



Standard Life Assurance Limited  
UK Smoothed Managed With Profits Fund  
Principles and Practices of Financial Management

1 January 2009 – 31 December 2009

Report to UK With Profits Policyholders

and

Statement to UK With Profits Policyholders by the  
With Profits Actuary

March 2010

UK Smoothed Managed With Profits Fund  
Principles and Practices of Financial Management (PPFM)

1 January 2009 – 31 December 2009

Report to UK With Profits Policyholders

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## **1. Management of Business in the UK Smoothed Managed With Profits Fund and the Exercise of Discretion**

We describe how we manage our UK with profits business in our published Principles and Practices of Financial Management. This report relates to our with profits business in the UK Smoothed Managed With Profits Fund and refers to the Principles and Practices of Financial Management for the UK Smoothed Managed With Profits Fund (“UK Smoothed Managed PPFM”).

The Board of Standard Life Assurance Limited (“the Board”) has reviewed the operation of our with profits business in the UK Smoothed Managed With Profits Fund. It is the Board’s opinion that throughout 2009 the UK with profits business has been managed in accordance with the UK Smoothed Managed PPFM. It is also the Board’s opinion that the exercise of discretion over the period was appropriate, took full account of policyholders’ reasonable expectations, and maintained fairness between different categories of policyholder, and between policyholders and shareholders.

The Board’s opinion takes account of advice from our With Profits Actuary and With Profits Committee on all key aspects of the operation of our with profits business during the period.

The With Profits Committee have confirmed that, during the period

- This UK with profits business has been managed in accordance with the UK Smoothed Managed PPFM and,
- Discretion was exercised in an appropriate manner.

In reaching this conclusion they have relied on the information that we have provided to them.

The With Profits Actuary has made a statement to policyholders that is annexed to this report.

This review of the operation of our with profits business over the period covered by this report has the following main areas of interest:

- With profits payout values
- Management of with profits assets

The following sections give more detail. Currently the only business in the UK Smoothed Managed With Profits Fund is Stakeholder with profits business sold after we demutualised in July 2006. You can find more information about how we manage this business in our ‘Understanding With Profits’ booklet for the UK Smoothed Managed With Profits Fund. This is available on our website [www.standardlife.co.uk/withprofits](http://www.standardlife.co.uk/withprofits).

## 2. With Profits Payout Values

Payouts directly reflected the investment performance of the relevant with profits assets and whatever deductions and smoothing applied.

Smoothing gains and losses on payouts from the UK Smoothed Managed With Profits Fund fall to remaining with profits policyholders in the fund. We take account of the need to protect their interest when we decide how much smoothing to provide in payout values. As a result of the severe market falls during 2008 we had taken action with the aim of reducing smoothing losses in the fourth quarter of that year. We restored the normal extent of smoothing in the fourth quarter of 2009.

Errors occur from time to time in the operation of with profits and other types of business. Where such errors are discovered, steps are taken to ensure that they are corrected and, where appropriate, additional controls are put in place to reduce the risk of future errors. If appropriate, additional payments are made to policyholders whose payouts have been adversely affected by such errors.

There were no errors that we are aware of that compromised our compliance with the UK Smoothed Managed PPFM.

## 3. Management of With Profits Assets

The investment strategy for our with profits business aims to achieve competitive returns. We decide what asset mix to hold by considering the appropriate balance between risk and expected return. During 2009 we regularly reviewed the asset mix for this with profits business.

The following table shows the approximate proportion of equity investments backing UK Smoothed Managed With Profits business at 31 December 2009. The table also shows the estimated return achieved during 2009.

	Equity Proportion 31.12.2009	Return*
Stakeholder With Profits 2006 Fund	60.2%	19.2%

\* This is the rounded down estimated investment return for the period from 1 January 2009 to 31 December 2009.

#### **4. Changes to the UK Smoothed Managed With Profits PPFM**

The UK Smoothed Managed PPFM has been maintained in accordance with regulatory requirements throughout 2009. Changes were made to the UK Smoothed Managed PPFM during 2009: the revised UK Smoothed Managed PPFM document incorporating these changes is dated 30 June 2009. No changes were made to principles or practices but various minor amendments were made to improve clarity, consistency and accuracy of wording.

## **ANNEX**

### **Statement to UK with-profits policyholders by the With-Profits Actuary**

The Financial Services Authority has set out regulations that require a firm transacting with-profits business to appoint a With-Profits Actuary, who has a number of statutory responsibilities in relation to that business. As With-Profits Actuary to Standard Life Assurance Limited, I have a statutory duty to advise the firm when it exercises its discretion in the management of its with-profits business.

The regulations require me to inform you, as policyholders, whether I regard the accompanying report as taking, or having taken, your interests into account in a reasonable and proportionate manner. I am required to do this also in relation to the discretion Standard Life Assurance Limited has exercised in its management of with-profits business.

I confirm that, in my opinion, and based on the information and explanations provided to me by the firm, and taking into account where relevant the rules and guidance in the FSA Handbook, the annual report and the discretion exercised by the firm during 2009 may be regarded as having taken the interests of the relevant classes of the firm's with-profits policyholders into account in a reasonable and proportionate manner.

Douglas Morrison FFA  
With-Profits Actuary  
March 2010