



ISLE OF MAN ASSURANCE LIMITED

Registered Office : IOMA House, Prospect Hill, Douglas, Isle of Man IM1 1ET, British Isles
Telephone : 011 44 1624 681200 Fax : 011 44 1624 681391

SINGLE PREMIUM VARIABLE BENEFIT POLICY DOCUMENT

This Policy is issued by Isle of Man Assurance Limited (hereinafter referred to as "IOMA") in consideration of the payment of the Premium stated in the Schedule attaching to and forming part of this Policy (hereinafter referred to as the "Schedule"). This Policy and the application for it (the "Application") together with any other written statements and declarations made in connection with the Application a copy of which is attached to the Policy documentation shall form the basis of the contract and is subject to the terms and conditions appended hereto and any Endorsements hereon.

All statements made to IOMA by the Owner in connection with this policy shall be considered representations and warranties. No statement other than those attached to this Policy may be used in defence of a claim under the Policy. This Policy shall be voidable by IOMA on account of fraud at any time.

SIGNED for and on behalf of **ISLE OF MAN ASSURANCE LIMITED** at Douglas, Isle of Man, British Isles on the date stated in the Schedule.

Director

This is a valuable document. Please ensure it is kept in a safe place as IOMA will require it to be produced on the making of any claim or surrender.

This Policy is issued on the understanding that the Policy Owner has satisfied him/herself that he/she is permitted to effect this Policy under any legislation, exchange control or other regulation to which he/she may be subject.



POLICY CONDITIONS

I. DEFINITIONS

- The Policy** : These Conditions including the Schedule and any endorsement hereto setting out the terms of this insurance.
- Owner** : The person stated in the Schedule as the Owner/Policyholder and (where the context admits) his/her Executors Administrators and Assigns.
- Insured** : The person named in the Schedule as the Insured upon whose life the Death Benefit becomes payable hereunder.
- Beneficiary** : The person named in the Schedule (if any) as the Beneficiary or such other person whom the Policy Owner may nominate by notice in writing to IOMA to replace such person as Beneficiary.
- Policy Date** : The date stated in the Schedule upon which the Policy incepts.
- First Premium** : The Single Premium stated in the Schedule. The Owner may pay additional premiums subject to IOMA's terms and conditions for the time being in force.
- Death Benefit** : The Sum Insured payable to the Owner or the Beneficiary as the case may be in accordance with the terms and conditions of this Policy in the event of the death of the Insured.
- Initial Death Benefit** : The Sum Insured produced by multiplying the First Premium by the Death Benefit Factor applicable to the attained age of the Insured on the Policy Date.
- Investment Adviser** : Unless another entity is specified in an endorsement hereto, the assets in the Investment Account are invested only as directed by the Investment Adviser named in the Schedule. In the absence of a specified Investment Adviser IOMA shall be deemed to be the Appointed Investment Adviser.



II. GENERAL CONDITIONS

The Contract : IOMA shall pay the Owner hereof the Death Benefit upon receipt of due proof of the Insured's death, provided this Policy is in force on the date of the Insured's death. IOMA may execute, amend or modify any Policy. No Policy can be amended or modified by the owner, or any provisions waived or extended in any respect, except with the written consent of IOMA, endorsed on the Policy, and signed by either a Director or the Life Manager of IOMA. IOMA will not contest payment of the Death Benefit after this Policy has been in force during the Insured's life for two years from the Policy Date or from the date of reinstatement, whichever is later.

This Policy is intended to qualify for United States tax purposes as a life insurance contract and has been structured by IOMA in a manner which, to the best of its belief and in the knowledge and understanding of the practices and regulations applicable at the date of the proposal and based upon independent legal and actuarial opinion meets the requirements of Section 7702 of the Internal Revenue Code 1986, as amended as such requirements currently exist.

Premium : Any premiums payable hereunder are due and payable at the Registered Office (Home Office) of IOMA in Douglas, Isle of Man, in any negotiable currency accepted by IOMA.

Proceeds and Debts : All sums payable by IOMA hereunder are payable in US dollars at the Home Office of IOMA or at any branch of IOMA. Any debt owed to IOMA by the Owner will be deducted from any Policy proceeds. Production of this Policy by the Owner shall be required before any payment will be made by IOMA.

Mis-Statement of Age or Sex : If the Insured's age or sex is mis-stated in the Application, IOMA will appropriately adjust the proceeds. Age shall be calculated as the age attained on inception date of the Policy.

Suicide : This Policy does not insure against death as a result of suicide of the Insured (whether the Insured be sane or insane) should the death of the Insured occur within two years from the Policy Date or within two years from the date of any reinstatement of this Policy.

Non-Participating : This Policy will not pay dividends or participate in any surplus earnings of IOMA.

Assignment : During the Insured's life, the Owner can, with the consent of IOMA, such consent not to be unreasonably withheld :

1. assign ownership of this Policy to someone else :
2. assign this Policy as security for an obligation. (This does not assign ownership.)

A signed copy of any such proposed assignment must be submitted to IOMA's Home Office in a form acceptable to IOMA. Any such assignment will be effective only when approved in writing by IOMA, subject to any payments IOMA makes or other actions IOMA takes before IOMA records it. IOMA is not responsible for the validity of any assignment.

Investment Account : Premiums and/or assets shall be held by IOMA in a segregated account, which is identified by the Policy Number stated in the Schedule of the Policy. IOMA shall deduct from the Investment Account all applicable charges and taxes, if any, relating to the Policy and the cost of providing the Death Benefit.

If any taxes are levied or assessable upon IOMA which are attributable to the Investment Account, the effective amount of such taxes as determined by IOMA will be deducted from the Investment Account by IOMA.

The position of Investment Adviser may be changed by the Owner for good cause, subject to the approval of IOMA. Provided that the assets of the Investment Account remain invested in a segregated account identified by the Policy Number, IOMA shall have no further responsibility or liability for any losses occurring to the assets of the Investment Account so invested. The cost of investment advisory and/or management fees in accordance with the scale of fees of the Investment Adviser designated herein, shall be deducted from the Investment Account by IOMA.

Requests made to IOMA for the investment of all or part of the Policy Assets into any specified form of investment(s) shall be subject to sanction by IOMA and any such request shall not be construed as an automatic right of the Policyholder under the terms and conditions of this Policy.

Asset Value : The assets in the Investment Account constitute the Asset Value of the Policy.

Cash Value : The Cash Value of the Policy is based on and determined by the Asset Value of the Investment Account.

Cost of Insurance : The cost of providing the Death Benefit shall be charged against the Investment Account.

Surrender : This Policy may be surrendered in full or in part, unless expressly restricted by amendment to the Policy. (Attention is called to the "Cash Value" paragraph above). Conditions governing any cash withdrawal or surrender are as follows :

1. the amount of any withdrawal must be :
 - (a) not less than US\$5,000 and a value of not less than US\$10,000 must remain in the Investment Account after the withdrawal; or
 - (b) the entire value of the Investment Account if less than US\$10,000 is in the Account at the time of withdrawal;or the currency equivalent thereof.
2. written notice of any cash withdrawal (together with a completed surrender form if requested by IOMA) must be provided to IOMA at least 30 days in advance of the date on which the Owner requests such cash withdrawal;
3. any request for a cash withdrawal; that, when aggregated with all other withdrawals during the same calendar year, involves an amount in excess of 50% of the value of the Investment Account calculated from the beginning of such calendar year, is subject to the approval of IOMA, in the exercise of its sole discretion;
4. the original Policy must accompany any notice of withdrawal (and surrender form if requested by IOMA) and will be endorsed or cancelled, whichever is appropriate;
5. IOMA will pay the amount of cash applied for within fourteen (14) business days after it receives the related disbursements following liquidation of appropriate assets.

6. in no event will a payment be greater than the amount realised from the liquidations, either partial or entire, of the Investment Account. Conditions covering any withdrawals other than cash withdrawals shall be determined by IOMA from time to time. Any assets withdrawn in kind shall be valued at their fair market value at the date of their withdrawal.

Quarterly Reports : IOMA shall provide the Owner with quarterly reports which show the current market value of the assets in the Investment Account, premium paid and all charges to the Investment Account since the last report.

Termination : All coverage under this Policy shall terminate when any one of the following events occur :

1. the Owner makes written request that coverage terminate (termination shall occur on the monthly anniversary day that falls on or next follows the receipt of the written request); or
2. the Insured dies; or
3. the Policy is surrendered

Conformity with Isle of Man Law : This Policy is subject to the jurisdiction of the laws of the Isle of Man and is issued in conformity with the requirements thereof. IOMA makes no representation regarding the conformity of the Policy to the laws of any other jurisdiction. Further, if any demand or levy is made by the Isle of Man Government and/or its delegate, as appropriate, upon IOMA under the terms of the Life Assurance (Compensation of Policyholders) Regulations 1991, as amended, a pro rata amount of such demand or levy, determined as the ratio which the value of the Investment Account shall bear to the value of IOMA's Life Fund, shall be deducted from the Investment Account by IOMA. These provisions are subject to change by IOMA in the future to reflect rulings and regulations by appropriate authorities.

III. OWNERSHIP, POLICYHOLDER AND BENEFICIARY

Ownership : The Owner of the Policy is as designated on the Application and in the Schedule unless changed by an assignment approved by IOMA pursuant to Section II hereof. Before the death of the Insured, the Owner alone will be entitled to all rights under this Policy. If the Owner dies before the Insured, all of the Owner's rights will pass to the Owner's estate unless otherwise designated by prior endorsement. Subject to the laws of the Isle of Man and the consent of IOMA, such consent not to be unreasonably withheld, the Owner may from time to time, by filing a written request along with the delivery of the Policy, appoint a Beneficiary or Beneficiaries to whom the Death Benefit shall be payable, and may alter or revoke any such prior designation, or any such designation contained in the Application or on the face of the Policy when issued, unless restricted from doing so or by previous designation. Such change shall not be effective until received at the Home Office of IOMA. IOMA shall not assume any responsibility for the validity of any designation or change of Beneficiary.

Unless otherwise provided in the Beneficiary designation, the following applies :

1. if any Beneficiary dies before the Insured, that Beneficiary's interest will pass to any other designated Beneficiaries according to the legal interest :

2. if no Beneficiary survives the Insured, any proceeds will be paid to the Owner, if alive, otherwise to the Owner's estate :

Responsibilities of Owner : The Owner shall undertake to ascertain and ensure compliance with all applicable reporting, filing, disclosure or other requirements of the laws of the United States of America or any other jurisdiction which apply to or are imposed upon the Owner, Policyholder, Beneficiary or Beneficiaries of the Policy.

IV. INSURANCE COVERAGE PROVISIONS

Death Benefit : The Death Benefit shall be the greater of (a) the sum insured calculated at the inception of this Policy or (b) a percentage of the total assets held under this Policy. Except when determined by such percentage the death benefit shall remain level. The payment of the Death Benefit is subject to the conditions and adjustments as defined in the Ownership, Policyholder and Beneficiary provisions of Section III hereof.

The definition of a contract of life insurance in accordance with Section 7702 of the United States Internal Revenue Code of 1986, as amended (the Code) limits the amount that may be paid into a life insurance policy in relation to the benefits provided thereunder. Notwithstanding any statement to the contrary contained herein the "future benefits" under this Policy shall at no time be less than the amount required to ensure that the "premiums paid" do not exceed the Code's "guideline premium limitation." IOMA reserves the right to adjust the amount of premium paid in order to meet these limitations.

This Policy shall further provide that the Death Benefit shall at no time be less than the "applicable percentage" of the "cash surrender value" of the Policy. (Terms employed under Section IV are as defined in the Code. For further information please refer to Section VI and "Calculation of the Death Benefit").

In order for the provisions of this Policy to satisfy the requirements of Section 7702 of the United States Internal Revenue Code of 1986, as amended, from and after the Policy Date, the Owner shall take appropriate action to cause the death benefit payable hereunder to be maintained on a continuous basis, at any time and from time to time, at an amount at least equal to the minimum requirements in accordance with the schedules shown in Appendix 1.

Policy a Modified Endowment : This Policy is determined to be a Modified Endowment Contract (MEC) under the General Rule of Section 7702A of the United States Internal Revenue Code of 1986, as amended.

NOTE : Policyholders are advised to familiarise themselves with the conditions governing the tax treatment of Modified Endowment Contracts, a summary of which can be obtained from the Registered Offices of Isle of Man Assurance Limited, upon request.

V. SCALE OF FEES

In addition to any applicable taxes, IOMA may deduct from the Investment Account the following :

- (1) an initial fee of 4% of the first Premium and any additional Premiums paid into the Policy
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- (2) if invested in IOMA's Growth or Gold Funds : 1.5% per annum
if invested in IOMA's Cash Reserve Funds : 0.5% per annum
if invested with Independent Investment Manager
(plus Manager's fees) : 1.0% per annum

Calculated and deducted quarterly at the end of March, June, September and December each year. IOMA reserves the right to sell any underlying investments in order to meet annual charges under the Policy together with the cost of providing the Death Benefit. This right shall only be exercised in circumstances where insufficient cash funds are available from the Policy Assets to meet such costs.

- (3) reimbursement of any out-of-pocket expenses incurred by IOMA in connection with the administration of the Policy including, but not limited to, telephone, facsimile charges and stationery expenses;
- (4) For any purchase or sale of an investment that is not classified as a unit trust, mutual fund, investment trust or regular stock quoted on a major exchange, IOMA reserves the right to charge a transaction fee commensurate with the time spent executing the trade.
- (5) The Cost of Insurance varies according to the age sex and health of the Life Assured at inception of the Policy. The Cost of Insurance shall be charged annually in advance and become due at inception of the Policy and upon each subsequent annual Policy anniversary. This charge will be collected quarterly.

VI. POLICY CHANGES

Changes in Insurance Cover : Subject to the approval of IOMA the Owner may increase the total premium commitment by an amount of not less than US\$5,000 at any time after 30 days from the Policy Date by submitting evidence of continued insurability to the Home Office of IOMA in Douglas, Isle of Man, British Isles. At the time of any such increase this Policy shall become subject to re-testing under the provisions of Section 7702 of the United States Internal Revenue Code of 1986, as amended, resulting in the necessity of recalculating the amount of Death Benefit provided in accordance with the requirements under Section 7702 at the date the increase is effective.

Applicable Tax Law : This Policy must qualify initially and continue to qualify as a contract of life insurance under the Internal Revenue Code or successor law in order to afford the Policyholder and the Beneficiary the relevant tax treatment according to life insurance under the United States Federal law. To ensure the continued qualification of this Policy, IOMA has reserved earlier in this Policy the right to amend or modify any Policy which shall include the right to decline to accept premium payments, to decline a change to the sum insured or to decline to make partial withdrawals that would cause this Policy to fail to qualify as life insurance under applicable United States tax law as interpreted by IOMA. Furthermore, IOMA reserves the right to make changes in the Policy or to request additional premium payments or to make distributions from this Policy to the extent IOMA deems necessary to continue to qualify this Policy as a contract of life insurance. Any such changes shall be applicable to all policies similarly effected. Notice of such changes shall be given to the Policyholder in writing.

NOTES

DIVERSIFICATION OF INVESTMENTS

In order that the preferred tax treatment available with respect to a variable life insurance contract is preserved it is important that the conditions of the regulations issued pursuant to Internal Revenue Code Section 817 are met at all times. Essentially the requirements are that the underlying investments of the segregated asset account are "adequately diversified" in accordance with the following guidelines:

- (a) No more than 55% of the value of the total assets of the account can be represented by any one investment.
- (b) No more than 70% of the value of the total assets of the account can be represented by any two investments.
- (c) No more than 80% of the value of the total assets of the account can be re-represented by any three investments.
- (d) No more than 90% of the value of the total assets of the account can be represented by any four investments.

CALCULATION OF THE DEATH BENEFIT

The general rule under Section 7702 of the United States Internal Revenue Code 1986, as amended, requires that a policy meet one of two tests at all times in order to qualify as a contract of life insurance for United States federal tax purposes: *a cash value accumulation test or a guideline premium/cash value corridor test*. The SPVB Policy has been designed for the purpose of meeting the requirements of the guideline premium/cash value corridor test.

The first part of the test is the "guideline premium requirement", which determines at inception the acceptable single premium necessary to provide for future benefits under the contract. As a consequence, tables of actuarial factors have been developed, providing the means of calculating a level death benefit from inception of the contract in relation to the single premium paid to IOMA, which satisfies this requirement. This sum insured remains level until it becomes necessary to satisfy the second part of the test, the Cash Value Corridor.

The Cash Value Corridor requires that "the death benefit under the contract at any time is not less than the applicable percentage of the cash surrender value". As the underlying Asset Value of the Policy grows, especially if an annual growth of 6% is exceeded, its relationship to the sum insured will diminish until a point is reached whereby the conditions of the Cash Value Corridor cannot be met. The Policy has been structured in such a way that the death benefit will meet the requirements of the Cash Value Corridor at all times.

Based upon its understanding of the Code, supported by independent actuarial and legal opinions, IOMA may take certain action for the purposes of meeting the definitions and limitations imposed by the Code.