

POLICY ASSIGNMENT USING INTERNATIONAL BONDS.

Provided below is guidance on submitting a policy assignment request to Legal & General International (LGII). The purpose of this guidance note is to highlight important factors for consideration when submitting a policy assignment request.

INTRODUCTION

Investment bonds are often made up of a series of individual policies (commonly referred to as segments or clusters). Typically, each policy within an investment bond has an equal share of the charges and the underlying assets (that is, the portfolio) to the extent that each individual policy has an equal value.

Generally, the greater the number of policies, the greater the planning opportunities there are to adopt a tax-efficient investment strategy or to transfer a share of the investment to others by means of the assignment of one or more of the individual policies.

When you assign policies (often referred to as partial policy assignment, policy splitting or assignment of segments) to new bond owner(s) a new bond is created with its own unique reference number. The new bond owner(s) have full rights to make alterations to the bond in line with the terms and conditions.

There are some restrictions to be aware of:

- You cannot part assign individual policies within a bond, you can only fully assign whole policies within the bond or the whole bond.
- If you only have one policy in a bond, you cannot split it and will have to assign the whole bond (the fewer policies you have the harder it is to match the ratio you want).

You can refer to the [HMRC](#) website for further information relating to assignment of policies.

THE PROCESS – INSTRUCTING LGII

- (1) In consultation with the client, determine whether an assignment of the whole bond or a number of policies within the bond is required.
- (2) Obtain a valuation of the bond either by contacting a member of the LGII Distribution Support Team or via online valuation [access](#), as appropriate. If any underlying assets are held on a Platform(s) or managed by a Discretionary Fund Manager (DFM), you and your client should consider the implications of splitting the underlying assets as part of an assignment request. We highly recommend that you contact the Platform and/or DFM, before submitting a request to LGII, for confirmation that the relevant Platform and/or DFM can complete the request and whether further documentation must be submitted (please refer to the document checklist provided in the Appendix).
- (3) Use one of our Supplementary Deeds that allow for policy assignment (please refer to the Appendix). **This should be completed in full, signed and dated by all relevant parties and submitted to LGII.**

THE PROCESS – INSTRUCTING LGII *continued*

In the event of a Full Assignment (i.e. the whole bond is being assigned), it is only necessary to enter the bond number in the Policy Number field under Schedule 1 of the Supplementary Deed e.g. W001234567

In the event of a Part Assignment (i.e. only some of policies within the bond are to be assigned), please specify the bond number and the individual policy numbers in the Policy Number field e.g. W001234567-001 to W001234567-250 inclusive.

If different policy numbers are being assigned to different people, separate deeds will need to be completed for each group of policies being assigned.

- (4) Having specified the number of policies for assignment in the supplementary deed, your client should give consideration as to how the underlying assets are to be split between the assigned policies.

The following asset types have restrictions on when they can be cashed in or may have penalties deducted when they are cashed in before the maturity date.

- Term deposits
- Structured deposits
- Platform and/or DFM assets
- Illiquid funds

In some circumstances the policyholder may have to sell assets or add more money to the bond to achieve the desired split under a policy assignment.

Please note that LGII cannot give advice about how best to split up the underlying assets and you should refer, in the first instance, to the terms and conditions relating to that asset.

If you have any queries in relation to the process, please contact a member of the LGII Distribution Support Team.

EXAMPLE 1

Consider a bond made up of 1,000 individual policies with the following underlying assets and associated value at assignment date:

| BOND PORTFOLIO | VALUE [GBP] |
|--|----------------|
| External Funds and Transaction Account | 120,000 |
| Total | 120,000 |

The policyholder wants to assign 250 policies (equivalent in value to £30,000 at assignment date) to a specified individual.



It is clear from the bond valuation that the split of underlying assets is straightforward.

DECISION

Policyholder instructs LGII to effect assignment of 250 policies across all external funds.

EXAMPLE 2

Consider a bond made up of 1,000 individual policies with the following underlying assets and associated value at assignment date:

| BOND PORTFOLIO | VALUE [GBP] |
|--|----------------|
| External Funds and Transaction Account | 100,000 |
| Term Deposit | 20,000 |
| Total | 120,000 |

OPTIONS

The underlying assets could be split in a number of ways to achieve the requested split:

- A. External Funds £25,000;
Term Deposit £5,000
- B. External Funds £30,000
- C. External Funds £10,000;
Term Deposit £20,000

Adjacent are the options in the event that the policyholder wants to assign 250 policies (equivalent in value to £30,000 at assignment date) to a specified individual.



In order to assign term deposits, an actual sale must take place. This will increase the length of time LGII take to process the assignment request and the policyholders will lose the rate applicable to the original deposit and may incur penalties. Alternatively, the policyholder has sufficient external assets and can specify that external assets only are used for purposes of this assignment.

DECISION

Policyholder instructs LGII to effect assignment of 250 policies with an accompanying letter clearly indicating that external funds only should be assigned.

EXAMPLE 3

Consider a bond made up of 1,000 individual policies with the underlying assets managed by a DFM and associated value at assignment date:

| BOND PORTFOLIO | VALUE [GBP] |
|--|----------------|
| DFM Assets | 95,000 |
| External Funds and Transaction Account | 25,000 |
| Total | 120,000 |

OPTIONS

The underlying assets could be split in a number of ways to achieve the requested split:

- A. DFM Assets £23,750;
External Funds £6,250
- B. DFM Assets £30,000
- C. DFM Assets £5,000;
External Funds £25,000
- D. External Funds £25,000;
Additional top up

Adjacent are the options in the event that the policyholder wants to assign 250 policies (equivalent in value to £30,000 at assignment date) to a specified individual.



In order to assign assets managed by a DFM, the DFM may create a new portfolio or change the existing portfolio ownership details to reflect the assignment. The DFM will require additional forms to be completed and submitted – this could take quite a long time to process.

DECISION

Policyholder submits documentation to LGII to effect assignment of 250 policies with an accompanying letter clearly indicating preferred asset order for split e.g. 1. External Asset, 2. DFM Assets.

APPENDIX – POLICY ASSIGNMENT DOCUMENT CHECKLIST

The following documents must be submitted to the LGII Distribution Support Team to effect a Policy Assignment request:

| | Tick as appropriate |
|---|--------------------------|
| 1. Deed of Assignment (mandatory) Supplementary Deed to Assign Policies from Trustees to a Beneficiary, or Supplementary Deed to Assign Policies to Individuals by Gift, or Supplementary Deed to Assign Policies to Trustees | <input type="checkbox"/> |
| 2. Verification Documents in respect of Assignees for AML purposes (mandatory) AML Checklist | <input type="checkbox"/> |
| 3. Letter clearly stating preferred asset order for assignment* [signed by all existing policyholders – not assignees] | <input type="checkbox"/> |
| 4. Discretionary Asset Manager Appointment Request Form* Discretionary Asset Manager Appointment Request Form | <input type="checkbox"/> |
| 5. Platform and Financial Adviser Appointment Form* Platform and Financial Adviser Appointment Form | <input type="checkbox"/> |
| 6. Investment Variation Form* Investment Variation Form | <input type="checkbox"/> |

* Include as necessary.

You may need to contact the DFM and/or Platforms to confirm if further documents are required.

HOW TO CONTACT US?

Please do not hesitate to contact the LGII Distribution Support Team if you require further guidance as follows:

0845 674 0803

From 9.00am to 5.30pm Monday to Friday.

Please note that call charges can vary and calls may be monitored and recorded.

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