



**Canada Life™**

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## **Property Fund Questions and Answers**

### **Q. What has caused Canada Life and other providers with property funds to delay withdrawals out of the property funds?**

The Canada Life UK Property funds and other provider property funds have been experiencing net outflows from their funds over the last year. This means that there has been less money being invested into the fund on a regular basis than being taken out. Property funds always hold an element of cash within the fund to support usual levels of withdrawals. However, when the levels of demand for these transactions reach a certain level the cash balance may be exhausted. Therefore in order to meet the demand for withdrawals some of the properties of the fund will need to be sold to raise the cash and avoid the fund going into an overdraft situation. In these circumstances, withdrawals may be suspended to give us time to sell the properties and protect the remaining policyholders within the fund.

### **Q. How does this affect my policy?**

If you remain invested in the property fund your policy will continue to perform in line with the performance of the property fund. If you wish to change the funds you are invested in or cash in part or all of your policy then this will be postponed for up to 6 months until we have sufficient cash in the property fund to meet the demand for these withdrawals.

### **Q. Will this affect my regular withdrawals from my policy?**

If this arrangement is already in place, you can continue to withdraw up to your current level of withdrawals per annum.

### **Q. When will I be able to get my money out of the property fund?**

Payments will not be delayed by more than 6 months. If there is sufficient cash within the fund in the meantime then payment may be made sooner.

### **Q. I was never aware this could happen, why are you allowed to do it?**

At the time the policy was sold to you, you should have received a key features document and other product information that would have explained the unique risk of investing into the property fund. The facility to delay withdrawals in such circumstances is, regrettably, a widely established feature of such funds.

### **Q. Am I going to lose my money if I can't take it out now?**

The nature of unit linked investment contracts means that your investment can fall as well as rise in value. Therefore it is not possible to guarantee the return that you may get in 6 months time.

### **Q. What unit price do I get when I can cash my policy in/change the funds I am invested in?**

You will receive the price at the date the actual cash in or change in funds takes place. This could be less than the price on the date you made the initial request to cash in or change the funds you are invested in.

**Q. What effect will delaying withdrawals have on the property fund?**

This will give the fund managers the time to sell properties and to maximise the value achieved. The fund will continue to be actively managed. Delaying withdrawals should not affect the fund in any other way.

**Q. Won't delaying withdrawals also deter investors into the property funds and therefore make the liquidity situation worse?**

This could be the case but there is currently not enough cash in the property funds to meet the demand for withdrawals, so we need to introduce the deferral period.

**Q. Will this affect death withdrawals?**

Death withdrawals will be unaffected. In the event of a life assured's death the claim will be processed as normal.

**Q. What will happen in 6 months time if the situation has not improved or has got worse?**

Your request will not be delayed by more than 6 months.

**Q. What impact will selling properties have on the property fund?**

If the properties are sold at the same price as they are currently valued then there will be no effect on the performance of the fund. However, if the property market deteriorates then the sale proceeds will be less than the current property valuations. In this situation the unit price of the fund will fall.

**Q. Will you inform me when you are in a position to change my funds or pay out? If the price is less than that applying at the time I requested the change can I cancel the request?**

Any withdrawals that are received will be actioned at the end of the 6 month deferral period, possibly sooner if there is sufficient cash within the fund. If you do not wish to proceed with your change or withdrawal request you will have 5 days from your request to advise us that you do not want to proceed. We will not be contacting you again before we action your request. Once you have requested the change or withdrawal you will be placed in a queue and it will not be possible to cancel this request.

However, if you wish to remain invested in the property fund once we have completed your change or surrender request you can elect to switch back into or reinvest back into the property fund.

**Q. Can I make new investments into the property fund while there is a 6 month deferral in place?**

Yes. However, if you subsequently wanted to change to a different fund or cash in the policy then you could be affected by the deferral period.

**Q. When will you start allowing policyholders to come out of the property fund?**

Requests for withdrawals will not be delayed by more than 6 months. If there is sufficient cash within the fund in the meantime then withdrawals may be made sooner.

**Q. Could this affect my tax position should I want to cash in my policy?**

The normal tax position on cashing in your policy will apply although we would recommend that you take advice from your financial adviser on how this could affect you. If you don't have a financial adviser, you should contact IFA Promotions who will give you a list of advisers in your area. You can contact them through their website [www.unbiased.co.uk](http://www.unbiased.co.uk)

**Q. Are funds that invest in the UK Property funds such as Defensive Managed affected?**

Funds that invest in the UK Property fund such as Defensive Managed are not affected at this stage as withdrawals from those funds can currently be met by selling other assets.

**Q. Are all Canada Life property funds affected?**

No. Only the Canlife UK Property Life fund, with fund code MF306 and the Canlife UK Property Pension fund with fund code MF806 are affected. Other property funds including the Canada Life International fund are unaffected at this time.

**Q. How long has Canada Life been contemplating this decision?**

A number of other companies took the decision to impose deferrals on their property funds during 2008 and we have been constantly monitoring our funds since then. However, it is only in the last few months where the cash amount held in our funds has reduced to a level where we have found it necessary to consider imposing the 6 month deferral on the funds.

**Q. Is Canada Life the only company imposing deferral periods?**

No, a number of companies imposed a deferral on their property funds at the start of 2008 and we are aware of some firms that are currently running a deferral period.

**Q. Was Canada Life in a position to prevent this from happening?**

We did everything possible to avoid having to impose a deferral period. However, for a number of months, there has been less money being regularly invested into the property fund than being taken out. Therefore, the amount of cash usually held within the fund to support the normal levels of withdrawals has reduced significantly. As it is now necessary to start selling some of the properties within the fund we have had to impose the 6 month deferral to allow the fund managers time to sell these properties.

**16<sup>th</sup> December 2008**

For further information please contact our dedicated Customer Service call centre on 0845 6060708

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