

Standard Provisions of The Complete Investment Portfolio

Introduction

The Complete Investment Portfolio is made up of one or more policies. The number of policies is stated in the Plan Schedule. Each policy ("the Policy") is a contract between the Owner and Scottish Mutual International Limited based on an Application made by the Owner.

The terms and conditions of each Policy are set out in:

- the Plan Schedule,
- any associated Increment Schedule,
- any endorsement to the Plan Schedule or Increment Schedule, and
- the Standard Provisions (reference CIP002/0803).

The monetary amounts in the Plan Schedule and any associated Increment Schedule are the totals for all the policies in the Complete Investment Portfolio. If you surrender one or more of these policies we will reduce the monetary amounts accordingly (see Section 2.7).

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1 General Details

1.1 Definitions

The Policy uses the following terms. The Schedule gives the meaning of any other terms we may use.

An "Allocation Date" is a date on which we carry out an allocation of assets (see Section 2.1). This will be either on the Commencement Date or following a request to switch assets (see Section 2.2).

The "Amount Buying Assets" is the part of the Investment which is allocated to buy assets.

An "Application" is

- the Application Form you complete,
- any other associated statements you make to us, or to any person acting for us, before the Commencement Date,
- any written submissions you make after the Commencement Date to change the terms of the Adviser Charge, as specified in Section 2.10, and
- any request to make Additional Investments (see Section 2.3).

The "Asset Currency" is the currency in which unit prices in an Investment Fund and an asset in the Portfolio Fund are denominated.

A "Bonus Unit Date" is a date on which we will add Bonus Units (see Section 2.4). Bonus Unit Dates will be at monthly intervals.

The "Cash Account" is a cash deposit account included in the Portfolio Fund (see Section 3.4).

A "Charge Date" is a date on which we will deduct charges. The frequency and date of each Charge Date will depend on the type of charge (see Section 2.10).

The "Date of Notification" is the date on which we are notified of a claim for the Death Benefit (see Section 2.8).

The "External Fund Manager" is someone we appoint and accept as being suitable to manage the assets allocated to the Portfolio Fund.

The "Fund Adviser" is someone, for example a financial adviser who holds discretionary management status, we accept as being suitable to give instructions regarding the composition of the assets allocated to the Portfolio Fund.

Our "Head Office" is at Scottish Mutual International Limited, Styne House, Upper Hatch Street, Dublin 2, Ireland (or some other address as we may determine).

The "Inflation Index" in respect of any relevant period is the percentage increase over that period of the Consumer Price Index as published by the relevant Irish government department (or some appropriate alternative index as we may determine).

An "Investment" is the amount you pay and is shown in the Schedule. It is the amount we receive in the form of:

- cleared funds, or
- transfer of suitable assets.

An "Investment Fund" is a segregated fund of earmarked assets maintained by us within our Long Term Business Fund.

The "Late Payment Interest Rate" will be a suitable official lending rate applicable to the Plan Currency, rounded up to the next full percentage point.

The "Long Term Business Fund" is the fund we maintain for the accounting transactions for our long-term business.

The "Owner" is:

(i) if the Schedule names one Owner:

- the named Owner, or
- the successor in title of the named Owner, or

(ii) if the Schedule names more than one Owner:

- the named Owners, or
- the survivor or survivors of the named Owners, or
- if there is no surviving named Owner, the successor in title of the last of the named Owners to die, or

(iii) irrespective of (i) or (ii) above, if you assign the Policy or write it under trust, the person who is legally entitled to deal with the Policy.

The "Plan Currency" is the currency, specified in the Schedule, in which the Investment, benefits and charges, unless otherwise agreed, will be payable under the Policy.

A "Policy Year" is a year starting on the Commencement Date and any of its anniversaries.

The "Portfolio Adviser", as chosen by you in the Application, will determine the composition of the assets allocated to the Portfolio Fund and will be one of the following:

- the Owner,
- a Fund Adviser, or
- an External Fund Manager.

You may request, in writing, to change the Portfolio Adviser at any time.

A "Portfolio Fund" is an investment fund which is linked only to this Policy and the other policies stated in the Schedule. It is the collective name we give to the Cash Account and all assets which are not Investment Funds.

The "Provisions" are these Standard Provisions and the Special Provisions included in the Schedule.

A "Regular Withdrawal Cancellation Date" is a date on which we will cancel units to pay for a regular withdrawal (see Section 2.5).

The "Schedule" is the Plan Schedule or the Increment Schedule, where appropriate. Reference to an entry in the Schedule is to:

- the original entry, or
- the latest change to that entry, if we change the entry by endorsement.

A "Valuation Date" is a date on which we value a fund. Each Investment Fund will have a Valuation Date at least once in each calendar month. Each Portfolio Fund will have a Valuation Date at least once in each calendar quarter.

"We", "our", "us" refer to Scottish Mutual International Limited.

"You", "your" refer to the Owner.

1.2 Legal Provisions

(a) Unless the Schedule states otherwise, the Policy will be governed by the law of Ireland.

(b) At any time after the Commencement Date specified in the Schedule, you must inform us if you change your country of residence. Depending upon the laws of your country of residence, it may be necessary:

- to make changes to the Policy. These changes may include the removal of your right to:
 - make additional investments (see Section 2.3), and/or
 - take regular withdrawals (see Section 2.5), and/or
 - take a partial surrender (see Section 2.6), and/or
 - make any alteration to the Policy, or
- to terminate the Policy and pay the surrender value (see Section 2.7).

(c) If the law requires us to pay any amount concerning the Policy or any associated instrument to any government or statutory agency, we may deduct the amount due as described in Section 2.11.

This will, without limitation, include any amount payable following a change in the residence status as detailed in (b) above.

- (d) We may, acting on professional actuarial advice, make changes to the Provisions which, in our reasonable opinion, we consider appropriate in the circumstances, if:
- it ceases to be reasonably practicable for us to carry out the Provisions as a result of:
 - a change (introduced, enacted or proposed) in legislation, order, regulation or directive,
 - a change in the interpretation or application of legislation, order, regulation or directive, or
 - compliance with any request from any regulatory authority, or
 - the basis of taxation applying to the Policy changes.

1.3 Payment of Benefits

- (a) We will pay to you, at our Head Office, any benefit due under the Policy if:
- we have received the Investment,
 - you return the Schedule to us, if we ask for it, and
 - you provide us with reasonable and satisfactory proof, where appropriate, of:
 - the happening of the event on which the benefit is payable,
 - your legal entitlement, and
 - the correct date of birth of any Life Assured.
 If the Schedule wrongly states the date of birth of a Life Assured, we may change the benefits to those which are consistent with the correct date of birth.
- (b) After you meet all our requirements for payment of benefit, we will add interest to the amount payable, if we consider that we have unreasonably delayed the due payment. We will normally pay interest for any period after 10 working days, calculated using a suitable Late Payment Interest Rate.

1.4 Currency Conversion

- (a) We will carry out a currency conversion if:
- you request, and we agree to the request, to make an Investment or to receive benefits in a currency other than the Plan Currency,
 - for the purposes of:
 - Section 2.1 - Allocation of Assets
 - Section 2.2 - Switch of Assets
 - Section 2.3 - Additional Investments
 - Section 2.5 - Regular Withdrawals
 - Section 2.6 - Partial Surrender
 - Section 2.7 - Full Surrender
 - Section 2.8 - Death Benefit
 - Section 2.9 - Maturity Benefit
 - Section 2.10 - Policy Charges
 - Section 3.4 - Portfolio Fund Cash Account
 the Plan Currency and Asset Currency are not the same, or
 - for the purposes of:
 - Section 3.3 - Portfolio Fund Valuations
 - Section 4.3 - Investment Fund Valuations
 we value assets in a currency other than the Asset Currency.
- (b) We will carry out the currency conversion at suitable market dealing rates, taking into account:
- currency fluctuations, which are reflected in the exchange rates available at the time of the currency conversion, and
 - deductions equating to all costs we may incur as a result of the currency conversion.

1.5 Assignment

You must inform us in writing, at our Head Office, of any assignment of the Policy, where such assignment is valid according to applicable laws.

1.6 General

- (a) Where appropriate in the Provisions, words in the singular will include the plural and vice versa.
- (b) In all transactions involving the allocation or cancellation of units in any Investment Fund allocated to the Policy, we will round the number of units to the nearest thousandth of a unit.

1.7 Regulations and Complaints

- (a) We are authorised in Ireland by the Irish Financial Regulator to transact life assurance business.
- (b) Unless the Schedule states otherwise, any complaint about the Policy should be directed to the Operations Manager at our Head Office.

2 Policy Details

2.1 Allocation of Assets

- (a) The Policy may invest in:
- a Portfolio Fund (see Section 3) and/or
 - one or more Investment Funds (see Section 4).
- On an Allocation Date, as specified in (b) below, we will determine the proportion of the Amount Buying Assets to be invested in each Fund.
- (b) If the Amount Buying Assets is in respect of an Investment made on the Commencement Date:
- the Allocation Date will be the later of:
 - the Commencement Date, and
 - the date the Investment has been cleared in our bank account, and
 - the proportion to be invested in each fund will be based on your Application.
- If the Amount Buying Assets is in respect of a change to the composition of the assets:
- the Allocation Date will normally be the later of:
 - the first working day after the effective date of the change, or
 - an alternative later date which is acceptable to us, and
 - the proportion to be invested in each fund will be based on the new composition of the assets (see Section 2.2).
- (c) If the Portfolio Adviser chooses to invest in a Portfolio Fund:
- we will credit the Amount Buying Assets into the Cash Account of that fund
 - the Portfolio Adviser will then determine the composition of the assets of the Portfolio Fund, subject to restrictions described in Section 3.1.
- If the Portfolio Adviser chooses to invest in one or more of our Investment Funds we will:
- determine the number of units we will allocate in each fund by:

$$[AB \times PP] / U$$
 where:
 - AB is the Amount Buying Assets
 - PP is the proportion of the Amount Buying Assets to be invested in the fund you choose
 - U is the Unit Price of the unit of the fund you choose, calculated on the first Valuation Date after the Allocation Date
 - round the number of units as specified in Section 1.6.
- (d) An allocation of assets will be subject to limits and restrictions

we decide as to:

- the minimum and maximum amount to be invested,
- the minimum and maximum amount to be invested in any fund,
- the minimum size of each asset holding in the Portfolio Fund,
- the minimum balance of cash to be held in the Cash Account, and
- the maximum number of Investment Funds in which the Policy may invest.

We may delay the allocation, where appropriate, in terms of Section 3.5 or 4.5.

2.2 Switch of Assets

- (a) The Portfolio Adviser may, as appropriate, change or request to change the composition of the assets allocated to your Policy.

If we change the composition of the assets we will:

- where appropriate:
 - credit the appropriate value of assets held in the Portfolio Fund into the Cash Account of the Portfolio Fund (see Section 3.5) and/or
 - cancel units in the Investment Funds,
- determine the Amount Buying Assets as the total of the net proceeds of the assets credited into the Cash Account of the Portfolio Fund and the value of the units cancelled, and
- allocate the Amount Buying Assets in the proportion requested to the funds chosen, as in Section 2.1.

We will, where appropriate, normally cancel units at their Unit Price calculated on the first Valuation Date after:

- the effective date of the change, or
- an alternative later date which is acceptable to us.

We may make a charge for the switch, where appropriate, to cover the costs involved (see Section 2.10).

- (b) A change in the composition of the assets will be subject to limits and restrictions we decide as to:
- the funds into and out of which assets may be switched,
 - the minimum amount to be switched,
 - the minimum and maximum amount to be invested in any fund,
 - the minimum size of each asset holding in the Portfolio Fund,
 - the minimum balance of cash to be held in the Cash Account, and
 - the maximum number of Investment Funds in which the Policy may invest.

We may delay the switch, where appropriate, in terms of Section 3.5 or 4.5.

2.3 Additional Investments

You may apply, at any time, to make an Additional Investment in the Plan Currency into the Policy. We will, if we accept the Application, issue an Increment Schedule as evidence of the payment.

For each Additional Investment, in the interpretation of the

following sections:

- Section 1.1 - Definitions
- Section 1.2 - Legal Provisions
- Section 1.3 - Payment of Benefits
- Section 1.4 - Currency Conversion
- Section 1.7 - Regulations and Complaints
- Section 2.1 - Allocation of Assets
- Section 2.8 - Death Benefit
- Section 2.9 - Maturity Benefit
- Section 2.10 - Policy Charges
- Section 2.11 - Policy Administration
- Section 3.1 - Portfolio Funds

replace reference to:

- the "Schedule" by the "Increment Schedule",
- the "Investment" by the "Additional Investment", and
- the "Commencement Date" by the "Increment Date".

2.4 Bonus Units

We may, on each Bonus Unit Date, increase the number of units allocated to the Policy. Bonus Unit Dates will be at monthly intervals.

The increase will depend on the total value of units in the Investment Funds allocated to the Policy on the Bonus Unit Date.

The percentage increase on each Bonus Unit Date will be based on the following table:

Total Unit Value			% increase
under £30,000	Under \$45,000	under E45,000	nil
£30,000 - £49,999	\$45,000 - \$74,999	E45,000 - E74,999	0.02083%
£50,000 - £99,999	\$75,000 - \$149,999	E75,000 - E149,999	0.02500%
£100,000 - £249,999	\$150,000 - \$374,999	E150,000 - E374,999	0.02917%
£250,000 and over	\$375,000 and over	E375,000 and over	0.03333%

We will value the units at their Unit Price calculated on the Valuation Date immediately before the Bonus Unit Date.

2.5 Regular Withdrawals

You may request regular withdrawals from the Policy.

To pay for each regular withdrawal we will, as determined by Section 2.11:

- deduct the amount due from the Cash Account (see Section 3.4), or
- cancel units in the Investment Funds allocated to the Policy.

We will, where appropriate, cancel units at their Unit Price calculated on the Valuation Date immediately before the Regular Withdrawal Cancellation Date.

The regular withdrawals will be subject to limits and restrictions we decide as to:

- the minimum and maximum levels of payment allowed,
- the frequency and method of payment,
- the minimum balance of cash to be held in the Cash Account,
- the minimum value of units to remain in any fund under the Policy, and
- the minimum amount remaining in the Policy.

We may delay the regular withdrawal, where appropriate, in terms of Section 3.5 or 4.5.

2.6 Partial Surrender

You may request that we make a partial surrender of the Policy.

To meet the amount payable we will:

- as determined by Section 2.11:
 - deduct the amount due from the Cash Account (see Section 3.4), or
 - cancel units in the Investment Funds allocated to the Policy at their Unit Price calculated on the first Valuation Date after we receive the request at our Head Office, and
- deduct a surrender charge, if the partial surrender occurs before all the Establishment Charges have been paid (see Section 2.10).

The partial surrender will be subject to limits and restrictions we decide as to:

- the minimum and maximum payment allowed,
- the minimum balance of cash to be held in the Cash Account,
- the minimum value of units to remain in any fund under the Policy, and
- the minimum amount remaining in the Policy.

We may delay the partial surrender, where appropriate, in terms of Section 3.5 or 4.5.

2.7 Full Surrender

You may request that we terminate the Policy to provide the full surrender value as a lump sum payment.

To calculate the amount payable we will, where appropriate:

- value the assets of the Portfolio Fund (see Section 3.5),
- cancel any units in the Investment Funds allocated to the Policy at their Unit Price calculated on the first Valuation Date after we receive the request at our Head Office,
- credit the Cash Account with the total value of the assets of the Portfolio Fund and the units cancelled from the Investment Funds, as appropriate, and
- deduct a surrender charge, if the surrender occurs before all the Establishment Charges have been paid (see Section 2.10).

On the date when you meet all our claim requirements (see Section 1.3) we will:

- pay the final surrender value of the Policy as a lump sum, and
- terminate the Policy.

We may delay the surrender, where appropriate, in terms of Section 3.5 or 4.5.

2.8 Death Benefit

The Death Benefit is only available if the Plan Type is Life Assurance.

We will pay the Death Benefit if a valid claim is made following the death of the relevant Life Assured.

The relevant Life Assured will be:

- the Life Assured named in the Schedule, if there is only one Life Assured named, or
- the last to die of the Lives Assured named in the Schedule, if there is more than one Life Assured named. If the claim arises following simultaneous deaths, we will assume the relevant Life Assured to be the youngest of the Lives Assured to die.

Following the valid claim for the Death Benefit we will, where appropriate, on the Date of Notification:

- value the assets of the Portfolio Fund (see Section 3.5),
- cancel any units in the Investment Funds allocated to the

Policy at their Unit Price calculated on the first Valuation Date after the Date of Notification,

- cancel any existing arrangement to take regular withdrawals,
- credit the Cash Account with the total value of the assets of the Portfolio Fund and the units cancelled from the Investment Funds, as appropriate, and
- deduct a surrender charge, if the Date of Notification occurs before all the Establishment Charges have been paid (see Section 2.10).

The Death Benefit will be:

- if the relevant Life Assured is younger than age 75 on the date of death, 101% of the final value of the Policy, and
- if the relevant Life Assured is age 75 or older on the date of death, 100.1% of the final value of the Policy.

After you meet all our claim requirements (see Section 1.3) we will:

- pay the amount of the Death Benefit as a lump sum, and
- terminate the Policy.

2.9 Maturity Benefit

The Maturity Benefit is only available if the Plan Type is Redemption.

On the Maturity Date, we will, where appropriate:

- value the assets of the Portfolio Fund (see Section 3.5),
- cancel any units in the Investment Funds allocated to the Policy at their Unit Price calculated on the Valuation Date immediately before the Maturity Date, and
- credit the Cash Account with the total value of the assets of the Portfolio Fund and the units cancelled from the Investment Funds, as appropriate.

The Maturity Benefit will be the greater of:

- the final value of the Policy, or
- the Guaranteed Maturity Value as specified below.

The Guaranteed Maturity Value for an Investment will be:

$$2 \times I \times [T/80]$$

where:

I is the Investment

T is the term in years from the Commencement Date to the Maturity Date.

If, before the Maturity Date, we make payments as specified in terms of:

Section 2.5 - Regular Withdrawals

Section 2.6 - Partial Surrender

we will reduce the Guaranteed Maturity Value. The reduction will be in the same proportion as the reduction in the value of the Policy following the relevant payment.

After you meet all our claim requirements (see Section 1.3) we will:

- pay the amount of the Maturity Benefit as a lump sum, and
- terminate the Policy.

2.10 Policy Charges

(a) Establishment Charge

We will make an Establishment Charge, if any, on Charge Dates at the Rate, Frequency and for the Period shown in the Schedule. We will make the first Establishment Charge on the first appropriate Charge Date following the Commencement Date.

The charge will be:

$$(EC/F \times I)$$

where:

EC is the Establishment Charge rate specified in the Schedule

F is the number of Charge Dates in a year, based on the Frequency specified in the Schedule

I is the Investment, reduced appropriately following the payment of any surrender charge, as specified in (d) below.

To pay for each charge, we will deduct the amount due as described in Section 2.11.

(b) Portfolio Fund Administration Charge

We will make an Administration Charge on a Charge Date once in each calendar month. We will only apply the charge if you hold assets in a Portfolio Fund linked to the Policy.

The charge will be at the rate specified in the Schedule. We may increase the Administration Charge as specified in (f) below.

To pay for each charge, we will deduct the amount due as described in Section 2.11.

(c) Portfolio Fund Service Charge

We will make a Service Charge on a Charge Date once in each calendar month. We will only apply the charge if you hold assets in a Portfolio Fund linked to the Policy.

The charge will be:

$$(SC/12 \times PF)$$

where:

SC is the Service Charge rate specified in the Schedule

PF is the value of the Portfolio Fund (see Section 3.3) on that Charge Date.

To cover what we consider to be a reasonable margin between our costs and charges, we may decide:

- on taking professional actuarial advice,
- on taking into account charges for similar funds other insurers offer, and
- on giving 3 months' notice in writing,

to increase the percentage we use to calculate the Portfolio Fund Service Charge.

To pay for each charge, we will deduct the amount due as described in Section 2.11.

(d) Surrender Charge

We will make a surrender charge for any payment made in terms of:

Section 2.6 - Partial Surrender

Section 2.7 - Full Surrender

Section 2.8 - Death Benefit

The surrender charge will be:

$$(OEC \times P/PV)$$

where:

OEC is the total amount of Establishment Charges not yet made on the date of payment

P is the payment made

PV is the total value of the Policy.

To pay for each charge, we will deduct the amount due from the relevant payment.

(e) Adviser Charge

We will make an Adviser Charge, on each Charge Date, if

instructed to do so in the Application. Charge Dates will be on the dates specified in the Application.

The charge will be:

$$(AC/F \times PV \times PP)$$

where:

AC is the Adviser Charge rate specified in the Application

F is the number of Charge Dates in a year

PV is the total value of the Policy

PP is the proportion of the value of the Policy which is in respect of the Investment made at the time of the Application.

We will value:

- assets in the Portfolio Fund, as described in Section 3.3
- units in the Investment Funds at their Unit Price calculated on the Valuation Date immediately before the Charge Date.

To pay for each charge, we will deduct the amount due as described in Section 2.11.

(f) Fund Adviser Fee and External Fund Manager Fee

We will make a charge for any Fund Adviser Fee or External Fund Manager Fee on each appropriate Charge Date, if instructed to do so in the Application. Charge Dates will be on the dates specified in the Application.

The Fund Adviser Fee or External Fund Manager Fee will be:

$$(AF/F \times PV)$$

where:

AF is the Fund Adviser Fee or External Fund Manager Fee rate, as appropriate, specified in the Application

F is the number of Charge Dates in a year

PV is the total value of the Policy.

We will value:

- assets in the Portfolio Fund, as described in Section 3.3
- units in the Investment Funds at their Unit Price calculated on the Valuation Date immediately before the Charge Date.

To pay for each charge, we will deduct the amount due as described in Section 2.11.

(g) Miscellaneous Charges

We may make a charge if you instruct us or we find it necessary:

- to pay benefits in a way which is different from our normal practice, (we may also refuse such an instruction),
- to pay benefits in a currency other than the Plan Currency,
- to change the conditions under which the benefits will be payable,
- to change the composition of the assets allocated to the Policy, or
- to introduce or change an arrangement to take regular withdrawals, as specified in Section 2.5.

We may, after taking professional actuarial advice, increase the level of charge no more than once a year. To decide the increase, we will take into account the following factors:

- the period since the last increase,
- the Inflation Index measured over the period since the last increase, and
- any changes in the level of expenses of administration we incur.

To pay for each charge, we will deduct the amount due as described in Section 2.11.

2.11 Policy Administration

- (a) We will decide the method and the appropriate security procedures we will use when accepting your instructions regarding the administration of the Policy. Unless you or we specify otherwise, all instructions will apply identically to each of the policies listed in the Schedule.
- (b) We will decide what methods to use in giving notice regarding any changes that may affect the Policy. The methods may include:
- the issue of endorsements to confirm changes to:
 - the Schedule as agreed by you, or
 - the Provisions arising from Section 1.2(d), or
 - the use of appropriate advertisements alone or together with other means of notice for changes of a more general nature such as a change to the address of our Head Office.

We will notify you of the effective date of any changes that may affect the Policy.

We will send any notice to be sent to you by post to your last notified address. You must notify us of any change to your address.

- (c) We will determine how to pay for:

- amounts due to you in terms of:
 - Section 2.5 - Regular Withdrawals
 - Section 2.6 - Partial Surrender
 - Section 2.7 - Full Surrender
 - Section 2.8 - Death Benefit
 - Section 2.9 - Maturity Benefit, or
- charges due to us in terms of:
 - Section 2.10 - Charges.

If a Portfolio Fund is linked to the Policy, we will deduct the amount due from the Cash Account.

If a Portfolio Fund is not linked to the Policy, we will cancel units allocated to the Policy, where appropriate:

- from each Investment Fund according to the proportion that the unit value in that fund bears to the total unit value in all funds, and
- to pay for charges, at their Unit Price calculated on the Valuation Date immediately before the relevant Charge Date.

3 Portfolio Fund Details

3.1 Portfolio Funds

- (a) We will maintain within our Long Term Business Fund a number of distinct Portfolio Funds. Each Portfolio Fund will consist of:
- a Cash Account, and
 - assets which are managed by fund managers external to us.

We will link a Portfolio Fund to the Policy when you first choose to make an Investment into that Portfolio Fund.

- (b) In determining the composition of the Portfolio Fund, the Portfolio Adviser may only choose assets which are appropriate to be held within the fund.

In determining the list of appropriate assets we will take into account:

- any legal and official requirements then current,
- the territory in which the asset is domiciled,

- the need to make the administration reasonably practicable and profitable, and
- our wish to offer a reasonable choice to meet your investment requirements.

We are not responsible for:

- conducting any due diligence on assets which the Portfolio Adviser chooses for the Portfolio Fund (this is the responsibility of the Portfolio Adviser)
- the performance of any assets within the Portfolio Fund and will not accept liability if fund performance does not meet the expectations of the Portfolio Adviser, or the level advertised by the Portfolio Adviser.

We will not incur any liability for any financial loss incurred as a result of the investment choice made by the Portfolio Adviser.

If any fund chosen:

- is restructured such that liquidity or trading restrictions are introduced, or
- otherwise becomes an inappropriate asset to be held within the Portfolio Fund,

we may have to remove the asset from the Portfolio Fund and credit the value to the Cash Account. We will aim to give advance notice of these circumstances, although this may not always be possible.

- (c) Although the benefits under the Policy are specified in terms of the value of the Portfolio Fund, the assets of the Portfolio Fund and all rights to these assets belong to us.

We will add all income and capital arising from the assets of the Portfolio Fund to that Portfolio Fund after we deduct any tax at an appropriate rate.

3.2 Portfolio Fund Deductions

We may deduct what we consider to be an appropriate amount from the Cash Account for any expenses, taxes, duties and other reasonable charges including currency conversion charges that may arise from the purchase, maintenance, custody, valuation and sale of assets, and the receipt of any income attributable to those assets.

3.3 Portfolio Fund Valuations

- (a) On each Valuation Date we will calculate the value of the assets of the Portfolio Fund in the Plan Currency.

In calculating the value we will make allowance for:

- the balance of cash held in the Cash Account,
- accrued income,
- Portfolio Fund Deductions as specified in Section 3.2, and
- reserves (if any) in respect of expenses, taxes, duties, charges and other liabilities for which we or the Portfolio Fund is or may become liable.

- (b) In valuing the assets we will take into account:

- for the Cash Account, the face value of the holding, and
- for units or shares in any pooled fund, the bid price or single price, whichever is applicable, of the relevant unit or share.

We will base the bid price or single price on the latest closing prices available to us on the Valuation Date. This price may be quoted by any relevant medium (including the pooled fund or its manager) that we choose.

If we value assets in a currency other than the Asset

Currency, we will carry out a currency conversion as described in Section 1.4.

3.4 Portfolio Fund Cash Account

(a) The Cash Account will normally be used as follows:

- by you as a deposit investment
- to debit the purchase costs of assets, based on the price we may readily buy the assets plus any dealing and other related costs we may pay on purchase
- to credit the selling costs of assets, based on the price we may readily sell the assets plus any dealing and other related costs we may pay on sale
- to credit the income payments in respect of asset holdings which are not automatically re-invested in those asset holdings
- to pay for charges due to us in terms of:
 - Section 2.10 - Charges
 - Section 3.2 - Portfolio Fund Deductions
- to pay for amounts due to you in terms of:
 - Section 2.5 - Regular Withdrawals
 - Section 2.6 - Partial Surrender
 - Section 2.7 - Full Surrender
 - Section 2.8 - Death Benefit
 - Section 2.9 - Maturity Benefit
- to debit interest charges as specified in (d) below.

(b) We will determine, from time to time, the minimum balance of cash to be held in the Cash Account. We will take into account the following factors:

- the value of the assets in the Portfolio Fund
- the value of units in any Investment Fund allocated to the Policy
- the expected level of charges
- the level of any payment under an arrangement to take regular withdrawals (see Section 2.5)
- the expected level of any income receipts.

We will give you at least 1 months' notice of any new minimum balance we require.

We may allow the minimum balance to be breached, or the Cash Account to be overdrawn, subject to the payment, to us, of overdraft interest charges as specified in (d) below.

We will allow you to choose how to meet any shortfall in the Cash Account (see (c) below) if:

- we consider it reasonably necessary to adjust the minimum balance, or
- there is not enough to meet any payments made in terms of:
 - Section 2.5 - Regular Withdrawals
 - Section 2.6 - Partial Withdrawals
 - Section 2.7 - Full Surrender

(c) To meet any shortfall in the Cash Account, your Portfolio Adviser may request we do one or more of the following:

- sell assets in the Portfolio Fund (see Section 3.5)
- use the overdraft facility (see (d) below)
- cancel units in any Investment Funds allocated to the Policy.

We will, where appropriate, cancel units at their Unit Price

calculated on the first Valuation Date after we receive the instruction at our Head Office.

We may delay payment of any surrender amount until the earlier of:

- the date we receive the instructions to meet the shortfall, or
- 15 days after the due date of the payment.

If we do not receive a valid instruction we will choose the assets to be sold or the units to be cancelled, normally beginning with the largest individual holding.

(d) We will on a daily basis:

- add interest to a Cash Account which is in credit, and
- charge interest against a Cash Account which is overdrawn.

We will decide and use reasonable rates of interest.

A request to use the overdraft facility will be subject to limits and restrictions we decide as to:

- the maximum and minimum amount of the overdraft, and
- the period we will allow the Cash Account to be in overdraft.

3.5 Portfolio Fund Asset Transactions

(a) If the Portfolio Adviser makes a valid request to include an asset holding in the Portfolio Fund to a specified value, we will process the request:

- by valuing the asset to be included in the Portfolio Fund, based on buying prices readily available to us on the transaction date, and then
- by debiting the value of the assets from the Cash Account of the Portfolio Fund, taking account of all expenses, taxes, duties and charges that we may pay on purchase.

We may delay the transaction until such later date as a sufficient balance has been cleared in our bank account and credited to the Cash Account.

(b) If the Portfolio Adviser makes a valid request to remove an asset holding from the Portfolio Fund to a specified value, we will process the request:

- by valuing the asset to be removed from the Portfolio Fund, based on selling prices readily available to us on the transaction date, and then
- by crediting the value of the assets into the Cash Account of the Portfolio Fund, taking account of all expenses, taxes, duties and charges that we may pay on sale.

(c) We may delay the processing of a request to change the composition of the assets in the Portfolio Fund if:

- we cannot readily deal in assets to the value of the request at the time of the request, or
- the allocation or cancellation is not reasonably practicable due to circumstances or a situation outside our control, power or responsibility.

We will normally conduct or complete the transaction at the prices readily available to us on the first day on which the transaction is reasonably practicable after the end of any period of delay.

4 Scottish Mutual International's Investment Fund Details

4.1 Investment Funds

(a) We will maintain within our Long Term Business Fund a number of distinct Investment Funds, relating to life

assurance. We will divide each fund into units of equal value.

- (b) We will only create units in an Investment Fund if we add assets equal in value to these units at the same time to that fund. We will add all income from the assets of each Investment Fund to that fund after we deduct any tax at an appropriate rate.

We will only withdraw assets from an Investment Fund if we cancel units equal in value to these assets at the same time. The exceptions are the Investment Fund Deductions specified in Section 4.2.

We may borrow money in connection with any fund and use the assets of that fund as security.

- (c) We will decide:
- which funds and the number of funds that are available at any time to the Policy, and
 - the investment objective of each fund.

We have the power, and the right to delegate the power, to decide the composition of the assets for each fund we consider will meet the investment objective of that fund.

Although the benefits under the Policy are specified in terms of units, any assets relating to these units and all rights to these assets will belong to us.

- (d) We may:
- combine or subdivide units in any fund,
 - combine or close any fund if we believe that such action would benefit Owners invested in that fund, or
 - reinsure the liability of any fund in whole or in part.

If necessary, we will then adjust the units to make sure that we do not reduce the total value of the units allocated to the Policy.

If we are going to close a fund, we will:

- give you at least 3 months' notice in writing,
- offer you an alternative fund (although you may choose another available fund), and
- switch the units from the closing fund for units in the fund you choose.

If we do not receive your choice in writing before the end of the period of notice, we will switch the units into the alternative fund chosen by us.

4.2 Investment Fund Deductions

- (a) On each Valuation Date we will deduct from each Investment Fund a percentage of the value of that fund to pay for a management charge. The percentage may differ for each fund.

To cover what we consider to be a reasonable margin between our costs and charges, we may decide:

- on taking professional actuarial advice,
- on taking into account charges for similar funds other insurers offer, and
- on giving 3 months' notice in writing,

to increase the percentage we use to calculate the management charge for any Investment Fund.

- (b) We will deduct an appropriate amount from each Investment Fund for:
- any expenses, taxes, duties and other reasonable charges that may arise from the purchase, maintenance, valuation and sale of assets, and

- interest on, and the repayment of, any money borrowed for that fund.

4.3 Investment Fund Valuations

- (a) On each Valuation Date we will calculate the maximum and minimum value of the assets of each Investment Fund.

We will base the maximum value of each fund on the price we may readily buy the assets plus any dealing and other related costs that we may pay on purchase.

We will base the minimum value of each fund on the price we may readily sell the assets less any dealing and other related costs that we may pay on sale.

In calculating the maximum and minimum values we will make allowance for:

- all loans charged against the fund,
- uninvested cash,
- accrued income, and
- Investment Fund Deductions (see Section 4.2).

- (b) In valuing the assets we will take into account:

- for a listed security, the price quoted on any relevant stock exchange we choose,
- for an unlisted security, the price we calculate after taking any professional advice that we consider appropriate, and
- for real or heritable property, a valuation prepared and certified by independent valuers we appoint. We may adjust the value to allow for any variations in property prices since the last valuation.

If we value assets in a currency other than the Asset Currency, we will carry out a currency conversion as described in Section 1.4.

4.4 Investment Fund Unit Prices

- (a) The Unit Price of a unit in an Investment Fund is the price at which we will normally allocate and cancel units for that fund. We will calculate unit prices for each Investment Fund on each Valuation Date.

We will determine the maximum Unit Price of a unit in an Investment Fund by:

- calculating the maximum value of the fund (as calculated in Section 4.3), then
- dividing by the number of units in that fund, and finally
- rounding up by not more than 1% of an Asset Currency unit.

We will determine the minimum Unit Price of a unit in an Investment Fund by:

- calculating the minimum value of the fund (as calculated in Section 4.3), then
- dividing by the number of units in that fund, and finally
- rounding down by not more than 1% of an Asset Currency unit.

- (b) The Unit Price will not normally be greater than the maximum Unit Price or less than the minimum Unit Price. However, we may decide, when allocating or cancelling units, to adjust the Unit Price of each unit in an Investment Fund if:

- we consider it necessary to protect the value of the units within that fund,
- we cannot readily buy or sell the assets of that fund, where appropriate, at the value normally used for calculating the Unit Price, or

- units in that fund are not normally available for allocation or cancellation on that Valuation Date.
- (c) All amounts arising from the rounding up or rounding down of unit prices will accrue to us.

4.5 Investment Fund Unit Transaction Delays

- (a) We may delay the allocation of units in an Investment Fund if:
- in our opinion, immediate allocation would adversely affect the value of the existing units,
 - we cannot readily buy assets to the value of the units at the time of allocation, or
 - the allocation is not reasonably practicable due to circumstances or a situation outside our control, power or responsibility.
- (b) We may delay the cancellation of units in an Investment Fund if:
- in our opinion, immediate cancellation would adversely affect the value of the remaining units,
 - we cannot readily sell assets to the value of the units at the time of request, or
 - the cancellation is not reasonably practicable due to circumstances or a situation outside our control, power or responsibility.
- (c) We will allocate or cancel units at their Unit Price calculated on the first Valuation Date after any period of delay.

The delay will not normally be longer than 1 month. However, if the fund holds assets directly or indirectly in the form of real or heritable property, we may extend the delay for a period which we consider reasonable (but not normally more than 6 months).

Investment value may fall as well as rise.

Scottish Mutual International is an authorised person under the UK Financial Services and Markets Act 2000.

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