

UK FINANCIAL SERVICES COMPENSATION SCHEME

The UK Financial Services Compensation Scheme (“**FSCS**”) is a consumer compensation fund of last resort. If an authorised UK insurance firm defaults, the FSCS will initially work with the Financial Conduct Authority (“**FCA**”) to try and protect the firm’s business. The FCA and the FSCS will seek continuity for affected policyholders by finding another firm to take on parts of the defaulting firm's business. There are also specific rules which apply to insolvent insurance firms which provide that the claims of policyholders against a defaulting firm take precedence over most other claims. Ultimately, where a firm has insufficient assets to meet policyholder claims, policyholders can then claim against the FSCS.

Hawthorn Life’s obligations

If Hawthorn Life were to default in your policyholder obligations, you can claim against the FSCS up to 100 % of the value of your policy and the value of your investment held in external managed funds would form part of your claim to the FSCS.

Mandatory winding up rules will apply to Hawthorn Life on its insolvency and your claim, as a policyholder, will take precedence over most other claims except for statutory preferences such as employee entitlements. If Hawthorn Life’s assets are insufficient to meet both statutory preferences and your policyholder claim, you can then claim against the FSCS.

Externally managed funds

Hawthorn Life offers mirror funds that are linked to one or more externally managed underlying funds. You own the units in the Hawthorn Life fund and Hawthorn Life owns the units in the externally managed underlying fund(s). You do not own the units in the externally managed underlying fund(s).

Market/Investment Risk

The unit price of each Hawthorn Life mirror fund fluctuates in line with the value of the underlying external fund, which in turn fluctuates in line with the market value of the underlying stocks and shares that it owns. This normal investment risk, which you as the policyholder bear, is not protected by the FSCS. However, if you have chosen the option to guarantee the income on your policy, then this guarantee will protect the value of your income payments in the event that the market value of your investment falls. For further information on how this guarantee works, please refer to the terms and conditions of your policy.

Underlying Funds

If the external fund manager/company defaults, you cannot claim against the FSCS. However, each fund manager responsible for the externally managed underlying fund is required to appoint a depository and custodian to provide for the safekeeping of securities and cash held in that fund. This ring-fencing of the external underlying fund’s assets from the fund manager’s own assets provides a degree of protection for your investment. Should the fund manager/company default and become insolvent the custodian would return any monies invested in the underlying fund to Hawthorn Life.

If you have chosen the option to guarantee the income on your policy then this guarantee will also protect the value of your income payments in the event that the market value of your investment falls following the return of monies invested in the underlying fund to Hawthorn Life. For further information on how this guarantee works, please refer to terms and conditions of your policy.

How to contact the FSCS

For further information about the FSCS scheme, the conditions governing compensation and the formalities which must be completed to obtain compensation please contact the FSCS at: www.fscs.org.uk or call them on: 0800 678 1100 or +44 207 741 4100. You can also write to them at Financial Services Compensation Scheme, PO Box 300, Mitcheldean, GL17 1DY, UNITED KINGDOM.