



## Norwich Union With-Profits Customers In Line for £2.1bn Bonus.

Most major insurers that run 'with-profit' funds have over time built up substantial surpluses in these funds. These surpluses have typically accrued over a substantial number of years as the insurers built up reserves over and above the liabilities of the fund. Now they are looking to unlock these surpluses, AXA managed this a few years ago with the Equity & Law with profits fund.

Just last week Norwich Union announced it will pay £2.1bn in bonuses to 1.1 million of its with-profits policyholders, as part of its re-attribution process.

Customers in its CGNU Life and CULAC with-profits funds will receive a bonus of about 10% of their policy's value in three installments. Shareholders will also receive £230m.

To receive the first bonus installment, a policyholder would need to have a qualifying policy invested in the CGNU Life or CULAC with-profits funds on 1 January 2008.

Norwich Union believes that as a result of the funds' financial strength, performance, and the changes made to our investment strategy we can release around half of the inherited estate - 90% to our policyholders and 10% to shareholders.

However, policyholder advocate Clare Spottiswoode - who acts on behalf of policyholder interests, says she feels disappointed customers will receive the payment over a three year period.

The surplus funds are available now yet policyholders whose policies mature before the end of the three years will not be paid the full amount. She has also pressed for this pre-retribution special distribution to be backdated to those policyholders whose policies matured naturally after 21 November 2006 as a matter of fairness.

The provider will write to customers over the next few weeks with more information.

Aviva, Norwich Union's parent company, has also put an improved reattribution offer to Spottiswoode to buy out eligible policyholders' interests in the remainder of the inherited estate.

This is the third offer put to the policyholder advocate following almost a year of negotiations. The company has asked her to respond to the offer by the end of the month so it can aim to pay electing policyholders before the end of the year. There could yet be more money on the table.

Policyholders with Prudential with profit policies should also take a keen interest in this decision as they are currently looking at the 're-attribution' of their inherited estate. Especially as this method of re-attribution may be seen as a template for further distributions within the industry.

*February 2008*

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ARK Financial Planning Limited - Independent Financial Advisers.  
18-20 Stamford Street, Stalybridge, Cheshire, SK15 1JZ.  
Tel: 0161 303 9977, Fax: 0161 303 8499, E-Mail: answers@arkfp.co.uk.  
Registered in England: No. 4975240.  
Registered Office: 14 Warrington Street, Ashton-under-Lyne, OL6 6AS.