

ISLE OF MAN ASSURANCE LIMITED

The Deferred Variable Annuity Policy
international wealth management





Contents

| | |
|----------------------------|----|
| Introduction | 3 |
| Security of Assets | 5 |
| Annuity Payment Options | 6 |
| Policy Charges | 7 |
| Investment Opportunities | 8 |
| Frequently Asked Questions | 9 |
| Contact Details | 13 |



Introduction

IOMA Deferred Variable Annuity Policy

Deferred Variable Annuity (DVA) policies have for many years provided excellent opportunities for tax deferral under U.S. Income Tax Regulations.

IOMA's DVA is a single premium contract with a minimum premium of \$100,000. However, additional investments may be made at any time. The policy has been carefully designed to meet the requirements of Sections 72 and 817(h) of the United States Internal Revenue Code 1986, as amended.

IOMA, as a tax exempt insurance company incorporated and registered in the Isle of Man, does not suffer taxation on the investment returns obtained through its insurance funds and is also able to make distributions to Policyholders free of any Isle of Man taxes.

The Policy provides for an annual annuity benefit to be payable during the lifetime of the Annuitant, as from the date selected by the Policyholder. Typically this will not be sooner than the Annuitant's 60th birthday, subject to the exceptions outlined below. Annuity payments will be calculated in accordance with the appropriate mortality tables used by the Company at the annuity start date, or as may be otherwise agreed. As the amount of the annuity payment each year will be influenced by the value of the retained assets under the policy the contract is classified as a DVA under the terms of the U.S. Internal Revenue Code.



Introduction

IOMA Deferred Variable Annuity Policy

In the event of the death of the Policyholder prior to full distribution of annuity payments, any residual value will be paid to the Beneficiary, or the Policyholder, if no Beneficiary has been nominated or survives.

A death benefit is payable upon the death of the Policyholder before the annuity start date, equal to the accumulated asset value of the policy. Also, the policy can be surrendered without penalty at any time before the annuity start date. The tax treatment of the death benefit and surrender proceeds received in the United States is different to that applicable to annuity benefit payments.

Provided that the DVA is structured properly (in particular that it is not subject to the OID rules that are discussed in "Important Notes" in the DVA Application Pack) the interest and capital gains within a DVA are not subject to U.S. tax until distributed from the policy (or are treated as distributed from the policy, e.g., if a DVA is pledged as collateral for a loan). All assets held in the policy therefore are left to accumulate free from current tax. If the OID rules apply, however, annual increases in value of the DVA may be subject to current taxation under U.S. tax laws; we strongly advise you to consult with a tax advisor concerning the potential effect of the OID rules.



Security of Assets

IOMA Deferred Variable Annuity Policy

Under Isle of Man law, all premiums paid into life or annuity policies must be held in a “Long Term Business Fund”, segregated from all other business transacted by the issuing company. The assets under this fund are solely for the benefit of the issuing company’s life and annuity policyholders and cannot be used to meet claims from other policyholders or general creditors, in the event of the Company’s insolvency.

Life and annuity policies issued in the Isle of Man after April 5, 1988, are protected by the Life Assurance (Compensation of Policyholders) Regulations 1991. These regulations provide for the payment of a sum of up to to 90% of the amount of any liability under a contract in the unlikely event that an insurer becomes unable to meet its liabilities to policyholders.

Annuity Payment Options

IOMA Deferred Variable Annuity Policy

IOMA's DVA provides a choice of four flexible annuity payment options :

Option 1. Annuity for an agreed period

You specify the number of years over which you would like to receive annuity payments.

Option 2. Life Annuity

Payments will be made from the chosen annuity start date throughout the lifetime of the annuitant.

Option 3. Joint and Survivor Annuity

Payments will be made throughout the lifetime of two Annuitants, only ceasing upon the death of the second Annuitant.

Note:

Policyholders may select one of the three options at any time not less than 30 days from the date of the first annuity payment.

The amount of the annuity will be influenced by the value of retained assets under the policy and may therefore vary according to market conditions.



Policy Charges

IOMA Deferred Variable Annuity Policy

IOMA will generally charge an initial fee to cover set up costs (typically in the region of US\$5,000), plus an annual fee for administration (typically 1% - 1.5% of value). However, policy charges may vary according to the complexity of the structure, investment value and currency exchange conditions. Please contact us directly with details of your proposed investment and we will provide a specific charging basis for your consideration.

Please note:

Federal Excise Tax of 1% is imposed by the United States Government on premiums paid into policies issued by foreign insurers and Form 720 should be filed with the Internal Revenue Service. If there is any doubt about the payment of Excise Tax you should consult your tax advisor.

Investment Opportunities

IOMA Deferred Variable Annuity Policy

IOMA has a range of investment funds that may be utilized within the DVA (please refer to a separate document entitled Deferred Variable Annuity – IOMA’s Investment Funds). Alternatively, an independent professional investment manager may be appointed to manage a portfolio of investments held in the name of the Policy. An existing investment portfolio may also be transferred into the Policy, subject to approval by IOMA. Each of these investment options is subject to the “Diversification Rules” and “Investor Control Rulings” discussed in the Important Notes section of the DVA Application Pack. We strongly advise you to consult with your tax advisor concerning the effect of these rules.

How do I Proceed?

Application forms for the Deferred Variable Annuity are available from IOMA at the address on the back cover of this brochure.

Frequently Asked Questions

IOMA Deferred Variable Annuity Policy

- Q What are my reporting requirements to the IRS?
Answer: Subject to the OID considerations (see the Application Pack - “Important Notes”), income credited to annuity contracts whilst in place is not generally includable as income under individual tax returns. As long as the Policy is in place and complies with the applicable provisions of the Code, all increases in the value of the underlying investments, interest and divided income will be free from current U.S. income tax until distributed (or treated as distributed, e.g., if a DVA is pledged as collateral for a loan). All assets held in the policy therefore are left to accumulate free from current tax. If the OID rules apply, however, annual increases in value of the DVA may be subject to current taxation under U.S. tax laws; we strongly advise you to consult with a tax advisor concerning the potential effect of the OID rules.
- Q. What about Federal Excise Tax?
Answer: Federal Excise Tax of 1% is imposed by the United States Government on premiums paid into policies issued by foreign insurers and Form 720 should be filed with the Internal Revenue Service. If there is any doubt about the payment of Excise Tax you should consult your tax advisor. As a comparison State Insurance Premium Tax can be as high as 5.0%.
- Q Is there any tax payable in the Isle of Man?
Answer: No.
- Q What currencies can I invest in?
Answer: Our Funds are generally denominated in US\$ but do provide exposure to other currencies and markets. Our Cash Reserve Funds are available in US\$, GBP and EURO. IOMA Diversified also has a Euro denominated class of Fund.

Frequently Asked Questions

IOMA Deferred Variable Annuity Policy

Q How secure are my funds with Isle of Man Assurance Limited?

Answer: Under Isle of Man law, all premiums paid to a life insurance company under an annuity policy must be held in a “Long Term Business Fund”, segregated from all other business transacted by the Company. The assets under this Fund are solely for the benefit of the Company’s Policyholders and cannot be used to meet claims from general creditors. In the event of the Company’s insolvency, the Life Assurance (Compensation of Policyholders) Regulations 1991 provide a statutory guarantee equal to 90% of the amount of any liability of the insurance company under any life or annuity policy.

Q Do I have to be insurable?

Answer: No, a DVA is not life insurance, no additional death benefit is payable.

Q Is my Policy protected against creditors?

Answer: Any claim by creditors of the Policyholder can only be made through the courts in the Isle of Man.

Q What are my investment options?

Answer: You may choose between any of our currently listed Investment Funds, or you may request that IOMA appoint an independent investment manager to manage your account. Any such Manager must be approved by IOMA. Each of these investment options is subject to the “Diversification Rules” and “Investor Control Rulings” discussed in the Important Notes section of the Application Pack.

Frequently Asked Questions

IOMA Deferred Variable Annuity Policy

- Q How often can I switch between your Funds and what does it cost?
Answer: You may switch between our Funds on a monthly basis at your discretion without charge.
- Q How often do I receive valuations of my Policy?
Answer: We provide quarterly valuations for our Policyholders. These summarize the investment portfolio of each Policy and are mailed or emailed shortly after the end of March, June, September and December.
- Q Am I required to keep the Policy in place for a certain period of time?
Answer: No, you may make a partial or total surrender from your Policy at any time. IOMA does not levy any charge for surrender, but a U.S. tax charge may apply in certain circumstances.
- Q What taxes are payable on withdrawals?
Answer: Withdrawals are taxed, to the extent of distributions of previously untaxed income, at the Federal level at ordinary income rates.



Contact Details

IOMA Deferred Variable Annuity Policy

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ISLE OF MAN ASSURANCE LIMITED

Important Compliance Notice

Taxation Considerations

Isle of Man Assurance Limited is not liable to any Income Tax, Capital Gains Tax or Corporation Tax in the Isle of Man in respect of the assets allocated to your policy. The only exception may be withholding taxes, which a number of countries levy on dividends payable to foreign investors.

For detailed taxation advice and in the event of a change or intended change in your country of residence/domicile or circumstance, you must consult an appropriately qualified financial or taxation advisor. This information is based on Isle of Man Assurance Limited's understanding of current law and taxation practice which may of course change in the future.

Investment Performance

The actual proceeds of your policy will depend upon the performance of the underlying investments. Past investment performance is not necessarily a guide to future performance. The value of investments can fall as well as rise.

Queries and Complaints

For further information, or if you wish to complain about any aspect of the service you have received, please contact the Compliance Department at Isle of Man Assurance Limited. In the event that we are unable to resolve a complaint it can be referred to the Financial Services Ombudsman Service for the Isle of Man. Copies of our internal complaints handling procedures are available on request.

Investor Protection

The Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 apply to all policies issued after 5th April 1988. These regulations provide for the payment of a sum of up to 90% of the amount of any liability under a contract in the unlikely event that an insurer becomes unable to meet its liabilities to policyholders.

Isle of Man Assurance Limited is a member of the IOMA Group.

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Authorised by the Isle of Man Government Insurance & Pensions Authority.
Authorised and regulated by the Financial Services Authority for UK business.

Registered No. 3792 Isle of Man.

IOMA is a member of the Association of International Life Offices



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