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Reference:
SAIF merger
Policy number(s):
Policies

10 November 2020

Dear Mrs Name

Proposed early merger of the Scottish Amicable Insurance Fund (SAIF) - No action required

You may have seen over the last few years in the SAIF Chairman's Statement that we've been considering a merger of the SAIF with our larger With-Profits Sub Fund (WPSF). As you currently have a Prudential policy invested in the SAIF, we're now writing to let you know of our intention to merge these funds on 1 April 2021.

While 1 April is our planned merger date, this will be kept under review, and will only go ahead if it remains the right decision for policyholders. We'd like to reassure you that the reasons for seeking a merger are not related to the effects of the Covid-19 pandemic.

Why this is happening

The Scheme under which the Scottish Amicable business was transferred to Prudential Assurance Company Ltd (PAC) in 1997 contains specific provisions for the merger of the SAIF into the WPSF once the value of the SAIF falls below a specified level, or earlier if agreed by the Scottish Amicable and PAC Boards. Although the SAIF hasn't yet fallen below the value to trigger the merger, the Scottish Amicable Board, and our Chief Actuary, believe an early merger will be in the best interests of policyholders. Our regulators, the Prudential Regulation Authority and the Financial Conduct Authority, have been kept informed of the changes and reasons for the early merger of the SAIF.

The SAIF is closed to new business, and is therefore reducing in size as claims are paid out. As this happens, the volatility to which it's exposed increases. The merger will provide increased certainty to you in respect of the share of the surplus assets of the SAIF which you'll receive as an enhancement to your claim payment. Merging the funds early therefore provides continuing security and additional certainty for our SAIF policyholders, while ensuring a fair distribution of the surplus assets.

The size of the fund also affects investment opportunities and flexibility. The SAIF and the WPSF are both with-profits funds with similar investment strategies. They aim to secure a smoothed return over time by the addition of regular bonuses while maintaining an acceptable level of risk. Merging the SAIF with the larger WPSF allows the SAIF policyholders to continue to benefit from a balanced investment approach.

What happens next

When the merger goes ahead, monies from your policy, along with those of others investing in the SAIF, will be merged into the WPSF. We'll write to you afterwards to let you know that this has happened.

After the merger, you'll still be investing in a with-profits fund where returns are linked to overall fund performance and you'll continue to benefit from the same protection as existing policyholders in the WPSF. Like SAIF, the performance of the WPSF is overseen by our fully independent With-Profits Committee and our With-Profits Actuary. Your investment will benefit from the same management expertise as it has since the Scottish Amicable business was transferred to PAC 23 years ago.

Since 1997, an enhancement has been applied to SAIF with-profits policies to distribute any excess assets in the fund over the lifetime of the SAIF policies. The current enhancement, which is included within final bonus rates, payable on claim, is 7.5%. At the point of merger, any remaining assets in the SAIF will be distributed in full to the remaining SAIF with-profits policies by reassessing and fixing the level of this enhancement based on market conditions at that time.

There's more information about the merger at pru.co.uk/saifmerger and we've also enclosed some Frequently Asked Questions (FAQs) which you may find useful.

Principles and Practices of Financial Management (PPFM)

The merger of the SAIF with the WPSF will require some changes to our PPFM which explains how Prudential manages its with-profits funds, including the nature and extent of decisions we take to manage them. These changes will remove references to SAIF (including references to the Scottish Amicable Board and Principles of Financial Management in the Scheme) that will become obsolete at the merger.

The updated PPFM will become effective from the merger date but will not materially change the substance of the current PPFM or the way that we manage our with-profits funds. Details of the changes to the PPFM are set out in the enclosed FAQs.

Next steps

You don't need to take any action. Please share this information with anyone who has an interest in your policy such as anyone who might benefit from your policy's proceeds.

How to contact us

If you have any questions or if there's anything we can do to help, please get in touch. Please have your policy number to hand when calling.

Post: Write to us at Prudential Customer Services, LANCING, BN15 8GB

Phone: Call us on 0345 640 3000 or +44 178 644 8844 if calling from abroad. Our lines are open between 8am and 6pm, Monday to Friday, except on Bank Holidays. Calls are charged at standard rates.

Email: Send us a secure email from our website. Please visit pru.co.uk/prumail

Yours sincerely



Roddy Thomson
Managing Director, Customer Savings & Investments