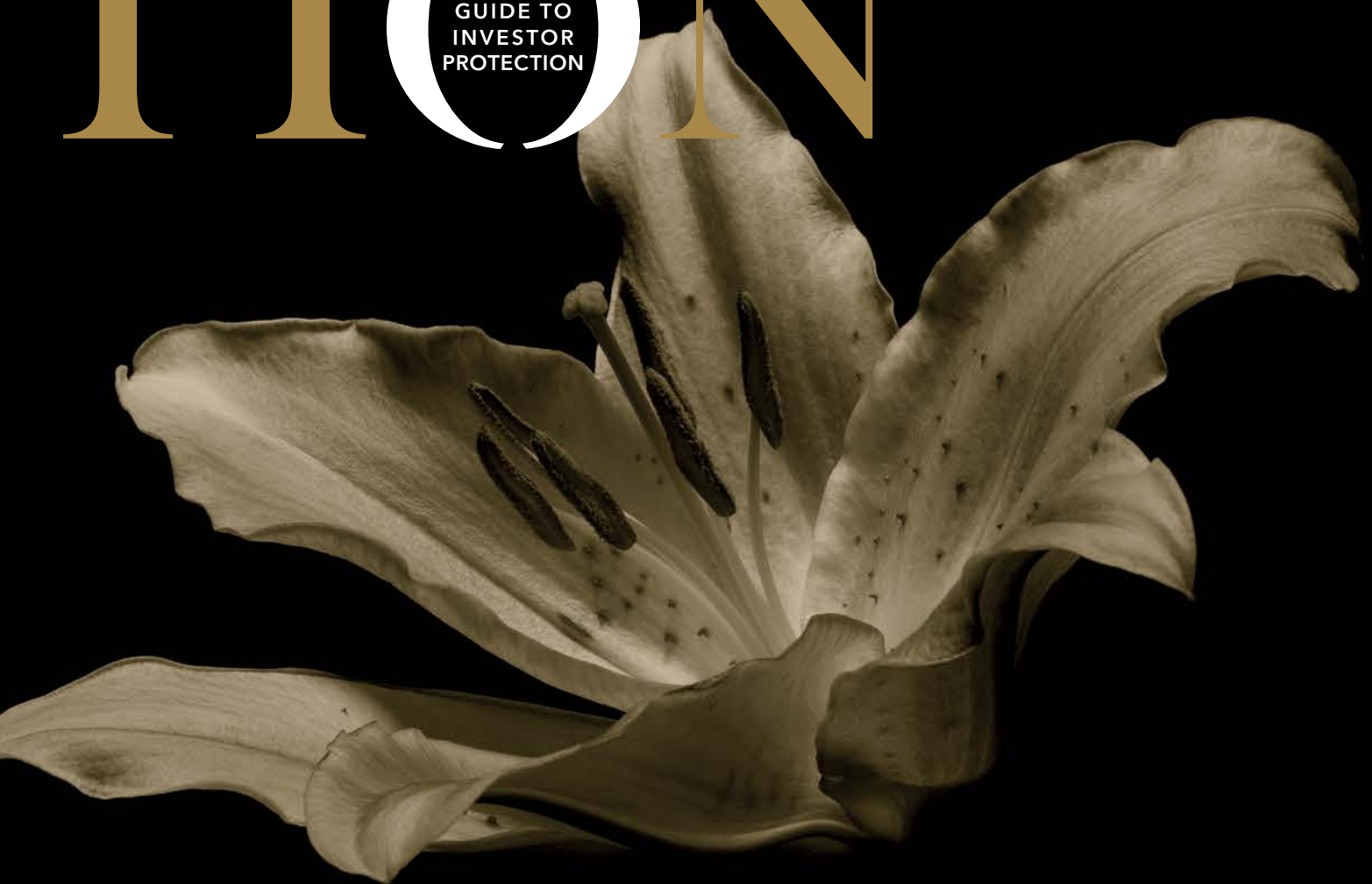


# INVEST FOR PROTEC TION

CUSTOMER  
GUIDE TO  
INVESTOR  
PROTECTION



A WEALTH *of* DIFFERENCE

utmost<sup>™</sup>  
WEALTH SOLUTIONS

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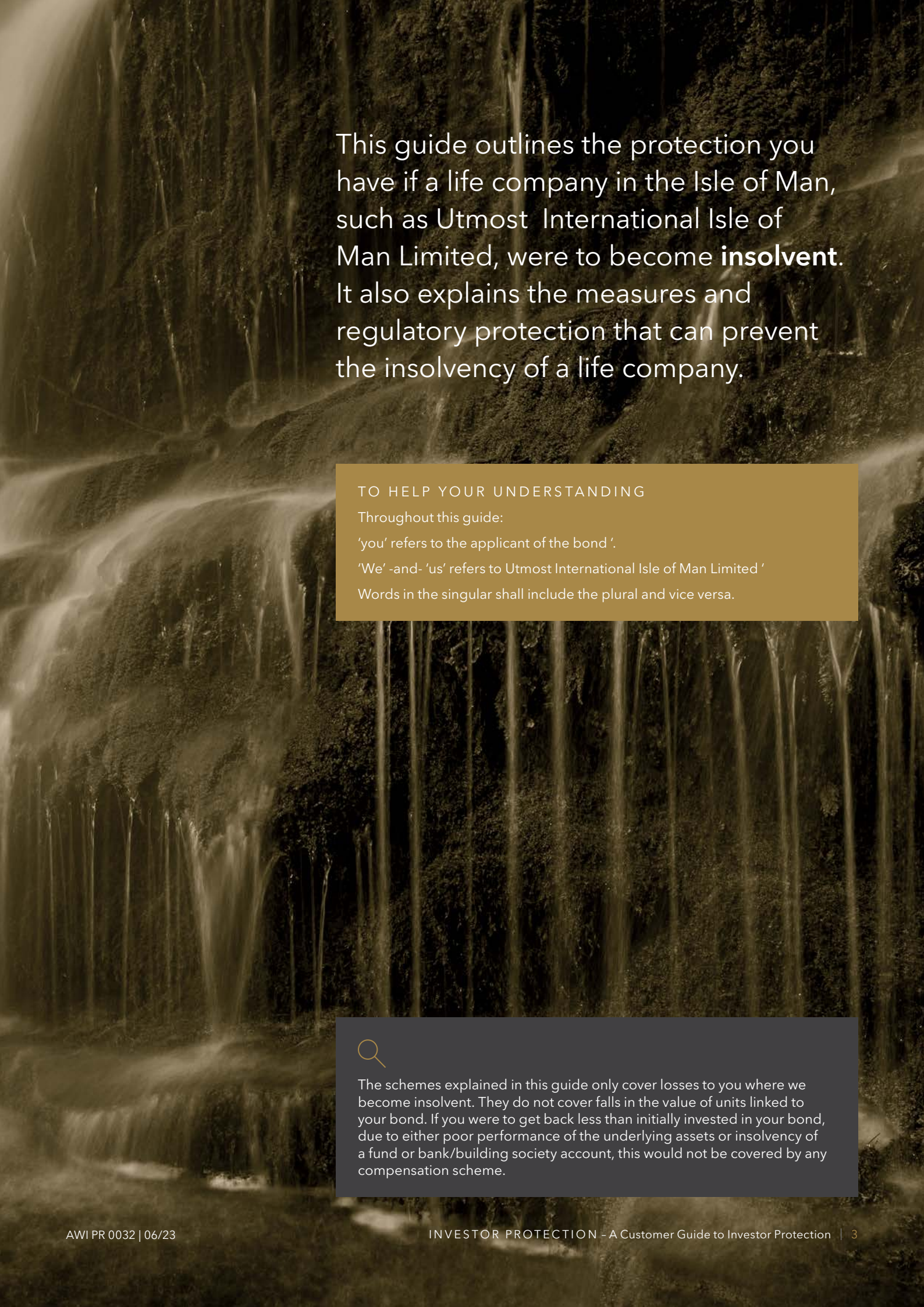
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## GLOSSARY

Utmost Wealth Solutions is the brand name used by a number of Utmost companies. This item has been issued by Utmost International Isle of Man Limited.





This guide outlines the protection you have if a life company in the Isle of Man, such as Utmost International Isle of Man Limited, were to become **insolvent**. It also explains the measures and regulatory protection that can prevent the insolvency of a life company.

#### TO HELP YOUR UNDERSTANDING

Throughout this guide:

'you' refers to the applicant of the bond '.

'We' -and- 'us' refers to Utmost International Isle of Man Limited '.

Words in the singular shall include the plural and vice versa.



The schemes explained in this guide only cover losses to you where we become insolvent. They do not cover falls in the value of units linked to your bond. If you were to get back less than initially invested in your bond, due to either poor performance of the underlying assets or insolvency of a fund or bank/building society account, this would not be covered by any compensation scheme.



## THE SECURITY OF YOUR FINANCIAL INVESTMENTS IS PARAMOUNT

But it is not always easy to find out  
or understand what protection is  
available to you.

To help you, we have put together this guide to your legal and regulatory protection and rights should we become insolvent, meaning we are unable to pay out the money due to you. You should discuss this document with your financial adviser who will be able to help with any queries you may have.



The following information is based on our interpretation of the laws and regulations applicable in the Isle of Man as at 1 May 2023. These may be subject to change in the future. Whilst we believe the interpretation of the compensation schemes and regulations applicable to the Isle of Man to be correct, we cannot guarantee it.

# PREVENTION

Whilst no one can guarantee that any company, however large or well established, will not face insolvency, there are a number of factors that can make this less likely. These factors include: the strength and size of a business; the experience and expertise of the staff and importantly, the regulatory environment in which the company operates.

## THE STRENGTH AND SIZE OF OUR BUSINESS

### UTMOST INTERNATIONAL ISLE OF MAN LIMITED

Established in the Isle of Man in September 1984, we have gone through various changes and growth over time. The Utmost brand came to life in October 2016. Following significant acquisition activity, the combined Isle of Man businesses became Utmost International Isle of Man Limited in November 2022. As at 31 December 2022, the company managed circa £28.5bn for a global client base.

OUR SUCCESS HAS ALWAYS BEEN BUILT  
ON A COMMITMENT TO PROVIDING  
OUTSTANDING CUSTOMER SERVICE AND  
EXCEPTIONAL FINANCIAL PRODUCTS WITHIN  
AN EVER-CHANGING AND CHALLENGING  
FINANCIAL LANDSCAPE.



The figures above refer to the past and past performance is not a reliable indicator of future results.

# THE REGULATORY ENVIRONMENT

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## ISLE OF MAN

The Isle of Man has a robust statutory and regulatory environment, which has rules in place to ensure that businesses are managed and monitored in a responsible and sustainable way.

The Isle of Man is not part of the United Kingdom, or the EU, but is a self-governing dependant territory of the British Crown. It is an international financial centre with strict legislation to protect policyholders.

As a financial jurisdiction, as at 1 May 2023, the Isle of Man has a Moody's rating of 'Aa3' with a negative outlook. Further information on Moody's ratings can be found at [www.moody's.com](http://www.moody's.com)

The Isle of Man was the first offshore jurisdiction to gain Designated Territory Status under the UK Financial Services Act 1986. This is awarded to those territories that operate proper controls over the financial sector.

Utmost International Isle of Man Limited is authorised by the Isle of Man Financial Services Authority.

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## SOLVENCY RULES

In the Isle of Man, there are minimum solvency requirements that life companies must adhere to. Utmost International Isle of Man Limited must continuously hold a Solvency Capital Requirement (SCR) to provide a measure of certainty that its assets will exceed its liabilities even after extreme events. The SCR acts as cover for potential losses, and is designed to provide a capital buffer to ensure we can withstand potential adverse events in the future.



# HOW WE INVEST YOUR PREMIUM

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How your money is invested when you purchase a bond, such as those we offer, affects the security of your investment in the event the provider becomes insolvent. The bonds offered are considered 'contracts of insurance' and the way the bond's assets are owned is very different to other financial products you may have.

## OWNERSHIP OF THE UNDERLYING ASSETS

When you invest in a bank or building society account, the asset (cash) is registered in your name and you are the legal owner of the account. The same would be true if you invested in shares with a stockbroker, as all the stocks would be registered in your name or that of a nominee acting on your behalf. However, the same is not true when you take out a contract of insurance, such as an international investment bond.

As the assets are legally and beneficially owned by the insurer, you are able to benefit from the tax advantages of the offshore status of Utmost International Isle of Man Limited.

Please note, the tax benefits of all financial products relate to an individual's own personal circumstances as well as the legal and tax circumstances at any given time. Individuals should seek ongoing legal and tax advice during the life of a financial product.



In this case, you do not own the underlying assets you select within that insurance contract, and the assets are always held in the name of the provider (insurer) e.g. Utmost International Isle of Man Limited.



Because the provider (insurer) invests in the assets, not you, any protection you may have had if you were directly invested in that asset will not apply. This includes the protection for bank and building society accounts under the UK Financial Services Compensation Scheme (FSCS). This is explained further on page 11.

# HOW WE INVEST YOUR PREMIUM

## CONTINUED

### TYPES OF INSURANCE BUSINESS

The insurance industry is made up of different types of insurance business and it is quite common for firms to operate more than one type of business. Jurisdictions, such as the Isle of Man, have developed legislation for each type of business, which insurers must abide by to help ensure they can meet the liabilities that arise with respect to each type of business.

The legislation governing Isle of Man insurers, such as Utmost International Isle of Man Limited, divides the kind of business they can operate into a number of categories or classes.

Classes 1 and 2 cover long-term insurance business. Long-term insurance includes investment bonds such as the type provided by Utmost International Isle of Man Limited.

Utmost International Isle of Man Limited currently files all returns under Class 1 business, which is defined as linked long-term business. For linked long-term business, any policyholder unit liability must be matched, as explained in the next section.

Utmost International Isle of Man Limited do not currently offer any Class 2 business. With this type of business, the amounts paid in do not necessarily match the amount paid out, so the liabilities are not matched. Consequently, companies conducting Class 2 business carry more risk and have to meet different solvency rules.

### HOW LIABILITIES ARE MATCHED

You and your professional adviser/manager choose the funds that you would like your bond performance to be linked to. For example, if you select the 'ABC' fund then the performance of your bond will reflect the performance of the 'ABC' fund.

As you are not investing directly, we have a responsibility to invest your money in such a way that we can cover off this liability to you. This means that if we invested the monies received in any other asset than the 'ABC' fund, then we may be at risk of not matching our liability to you.

For example, if we kept your premium in a deposit account paying 2% and the fund you had selected (the 'ABC' fund) grew by 4% then, should you wish to surrender the bond, we would have to find the difference of 2% from our own company money to pay out your proceeds to you.

For this reason, most insurers (including Utmost International Isle of Man Limited) always purchase the same assets that you or your professional adviser/manager choose. This means that the assets we hold are matched against the liability of your bond.

When you ask to surrender your bond, we will then sell our matched assets and pay out the bond value to you (which may include the deduction of any payment charge, early withdrawal charge or, where applicable, any surrender charges). This simple matching mechanism allows us to make sure the amount we hold in our policyholder funds cover our policyholder liabilities in terms of investment performance. However, whilst this money is matched, it is still invested in our name and not yours.

### UNMATCHED LIABILITIES

Although policyholder monies are matched, there are some liabilities that are not matched. These include the life cover on any bond set up on a life assurance basis and the guarantee on any capital redemption bond. These liabilities are protected via reinsurance arrangements or solvency requirements.



# PROTECTION

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The way that Utmost International Isle of Man Limited is conducted, its size, its strength and the strict regulatory environment in which it operates all combine to create strong business foundations. These foundations work to lessen the likelihood of your investment being affected by insolvency.

However, should Utmost International Isle of Man Limited be unable to meet its liabilities to you, then there are regulations and a compensation scheme in place.

Please be aware that a fall in fund price is a risk. Although these risks apply to any investment bond, you should note that these falls in value, due to market conditions, are not covered by any compensation scheme. This is explained further throughout this guide.

## SEPARATION OF POLICYHOLDER FUNDS IN THE EVENT OF LIQUIDATION

Insurers on the island must continuously hold a level of Solvency Capital Requirement (SCR) to provide a level of certainty that their assets will cover their liabilities following extreme events. These requirements broadly reflect the Solvency II regime which is in place across Europe and apply a risk-based approach to the levels of capital that must be maintained at any time.

In the unlikely event that an insurer fails, any liquidator is not able to use the assets of the policyholder funds to cover shareholder debts. Strict regulations in the Isle of Man are designed to ensure that these assets are kept separate.

In the Isle of Man, these regulations are set out in the Insurance Act 2008 (as amended). Schedule 3 part 7(a) requires that, in the event of a winding up, the company's assets are used to repay policyholders first, up to the full value of policyholder funds (described in the Act as the 'Technical Provisions').

This means that policyholders will be preferred over other creditors in the event of the company being wound up.

# POLICYHOLDER COMPENSATION SCHEMES TO COVER LIABILITIES TO OUR CLIENTS

Utmost International Isle of Man Limited is covered by the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 (the 'Scheme'). This means that in the unlikely event that Utmost International Isle of Man Limited is unable to meet its obligations, its policyholders will benefit from this Scheme.

## **Who and what does it cover?**

The Scheme covers individual investors and others, such as trustees and corporate investors, resident in any jurisdiction.

There are some exemptions that apply to the Scheme but they are limited. For example, the Scheme will not pay out to policyholders who may have been associated, directly or indirectly, with the insurer's insolvency. The Scheme Manager may also reject a claim if the claimant is protected under any comparable scheme, i.e. if they have already received compensation.

## **How this Scheme works**

If an Isle of Man insurance company becomes insolvent, then the Scheme Manager (appointed by the Isle of Man Government, with the current Scheme Manager being the Isle of Man Financial Services Authority (FSA)), has the authority to levy a charge of up to 2% of the value of the policyholder funds of each company covered by the Scheme. This levy is designed to meet up to 90% of the insolvent company's liability to its policyholders, where it cannot meet this itself. If such a levy is ever made, the value of your investment is likely to be reduced by an equivalent percentage.

## **What this scheme will pay out**

The Scheme meets up to 90% of the company's liabilities to its policyholders. The Scheme may reduce any claim if the policyholder is protected under any other compensation scheme.

## **UK Financial Services Compensation Scheme (FSCS)**

As Utmost International Isle of Man Limited is not authorised by the UK Financial Conduct Authority you will not be able to claim under the UK Financial Services Compensation Scheme (FSCS), should Utmost International Isle of Man Limited become insolvent.



## ASSET LOSSES OR INSOLVENCIES

Our liability to you as a policyholder is to pay the value of the bond on surrender, part surrender, death or maturity. As explained on page 8, policyholder liabilities are matched so that the unit value of the bond will reflect the performance of the assets you have chosen to link your bond to. So, if the unit price has fallen in a particular fund or if the asset has a value of zero as it has gone into liquidation, this will be reflected in the bond's value and the amount paid back to you.

### IMPORTANT INFORMATION

**Please remember that losses in assets linked to an insurance bond are not covered by the Isle of Man compensation scheme; nor will the scheme cover you for losses if a selected asset or fund becomes insolvent.**



## INVESTMENTS IN BANK OR BUILDING SOCIETY ACCOUNTS

### BONDS LINKED TO DEPOSITS WITH UK INSTITUTIONS

Depending on the product and investment option chosen, you may be able to choose to link part of the value of your bond to certain bank and building society deposits offered by UK resident banks and building societies.

As explained on page 8, you will not be investing directly as Utmost International Isle of Man Limited will invest with the UK banks as an institutional depositor (a company that places money on deposit). If the bank or building society fails, we are not entitled to receive compensation from the FSCS.

### BONDS LINKED TO DEPOSITS WITH ISLE OF MAN INSTITUTIONS

Utmost International Isle of Man Limited invests as an institutional depositor. As with UK institutions, where you choose to link your bond to deposits with Isle of Man banks or building societies, you are not covered by the Isle of Man Depositors' Compensation Scheme.

Utmost International Isle of Man Limited is covered to the value of £20,000, but this amount would need to be spread across all our clients' bonds. This means that in the event of a collapse, the actual amount that could be applied to your bond would be extremely small. This scheme is separate from the Isle of Man insurance sector Scheme described on page 11.

### DEPOSITS ISSUED BY INSTITUTIONS IN OTHER JURISDICTIONS

Where deposits issued by institutions in other jurisdictions are available, you should seek direct clarification on the exact position from the relevant bank.

### DEALING ACCOUNTS

The money in a Dealing Account forms part of Utmost International Isle of Man Limited's policyholder liabilities and forms part of the value of your bond. This money is then invested, by Utmost International Isle of Man Limited, into various bank accounts in order to earn interest (if applicable). In the event of insolvency of the bank (or banks) in which the company has invested this money, there is a risk you will lose capital and/or interest earned. This is because any depositor protection scheme would ordinarily exclude institutional investors, as previously explained.

We manage this potential risk and loss on Dealing Account money in two ways. Firstly, by spreading this money across multiple banks, the insolvency of one bank will have a reduced impact on the total investment. Secondly, we only use deposit takers that meet our guidelines as set by our board.

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## EXTERNAL MANAGERS AND/OR CUSTODIANS

The compensation schemes outlined in this document only apply where Utmost International Isle of Man Limited becomes insolvent. The schemes do not cover the insolvency of any External Manager and/or Custodian (EMC), such as a discretionary manager or a fund platform.

If you choose to set up your bond with an EMC arrangement, and the EMC goes into liquidation, these compensation schemes would not apply. However, the insolvency of an EMC may not necessarily mean the loss of all assets, as EMCs are required to segregate client assets (money or securities held by the institution for

the benefit of clients) from their own assets. If an insolvency were to occur, the level of protection available would be determined by the individual circumstances of the insolvency.

# CONCLUSION

Whilst no guarantees can be made, the regulatory environments in which we operate and the way in which we structure our business means that we can safeguard policyholders through effective governance, risk management and oversight related to insurer financial strength and solvency. However, in the unlikely event that the company becomes insolvent, there is protection in place to cover a proportion of liabilities for those eligible to claim.

## FIVE 'LEVELS' OF PROTECTION

	1	2	3	4	5
PROTECTION =	INVESTMENT LIABILITIES ARE MATCHED	SOLVENCY (TO COVER OTHER LIABILITIES) IS CURRENTLY ABOVE THAT REQUIRED BY OUR REGULATOR	SEPARATION OF POLICYHOLDER FUNDS IN EVENT OF LIQUIDATION	REGULATORY ENVIRONMENT	POLICYHOLDER COMPENSATION SCHEME

# GLOSSARY

BOND	A single premium product that allows investments into a range of collective investment schemes, funds and cash deposits. Investments are wrapped into one product for each of dealing and tax efficiency.
LIFE ASSURANCE BOND	A long-term insurance contract providing a death benefit with respect to a life or lives assured. A life assurance contract ends when the sole or relevant life assured dies. The relevant life assured is normally the last life assured to die but this may differ depending on product type.
CAPITAL REDEMPTION BOND	A capital redemption bond is a long-term contract of insurance with a similar tax treatment to life assurance policies in the UK. Unlike a life assurance bond, a capital redemption bond does not have lives assured and does not end on anyone's death.
CREDITORS	Person(s) or a company who are owed money by another person or company.
CREDIT RATING	An indication of a person's, organisation's or jurisdiction's ability to repay money that they owe according to the terms on which it was borrowed. Indicators with respect to financial health include previous loans and other outstanding financial obligations. The credit ratings in this brochure are assigned by independent ratings agencies.
INSOLVENT	The term used when an organisation or individual is unable to pay the people it owes money to (its creditors).
LIQUIDATOR	A liquidator, in the context of this document, refers to an officer that is specially appointed to wind up the affairs of a company. The liquidator is legally empowered to act on behalf of the company in various capacities.

## NEXT STEPS


After reading this document, you may still have some further questions. Your financial adviser should be able to answer these for you. You can also e-mail [customersupport@utmostwealth.com](mailto:customersupport@utmostwealth.com) and we will be happy to try and answer any particular queries you may have.




Please note that emails are not secure as they can be intercepted, so think carefully before sharing personal or confidential information in this way.

# CONTACT US

To find out more about investor protection  
or for information on our products and  
services, please contact us.

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Telephone calls may be recorded.

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Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Utmost International Isle of Man Limited is registered in the Isle of Man under number 24916C.

Registered Office: King Edward Bay House, King Edward Road, Onchan, Isle of Man, IM99 1NU, British Isles.

Tel: +44 (0)1624 643 345. Licensed by the Isle of Man Financial Services Authority.

Utmost Wealth Solutions is registered in the Isle of Man as a business name of Utmost International Isle of Man Limited.

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