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# 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

## VARIABLE ANNUITY POLICY

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.

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**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

### 1. DEFINITIONS

- Annuitant** : The person named in the Schedule as the Annuitant to whom and during whose life the annuity payments are payable hereunder.
- Annuity** :The sum of money payable hereunder by IOMA at regular intervals commencing on the Annuity Start Date.
- Annuity Start Date** : The date stated in the Schedule upon which the annuity payments commence.
- Beneficiary** :The person named in the Schedule as the Beneficiary who is designated to receive the Death Benefit in the event of the death of the Policy Owner before the Annuity Start Date or such other person whom the Policy Owner may nominate by notice in writing to IOMA to replace such person as Beneficiary.
- Benefits** :All amounts payable to the Policy Owner the Annuitant or the Beneficiary as the case may be in accordance with the terms and conditions of this Policy.
- Policy Owner** :The person stated in the Schedule as the Policy Owner and (where the context admits) his/her Executors Administrators and Assigns. In the event there are joint owners of the Policy the term Owner shall mean the first owner to die except in the circumstance that the joint owners are husband and wife in which case the term Owner shall mean the surviving spouse.
- Premium** :The Single Premium stated in the Schedule. The Policy Owner may pay additional premiums subject to IOMA's terms and conditions for the time being in force.
- The Policy** :These Conditions including the Schedule and any endorsement hereto setting out the terms of this insurance. The Policy become effective only upon acceptance of the application by an authorised officer of IOMA at its Registered Office in the Isle of Man.

### 2. GENERAL CONDITIONS

**Type of Annuity** :Deferred. Payable from the Annuity Start Date.

Under the United States Internal Revenue Code 1986 as amended this contract as issued by IOMA is classified as a Variable Annuity.



**Rights of Policy**

**Owner** Prior to the Annuity Start Date this Policy may be surrendered in accordance with the provisions under Section II hereunder.

At any time during the subsistence of this Policy the Policy Owner may elect to choose a successor Annuitant to whom annuity payments shall be made in the event of the death of the Annuitant. The Policy Owner may change the successor annuitant at any time by notifying IOMA in writing of any such change.

**Headings and**

**Interpretation** :Headings are included in this Policy for ease of reference only and shall not affect the interpretation of these Conditions.

Words and expressions to which specific meanings have been attached in any part of this Policy or the Schedule shall bear specific meanings wherever they appear.

Where the context so admits the singular shall include the plural and the masculine the feminine and vice versa.

**Occupation Residence and Travel**

:This Policy is free from restrictions on occupation residence or travel unless otherwise provided.

**Mis-Statement of Age** :If the age or sex of the Annuitant is incorrectly stated in the Application or in the Policy the terms shall be adjusted by IOMA to such terms as would be appropriate having regard to his/her true age.

**Non-Participating** :This Policy will not participate in the profits of IOMA.

**Non-Assignment** :Neither this Policy nor any of the rights hereunder are assignable to any person whatsoever and IOMA shall not be affected by any notice purporting to notify it of any such assignment.

**Amendments and Notice to IOMA**

:This Policy cannot be amended nor any conditions waived or extended in any respect except by an endorsement issued by IOMA and signed by a Director or the Life Manager for the time being of IOMA. This Policy shall be voidable on account of fraud at any time.

Any notice required to be given to IOMA under the terms of this Policy shall not be deemed effective unless it is in writing addressed to IOMA at its Registered Office for the time being is duly executed by the appropriate person persons firm or body corporate and there is attached thereto this Policy or any other documents required to be attached to such notice in accordance with the terms of this Policy and such notice is actually received by IOMA



**Notice by IOMA** :Any notice required to be given or any payment required to be made by IOMA to the Policy Owner the Annuitant or the Beneficiary in accordance with the terms of this Policy may be sent by pre-paid recorded delivery post to the other party at its Registered Office for the time being or in the case of an individual or individuals at his/her or their last known place of abode. A notice or demand sent by recorded delivery post shall be deemed served 14 (fourteen) days after posting.

**Isle of Man Law** :This Policy shall be subject to and construed in accordance with Isle of Man law. Proper venue for any litigation or similar action concerning any part's rights or obligations in respect of the Policy shall be in the Isle of Man.

### 3. INITIAL FEE

IOMA may deduct from the Single Premium the Initial Fee stated in the Schedule by deduction to be made on receipt of the Premium. The Initial Fee in respect of any additional premiums paid will be in accordance with IOMA's scale of fees at the date of receipt of such additional premiums.

### 4. THE ANNUITY FUNDS

- (a) In order to calculate the Benefits under this Policy IOMA shall maintain the Annuity Funds stated in the Schedule within a collective fund (hereinafter referred to as the Funds) segregated from IOMA's other assets in accordance with the statutory requirements of the Isle of Man Government.
- (b) The Funds shall belong to IOMA and IOMA shall have in relation thereto all rights incidental to such an owner including the rights to borrow monies for the benefit of the Funds either unsecured or secured against any of the assets of the Funds. The Policy Owner and/or the Annuitant and/or the Beneficiary shall not have any interest in the Funds or the Units described in this Policy.
- (c) Each of the Funds shall be invested at the sole discretion of IOMA. In addition at the discretion of IOMA the Policy Owner may have the option to appoint an Investment Advisor independent of the Policy Owner to serve as advisor to IOMA; provided however that funds held in connection therewith shall be adequately diversified as required by applicable tax or other laws; shall be owned by IOMA and invested at its sole and absolute discretion; and the other provisions of this Condition 4 and other corresponding provisions of this Policy apply to the funds.
- (d) All dividends and other income payable from time to time in respect of the Investments forming all or part of any Fund shall be added to the capital of such Fund.
- (e) There shall be deducted from each of the Funds the Fees and Expenses detailed in Condition 7 hereof.



## **5. THE UNITS**

- (a) Each of the Funds shall be notionally divided into Units of one or more categories. IOMA may in its absolute discretion sub-divide or consolidate the Units of any Fund.
- (b) Whenever new Units in a Fund are created Investments which in IOMA's opinion are equivalent in value will be added to the Fund.
- (c) No Investments shall be withdrawn from any of the Funds unless Units of an equivalent value are cancelled.

## **6. ALLOCATION OF UNITS**

- (a) Units shall be allocated to this Policy. The number of Units to be allocated will be determined by deducting from the Single Premium the Initial Fee and by dividing the remainder of the Premium by the Unit Price (as hereinafter defined) of the Fund to which such Premium has been allocated. For the purposes of this Condition the Unit Price shall be the Unit Price applying at the Issue Date of this Policy.
- (b) The number of Units of any Fund allocated shall be rounded up or down as appropriate by not more than 100th part of one Unit.
- (c) Units will be allocated to this Policy in respect of any additional premiums paid in accordance with IOMA's Terms and Conditions in force at the date of receipt of such additional premiums.

## **7. FEES AND EXPENSES**

There shall be deducted from each of the Funds from time to time and at any time (whether from the capital or income thereof) such amounts as IOMA in its sole discretion considers appropriate in respect of the following :

- (a) A quarterly fee payable to IOMA at the rate of 0.375% of the Value of each Fund other than Cash Reserve Sub-Funds upon which the quarterly fee shall be charged at the rate of 0.125% on the value of each of the Cash Reserve Sub-Funds. For the purposes of this condition the value of each Fund shall be determined in accordance with the provisions of Condition 8 of this Policy and IOMA shall choose the date (as near as possible to 31 March, 30 June, 30 September and 31 December each year) on which the quarterly fee shall be calculated. The fee shall be deducted with 7 (seven) days from the date of calculation.
- (b) All fees commissions disbursements expenses taxes duties interest and other charges incurred in the purchase sale valuation safe custody or maintenance of the Investments for the Fund or any documents evidencing title thereto including but without prejudice to the generality of the foregoing stamp and other duties governmental charges brokerage commission valuation fees and interest on monies borrowed for the account of the Fund.



- (c) All professional fees payable by IOMA in respect of any advice obtained concerning the Fund or the Investments forming all or part thereof (including fees paid to the Investment Manager) and/or in connection with the interpretation construction or obligations of or arising under this Policy or any part thereof or any audit or inspection of the Fund.
- (d) All taxes including but not limited to withholding tax payable in respect of or deducted from any income derived from the Investments forming all or part of the Fund and any capital gains accruing to the Investments including but without prejudice to the generality of the foregoing any taxes payable by IOMA or to which IOMA may become liable attributable to the Fund or the Investments on the basis that such Fund or Investments constitute part of IOMA's Life Assurance Fund without any allowances.
- (e) Any indirect tax (including but not limited to Value Added Tax) for the time being payable to any one person persons firm body corporate local municipal or central government or authority in connection with the Fund and/or the Investments forming all or part thereof.
- (f) All other liabilities expenses taxes duties levies or charges whatsoever in connection with the Fund and/or the Investments and/or made on IOMA and referable to the Fund.
- (g) A pro-rata amount of any demand or levy made by the Isle of Man Government and/or its delegate upon IOMA under the terms of the Life Assurance (Compensation of Policyholders) Regulations 1991 as amended determined as the ratio which the Value of each Fund shall bear to the total Value of IOMA's Life Fund.
- (h) All out of pocket expenses and disbursements incurred by IOMA in connection with the Fund.
- (i) IOMA reserves the right to charge an administration fee on annuity payments not exceeding 1% (one per cent) of the amount of such payments.

## **8. UNIT PRICE AND FUND VALUATION**

- (a) The Unit Price of each of the Funds shall be determined by IOMA on a monthly basis.
- (b) The Unit Price shall be determined by dividing the total value of each Fund by the number of Units currently issued in respect of such Fund.
- (c) In determining the Value of each Fund IOMA shall have regard to uninvested cash accrued income and the mid market value (determined as closely as reasonably possible to the day of valuation) of the remainder of the Investments in the Fund and shall make due allowance for all fees commissions expenses taxes loans interest or charges and other financial liabilities for which IOMA is or may become liable under the Fund.



- (d) Each Fund other than currency Cash Reserves shall be valued in United States Dollars. In determining the value of Investments in other currencies the value shall be converted at the rate of exchange prevailing on the Valuation Day.
- (e) The Market Value of any quoted securities for the time being forming part of the Investments shall be ascertained by reference to the appropriate published price or by reference to the price made available by any competent authority which IOMA in its discretion selects.
- (f) The market value of any other Investments shall be determined by IOMA by reference to any relevant criteria as IOMA may in its sole discretion determine.
- (g) IOMA shall be entitled to rely upon a statement as to the value of any Investment or the rate of exchange prevailing at any time if they believe it to be genuine and to be given by a person who in their opinion is competent to make such statement or if it is given by the Investment Manager.
- (h) IOMA shall provide the Policy Owner with a report made up at 31 March, 30 June, 30 September and 31 December each year specifying the number and Value of Units allocated to the Policy.

## 9. ANNUITY PAYMENTS

- (a) Subject to the terms and conditions of this Policy and provided that the Annuitant is alive annuity payments shall be payable from the Annuity Start Date.
- (b) Before making any annuity payment IOMA shall be entitled to proof of the Annuitant's age and that he/she is alive and to such other documents or information as IOMA may require in a form acceptable to it.
- (c) Annuity payments may be selected from the following options :
  - i. **Option 1.** Annuity for an Agreed Period. Annuity payments shall be made for a selected number of years. IOMA shall cancel an appropriate number of Units allocated to this Policy to provide for each annuity payment. The annuity payment(s) shall vary each year in keeping with the return achieved on the Annuity Funds applied to this Policy.
  - ii. **Option 2.** Annuity for Life with an Agreed Guaranteed Term. Annuity payments shall be made in instalments for an agreed guaranteed term of 10 or 20 years. The amount of the annual payment shall be based upon IOMA's prevailing mortality and interest rates in effect 60 (sixty) days prior to the Annuity Start Date. IOMA shall cancel an appropriate number of Units allocated to this Policy to provide for each annuity payment. The annuity payment(s) shall vary each year in keeping with the return achieved on the Annuity Funds applied to this Policy.



- iii. **Option 3.** Life Annuity. Annuity payments shall be made throughout the lifetime of the Annuitant

ceasing with the last annuity payment due prior to his or her death. Payment under this Option 3 shall be based upon IOMA's prevailing mortality and interest rates in effect 60 (sixty) days prior to the Annuity Start Date.

iv. **Option 4. Joint and Survivor Annuity.** Annuity payments shall be made throughout the lifetime of two Annuitants and thereafter throughout the lifetime of the survivor ceasing with the last annuity payment due prior to the survivor's death. Payment under this Option 4 shall be based upon IOMA's prevailing mortality and interest rates in effect 60 (sixty) days prior to the Annuity Start Date.

(d) The Policy Owner may select one of the above annuity payment options not less than 30 (thirty) days before the Annuity Start Date. In the absence of any selection being made IOMA shall pay the Annuitant under Option 1 over a period of 10 (ten) years.

(e) On or after the Annuity Start Date payment options may not be changed.

(f) Annuity payment dates shall be established in relation to the frequency required by the Policy Owner. Payments may be requested to be made periodically either annually, semi-annually or quarterly. In the absence of a request specifying the periodic frequency required IOMA shall make the annuity payments annually.

(g) Annuity payment shall be made until all Units allocated to this Policy have been cancelled whereupon annuity payments shall cease. In the event of the Value of Units remaining available for cancellation are insufficient to provide in full for the regular annuity payment for the final annuity payment shall constitute that amount equal to the Value of those Units.

(h) Unless Option 2 above is selected or unless a Successor Annuitant shall have been nominated annuity payments shall cease in the event of the death of the Annuitant (or Successor Annuitant in the case of Option 2) after the Annuity Start Date whereupon the Death Benefit shall become payable. If Option 3 or 4 is selected there is no Death Benefit subsequent to the Annuity Start Date.

## 10. DEATH BENEFITS

(a) If the Policy Owner shall die before the Annuity Start Date this Policy shall terminate and IOMA shall pay to the Beneficiary designated in the Application an amount equal to the Value of the Units remaining allocated to this Policy such amount ascertained by applying the Unit Price of the Fund to the number of Units remaining so allocated. In the absence of a Beneficiary being nominated such payment shall be made to the Annuitant or to the Policy Owner's estate if the Annuitant is not living at such time.

Upon written application payment of the Death Benefit may be spread over or deferred for a period not exceeding five years from the date of the Policy Owner's death. Any such application must be made to IOMA within 60 (sixty) days following the death of the Policy Owner.



If (i) the Annuitant is the Policy Owner or the direct Beneficiary and dies before the Annuity Start Date or (ii) the Policy Owner is not the Annuitant and dies while the Policy Owner or



Beneficiary and before the Annuity Start Date if the person succeeding to the policy rights is a natural person (other than the surviving spouse of the decedent) such person may elect within such 60 (sixty) day period to receive proceeds as the direct Beneficiary under Option 1 or Option 4 for an available period that does not exceed the life expectancy of such person as determined under applicable U.S. tax laws and such payments shall commence no later than one (1) year after the date of such Annuitant's or Policy Owner's death.

- (b) Subject to the terms and conditions of this Policy and in the absence of a nominated Successor Annuitant in the event of the death of the Annuitant IOMA shall pay to the Policy Owner an amount equal to the Value of the Units remaining allocated to this Policy such amount being ascertained by applying the Unit Price of the Fund to the number of Units remaining so allocated.
- (c) In the event of the death of the Annuitant on or after the Annuity Start Date whereupon payments are to continue to be paid to a Successor Annuitant such payments shall continue until the death of the Successor Annuitant or until all Units allocated to this Policy have been cancelled. The right to nominate a Successor Annuitant shall cease upon the death of the Annuitant to whom payments commence upon the Annuity Start Date.
- (d) Before settlement of any claim hereunder IOMA shall be entitled to receive due proof of the death of the Policy Owner, or the Annuitant as the case may be, and the title of the claimant and such other information as IOMA may reasonably require. Any settlement hereunder shall be conditional upon the surrender to IOMA of this Policy.
- (e) The amount payable hereunder shall be paid by IOMA within 28 (twenty eight) days following the receipt of proof of death and such other information as IOMA may require in accordance with Condition (c) above and in calculating the amount payable IOMA shall in its sole discretion choose the date on which the Value of the Units shall be calculated.

## 11. SURRENDER

- (a) During the subsistence of this Policy and before the Annuity Start Date the Policy Owner may surrender the entire Policy. In the case of a complete surrender the Policy Owner will be entitled to receive a cash payment equal to the aggregate value of Units allocated to the Policy on the Surrender Date less expenses set forth in Section 7. In the case of a partial surrender the Policy Owner will be entitled to a cash payment equal to the excess of (i) the aggregate value of Units allocated to the Policy on the Surrender Date over (ii) the aggregate value of Units remaining allocated to the Policy on the Surrender Date after such partial surrender of the Policy less expenses set forth in Section 7.
- (b) The Notice of Surrender in such form as IOMA shall determine shall be received by IOMA at least 30 (thirty) days prior to the date on which surrender is requested (the Surrender Date) and shall be accompanied by this Policy which will be cancelled or endorsed as appropriate.



- (c) Notwithstanding anything to the contrary contained in this Section 11 a partial surrender of the Policy shall not be allowed if the aggregate value of the Units remaining allocated after such surrender shall be less than US\$50,000.
- (d) It is hereby agreed that notwithstanding anything contained in this Condition that unless this Policy is

surrendered in full the Policy Owner shall not be entitled to surrender any Units allocated to this Policy if the aggregate value of the Units remaining allocated after surrender shall be less than US\$50,000.

## 12.CHANGES TO THE POLICY

- (a)In the event of the death of the Policy Owner on or after the Annuity Start Date payments to the Annuitant shall continue in accordance with the Policy terms. The right to choose a Successor Annuitant shall pass to any joint or contingent Owner or in the absence thereof the Annuitant who will become the new Owner.
- (b)**Surviving Spouse Contract Continuation** : In the event of the death of the Policy Owner before the Annuity Start Date the surviving spouse shall become the new Policy Owner and this Policy shall continue in force on the same terms and conditions provided that :
- i.the surviving spouse was either joint Policy Owner with the deceased spouse or was the designated Beneficiary ; and
  - ii.the deceased spouse was not the sole Annuitant and no Successor Annuitant had been nominated.
- (c)At any time while the Annuitant is alive the Policy Owner may change the Beneficiary upon written request to IOMA. All prior Beneficiary nominations shall be cancelled unless such prior Beneficiary had been designated a permanent Beneficiary in which case the interest of such Beneficiary cannot be altered without his or her written consent.

Unless stated to the contrary all rights of a Beneficiary including those of a permanent Beneficiary shall be terminated if he or she shall predecease the Policy Owner.

- (d)At any time prior to the commencement of annuity payments the Policy Owner may change the Annuity Start Date upon written notification to IOMA. Notice must be received not less than 60 (sixty) days before the then current Annuity Start Date and the new Annuity Start Date shall not be earlier than 30 (thirty) days after receipt of such notice.
- (e)This Policy may be revised from time-to-time to comply with the requirements of the U.S. Internal Revenue Code of 1986 as amended and the related regulations that apply to annuities.



## 13.PAYMENT PROVISIONS

Any sums payable by IOMA in accordance with the provisions of this Policy shall be satisfied by payment by IOMA at its Registered Office in United States Dollars or such other currency in which the Policy may be denominated.

## 14.TERMINATION

All coverage under this Policy shall terminate on any one or more of the following events :

- (a)The payment by IOMA of a lump sum Death Benefit to a Beneficiary Annuitant or the Policy

Owner's estate as the case may be in accordance with the Policy Conditions contained herein.

- (b)The death of the Annuitant or survivor Annuitant in the event that either Option 3 or 4 has been selected under Condition 9(c).
- (c)If the Policy is surrendered in full in accordance with Condition II hereof.
- (d)When all Units allocated to the Policy have been cancelled.

## 15. INDEMNITY

- (a)IOMA shall not be under any liability to the Policy Owner the Annuitant nor the Beneficiary on account of any loss sustained to the value of any of the Funds as a result of any investments made by IOMA or for any failure by IOMA to enhance the value of the Funds or for any other loss whatsoever sustained to the value of the Funds unless the same is sustained as the result of the wilful default or fraud by IOMA its successors in title and/or its officers and servants.
  - (b)IOMA shall not be under any liability to the Policy Owner the Annuitant or the Beneficiary on account of any loss sustained to the Value of the Units allocated to this Policy or as a result of the deferral of the cancellation of any Units so allocated or the deferral of the payment of any Benefits in accordance with the Conditions of this Policy.
  - (c)IOMA has structured this Variable Annuity Policy to the best of its belief and in the knowledge and understanding of the practices and regulations applicable at the date of the application and based upon independent legal and actuarial opinions in recognition of the United States Internal Revenue Code requirements applicable to annuities but accepts no liability should any failure in the Policy to meet these requirements be subsequently established. Any changes to the terms and conditions of the Policy or its operation could cause the Policy to cease to meet such requirement.
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