **Loyalty bonus**

If your premium term is **10 years or more**, a loyalty bonus will be added to your policy at the end of the term.

- The bonus will be equal to **0.25% of the fund value** of your regular premiums only, multiplied by the number of complete years you have paid premiums into your policy.

The bonus is subject to a maximum premium term of 30 years.

Any periods where the policy is placed on a premium holiday or made paid up will **not** count towards the loyalty bonus.

### **Premium holiday**

You can take a premium holiday following the end of your original premium initial allocation period for up to 2 years, provided that:

- The fund value is above the minimum level

and

- All expected premiums have been received by RL360.

Standard charges will continue to apply with the exception of the policy fee which will increase for the duration of the premium holiday.

Please see the **Key Features Document (KFD)** for details of the current minimum level and policy fee increase.

### **Ceasing/stopping premiums**

Provided the initial allocation period is complete and the fund value is above the minimum required, you can stop paying premiums into your policy, and change its status to paid up.

Standard charges continue to apply with the exception of the policy fee which increases.

Please see the **Key Features Document (KFD)** for details of the policy fee increase.

## **Charges/fees**

### **Initial unit charge: 0.50% per month (6% per year)**

Deducted from the value of the initial units monthly in arrears. This charge will be taken **throughout** the premium term.

At the end of the premium term all remaining initial units will be converted into accumulation units on a one for one basis.

### **Contract charge: 0.125% per month (1.50% per year)**

Deducted proportionately from initial and accumulation units each month in arrears whilst the policy remains in-force.

### **Policy fee: USD 8.00 per month (or currency equivalent)**

Deducted monthly in arrears from accumulation units whilst the policy remains in-force.

The policy fee will increase every year in line with the Isle of Man Retail Price Index.

The policy fee will be multiplied by 3 where a policy is on a premium holiday, or the policy is made paid up.

### **Underlying fund charges**

Underlying funds will be subject to management charges levied by the external fund manager. Further details can be obtained from the **Fund Guide**.

### **Surrender charges**

A policy surrendered within its initial allocation period **will acquire no surrender value**, in effect suffering a **100% surrender charge**.

A policy or sub-policy surrendered after the initial allocation period may be subject to a surrender charge deducted as a percentage of the initial unit value.

Please refer to the **Key Features Document (KFD)** for further details.

Accumulation units are **not** subject to any surrender charges.

## **Withdrawals**

### **Regular withdrawals**

In order to be able to take withdrawals from your policy, **your original premium's initial allocation period must be complete** and **you must have built-up accumulation unit value**.

As regular premiums do not purchase accumulation units until after the initial allocation period is complete, **you may not be able** to take withdrawals straightaway.

Regular withdrawals may be taken as a percentage of the fund value, or as a fixed amount, **subject to a minimum of USD 400** (or currency equivalent).

The total amount of regular withdrawals you can take in any one policy year **cannot exceed 10%** (inclusive of any investment adviser fee if applicable) of the fund value at the start of the policy year. Regular withdrawals will be paid in your policy currency and can be paid:

- monthly
- quarterly
- termly (i.e. on a 4 monthly basis)
- half-yearly
- yearly

### **One-off withdrawals**

The maximum will be limited to the value of accumulation units held in your policy and cannot be greater than the surrender value of the policy or bring the fund value below the minimum amount of **USD 8,000** (or currency equivalent).

## **What might you get back?**

What you will get back depends on the amount of premiums you make throughout the premium term, the performance of your chosen funds over the lifetime of the policy, our charges and any withdrawals you take.

## **Quantum taxation**

RL360 is subject to Isle of Man tax laws. Therefore any growth or income earned within your policy is **not taxable** in the Isle of Man.

However, withholding tax may be deducted at source on income arising from investments held in some countries, **which cannot be reclaimed by RL360**.

You may have a personal liability to tax depending on the tax laws in your country of residence and your own personal circumstances. Tax implications should be discussed with your specialist tax adviser, **RL360 is not licenced to provide financial or taxation advice**.

## **Why RL360?**

- RL360's ambition is to support a happy and financially stable future for their customers.
- Based on the Isle of Man, RL360 has regional offices in the Far East, Middle East, Latin America and Africa. They are part of International Financial Group Limited, which serves over 70,000 customers in 170 different countries.
- With the business part-owned by the senior management team, they enjoy committed leadership and a long-term vision to be the best provider of offshore savings, protection and investment for their customers – a vision already coming to fruition as they have seen their market share treble over the last five years. RL360 now administer assets of over **USD 11 billion** for their clients (as at 31 December 2017).
- UK based independent actuaries, AKG, awarded RL360 a B+ rating in 2017, the joint highest rating of any international life business. Their financial strength assessment of RL360 was '**A financially strong stand-alone operation with very strong operational characteristics**'.
- RL360 also won '**Best Life International Life Group (Non-UK)**' at the 2017 & 2018 International Fund & Product Awards.

### **Why the Isle of Man?**

- Customers can take great reassurance from RL360's Isle of Man location. The island is a well-established global financial centre with an outstanding reputation for investor protection.
- As a self-governing dependent territory of the British Crown, the Isle of Man has a stable and supportive government, robust economy and simple tax regime, with no capital gains, withholding or wealth tax. Situated equally between England, Ireland, Scotland and Wales, the island enjoys an **Aa2** sovereign rating from **Moody's**.
- In November 2017, the OECD gave the Isle of Man the highest compliance rating for its international exchange of tax information, a level only achieved by 21 jurisdictions globally.
- The Isle of Man also won the prestigious **International Finance Centre award** at the 2017 & 2018 International Adviser Product and Service Awards

## **Policyholder protection**

### **What happens if RL360 becomes insolvent?**

The Isle of Man Insurance Act 2008, Section 32, Schedule 3 Paragraph 7(a) states 'the assets in the company's long term business fund shall be available only for meeting the liabilities of the company attributable to its long term business'.

Therefore, if RL360 became insolvent, the monies held within the long term business fund (i.e. its liabilities to policyholders) **cannot** be accessed by its creditors.

RL360 policyholders will also be protected by the **Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991**. This means that in the unlikely event that RL360 is unable to meet its obligations, policyholders will be protected by this scheme, irrespective of where they are resident.

The scheme meets up to **90%** of the company's liabilities to its policyholders.

For further information on the Scheme, the Isle of Man Financial Service Authority's 'Questions and Answers' document can be downloaded from:

<http://www.iomfsa.im/regulatedentities/insurance/InsuranceProtection.xml>

### **What happens if a fund an RL360 policy is linked to becomes insolvent?**

The individual funds the policy is linked to are **not** covered by the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991, as this legislation only applies to an authorised Isle of Man life assurance company which has itself become insolvent.

The compensation offered for a fund linked to your policy depends upon what jurisdiction the fund is constituted in and whether it is authorised by a regulatory body. Therefore, where there is concern about the level of compensation offered, RL360 would recommend contacting the individual organisation whose investments are being considered.

Some compensation schemes have a maximum amount they will pay out to each owner of the fund in question (and some don't include corporate investors as being eligible for their scheme). Although several policyholders may have their policy linked to the fund, as the units within the fund belong to RL360 as a corporate investor, the compensation scheme would only treat RL360 as one investor.

**Therefore, any compensation received by RL360 would have to be split between all relevant policyholders of RL360. This would be the case with any life assurance or other company in this situation.**