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March 2006

Dear Intermediary

### **Scottish Provident Ireland - With Profits Funds Update**

Last September, we wrote to you promising to keep you informed of the performance of the Scottish Provident and Scottish Mutual International With Profits Funds, and what this means for your customers who have invested in these funds. This is part of our commitment to providing you with the information you need to advise and support these customers.

#### **Fund performance continues to be strong**

I am pleased to say the changes to our fund strategy that we told you about in July 2004 continue to have a positive impact on the investment values for the majority of our customers.

Last year, 2005, was a year when both equity and bond markets delivered sound returns. During the year we increased our equity exposure in both the Scottish Provident Limited and the Scottish Mutual International With Profits Funds, and disposed of our commercial property holdings in a single tranche to capture value in what we felt was a buoyant and over-valued market. As a result of our prudent asset mix and sensible approach to risk, the funds delivered gross investment returns of 12.8% and 13.2% respectively.

#### **Positive Returns for Investors**

##### ***Annual Bonus***

##### **Scottish Provident Limited – With Profit policies written before 1 August 2001**

In line with our strategy we have once again declared a zero annual bonus for with profits contracts, except those where a guarantee is in place.

##### **Scottish Mutual International – With Profit policies written with effect 1 August 2001**

We have maintained an annual bonus rate of 2.25% for 2006.

The strong returns have allowed us to do a number of things:

##### ***Final Bonus***

##### **Scottish Provident Limited (SPL)**

We have increased our final bonus rates on a wide range of policies and durations and in other cases have re-introduced them. For example:

Final bonuses now apply to **all** durations of Scottish Provident life policies.

- SPL Traditional Regular Premium Pensions starting between 1998 and 2002 now get a final bonus. For those commencement years where a final bonus was already being

paid, the rate has been increased. The range of final bonus (excluding 0%) is now 5% to 65%.

- SPL Traditional Single Premium Pensions that started in 2002 or later now get a final bonus. For those commencement years where a final bonus was already being paid, the rates have mainly been increased. The range of final bonus (excluding 0%) is now 4% to 371%.
- SPL UWP Life and Pension contracts all now receive a final bonus. The range is 5% to 59%.
- SPL Traditional Endowments starting in 1997 or earlier have all received increases in the rate of final bonus in comparison to March 2005. The range of final bonus is now 2% to 140%.

### **Scottish Mutual International (SMI)**

The following Final Bonus Rates now apply for single premium investments:

- Units purchased between 1 August 2001 to 30 June 2002 - 0%
- Units purchased between 1 July 2002 to 31 December 2003 – 6%
- Units purchased between 1 January 2004 to present - 0%

### ***Market Value Reductions ( MVR)***

Having eliminated MVRs on all SPL With Profit contracts last year, we have now also eliminated them on the SMI contracts.

Full details of the final bonus and MVR rates now applied to both traditional and unitised business are available at [www.scotprov.ie](http://www.scotprov.ie)

### **Consistency of Approach**

We will continue with our goal of concentrating on improvements to final bonus to reflect positive investment returns when they arise. As you know this allows us to protect the long-term interests of all investors in the funds and to continue to treat all policyholder groups fairly.

### **Keeping Your Clients Informed**

Starting in late April we will be writing to Scottish Provident Ireland With Profits policyholders and trustees with details of this update and how it affects them.

Enclosed you will find a 'Questions and Answers' leaflet with more details of performance and bonuses. We are also sending With Profits policyholders a copy of the new Customer Friendly Principles and Practices of Financial Management (CFPPFMs) appropriate to their fund. You can download these from [www.scotprov.ie](http://www.scotprov.ie) or call our helpline for a copy of the report

If you have any further queries please contact our helpline on 1890 331 331, email us at [info@scotprov.ie](mailto:info@scotprov.ie) or write to us at the above address.

Yours faithfully

Shay Hiney  
Intermediary Relationship Manager