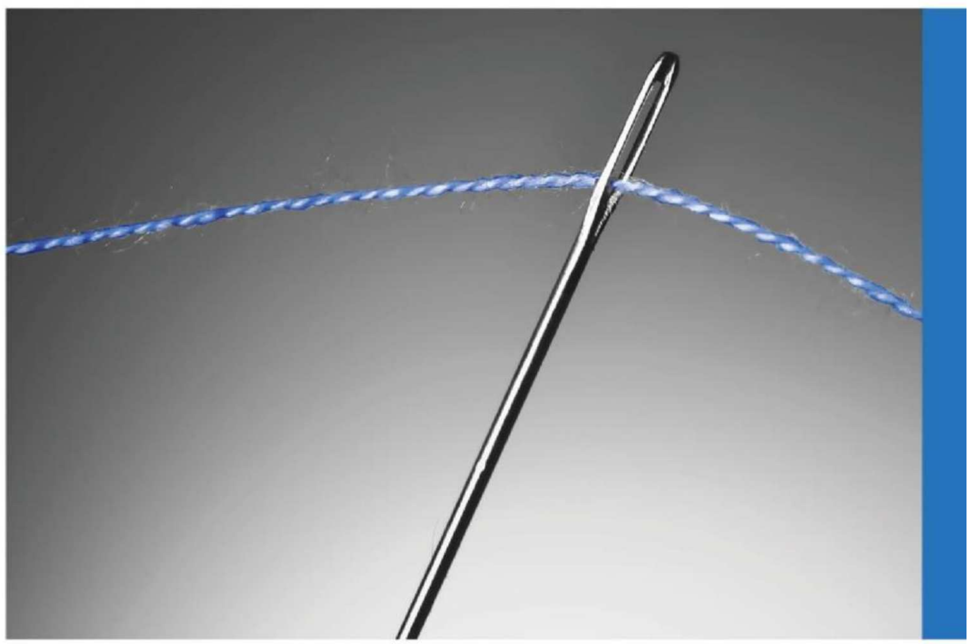

Single Premium Investments

Technical guide for Life Annuities

September 2021

Notes

- This chapter should be read in conjunction with the contract documents. If there is any conflict or inconsistency between the contents of the contract documents and this chapter, the provisions of the contract documents will prevail.
- Any reference to “first life insured” (client) refers to the person who will receive the income payments from the start of the policy. For a life annuity policy with one life insured only, any reference to “life insured” refers to this life insured.
- Any reference to "we", "us", "our" or "ours" refers to Sanlam Life Insurance Limited (Sanlam Life)

Table of Contents

1. The life products

The following three products are underwritten and administered by Sanlam Life Insurance Ltd (Sanlam Life).

Our different products provide a wide range of choices to meet a client's specific needs, which include the following:

a) With level or growing guaranteed income payments;
b) Income payments payable for a fixed period or until the death of the life insured; c) With one or two lives insured;
d) Life cover payable at death of last life insured.

Conventional annuities in general:

Conventional annuities generally pay a guaranteed annual amount until death.

Normally the annuitant has a choice between single life and joint life, a choice regarding annual income increase and could be subject to a guaranteed period (pays for guaranteed period despite death).

The effect of the interest rates = the higher the long term interest rate on date of purchase the greater the income.

The effect of the payment period = the shorter the expected period, the higher the income but life expectancy also plays a role i.e. age and gender.

Payment options normally include a choice between level, fixed growth or inflation linked income.

Product	Number of lives insured	Short reference to product (product code)	Number of policies issued
Single Life Annuity	1	Plan 2 (P2)	1
Joint Life Annuity	2	Plan 3 (P3)	
Income with Capital Preservation	1 or 2	Plan 29	3 (2 life annuity policies and 1 life cover policy)*

* Breakdown of the 3 policies:

1. Life Annuity 1 (named Income Annuity) – this annuity provides a pension payment to the life annuitant
2. Life Annuity 2 (named Capital Preservation Annuity) – the pension payment from this annuity funds the premiums of the life cover
3. Life Cover (named Capital Preservation Life Cover) – provides a lump sum amount at the death of the last surviving life insured.

2. Difference between compulsory and optional/discretionary money?

All income payments are made in South African currency and is guaranteed by Sanlam Life.

2.1. Compulsory money

Compulsory Money products can only be purchased with **proceeds from retirement and preservation funds** and are used for the purpose it was intended. Legislation requires that only a specified part of the proceeds of a pension, preservation or retirement annuity fund may be taken as a lump sum after the disability or retirement of a member. The balance must be used to provide regular pension payments. Alternatively, the life insured can choose that the full benefit amount be used to provide regular pension payments. All our Compulsory Money products are suitable to provide such pension payments.

Origin of compulsory capital amount

Our Compulsory Money products can be bought with the proceeds from retirement funds after the death, disability or retirement of a member. The proceeds of the following may be used to buy these products:

a) Pension funds
b) Provident funds
c) Preservation pension funds
d) Preservation provident funds
e) Retirement annuity funds

2.2. Optional money

Optional Money products can only be purchased with a **client's own funds**. "Own funds" can be any money that a client has available, and can also include the net after tax lump sum from the proceeds, or part thereof, of a retirement fund, but only after the relationship with the applicable retirement fund has been severed.

3. Fund Owned versus Member Owned policies

Some of the life annuity policies can be either be Fund Owned policies or Member Owned, while others are only available as Member owned:

Product	Number of lives insured	Fund Owned	Member Owned
Single Life Annuity (Plan 2)	1	✔	✔
Joint Life Annuity (Plan 3)	2	✔	✔
Income with Capital Preservation (Plan 29)	1	✔	✔
	2	x	✔

3.1. Fund Owned

A Fund Owned policy may only be funded by **compulsory** money.

These annuities are compulsory life annuity policies. The policy is issued on the life of the member as the first life insured or, in the event that the member passed away before applying for the policy, on the life of the dependant/nominee of the member as first life insured, while the Fund remains the policyholder on the life annuities.

3.2. Member Owned

A Member Owned policy can be funded by **optional** or **compulsory** money.

If funded by optional money, the policy is **not** a compulsory annuity policy, but if funded by compulsory money, the subsequent annuity is a compulsory annuity policy.

A retirement fund can give permission that the proceeds from the Fund be transferred to Sanlam Life in order for the client to purchase a compulsory life annuity, but the Fund can opt to not become the policyholder, instead making the member the policyholder of the policy. The policy is issued on the life of the client as the first life insured or, in the event that the client passed away before applying for the policy, on the life of the dependant/nominee (who will be known as the policyholder) of the client as the first life insured.

A retirement fund can give permission that the proceeds from the Fund be transferred to Sanlam Life in order for the client to purchase a compulsory life annuity, but the Fund can opt to not become the policyholder, instead making the member the policyholder of the policy.

4. Role players

4.1. Policyholder

4.1.1. Fund Owned

Single Life Annuity (Plan 2)
The retirement fund will be the policyholder.

Joint Life Annuity (Plan 3)
The retirement fund will be the policyholder.

Income with Capital Preservation (Plan 29)
The retirement fund will be the policyholder of the life annuities, while the member will be the policyholder of the Capital Preservation Life Cover.

4.1.2. Member Owned

The client is the policyholder.

4.2. First and second life insured

The following table illustrates the number of lives insured on each product. It includes the client as the first life insured, where applicable.

Product	Number of lives insured
Single Life Annuity (Plan 2)	1
Joint Life Annuity (Plan 3)	2
Income with Capital Preservation (Plan 29)	1 or 2

4.2.1. First life insured

Fund Owned

The first life insured must be:

a) an individual,

b) the member of the retirement fund, or, in the event that the member passed away before applying for the policy, a dependant or nominee of this member (as determined by the Fund prior to applying for the policy).

Member Owned

The first life insured must be an individual.

4.2.2. Second life insured

Only one individual who is an insurable interest to the client will be allowed as the second life insured.

The following persons may be the second life insured (subject to meeting the product requirements):

a) the first life insured's spouse*,
b) the first life insured's child (including adopted or illegitimate)
c) the first life insured's parents, grandparents, grandchildren, brothers or sisters who, in accordance with the law, would have been dependant on the first life insured for financial support had they not passed away.

***Definition of spouse:**
In relation to the client, a spouse means a person who is the partner of the client in a-
a) marriage or customary union recognised in terms of the laws of the Republic, or
b) in a union recognised as a marriage in accordance with the tenets of any religion, or
c) in a same-sex or heterosexual union which is intended to be permanent.
Subject to:
1. the existence of an insurable interest in the life of the spouse and
2. satisfactory evidence of the permanency of the unions referred to in c) above, with Sanlam reserving the right to deny insurable interest where satisfactory evidence is lacking, at Sanlam's discretion.

Insurable interest means the client has an interest of a financial nature that needs to be protected. In this context it means that the client will suffer a financial loss at the death of the insured life. Generally insurable interest is established by ownership, legal possession or direct relationship.

4.2.3. When the first life insured passes away first

Fund Owned

If the member (first life insured) passes away before the second life insured, the Fund will determine, in accordance with the law, to which dependants the policy interest will be transferred, and they will then continue to receive the income benefits for as long as the second life insured lives. For more information on who will be considered a dependant, please refer to section 4.5.

Member Owned

If the policyholder (first life insured) passes away before the second life insured, the policy ownership will be transferred to the second life insured who will then receive the income benefits.

4.2.4. When the second life insured passes away first

If the second life insured passes away first, the first life insured will continue to receive the income.

4.2.5. When all the lives insured have passed away

If both the first and second life insured have passed away, the nominated policy owners, nominees or beneficiaries will be considered to receive the income or death benefit, subject to the rules of the product. Please refer to sections 4.3 and 4.4 for more information.

4.3. Nominated policy owners and nominees

This section is only applicable to Plan 2 and Plan 3 policies. A client may only nominate one or more individuals if they choose a **guaranteed income payment term longer than 0 years**. A **maximum of 10 individuals** may be nominated. A nominee may only accept the nomination after the member or policyholder has passed away.

4.3.1. Single Life Annuity (Plan 2)

Fund Owned – Name nominees

If the member passes away before the guaranteed term has ended, the Fund will determine, in accordance with the law, how the income will be distributed between the member's dependants and nominees for the remainder of the guaranteed term. It is therefore not guaranteed that the nominees will receive the income benefits. The trustees of the Fund may be guided by the nominations, but they are not bound by it. For more information on who will be considered a dependant, please refer to section 4.5.

Member Owned – Nominated policy owners

It's compulsory to nominate policy owner(s) if the guaranteed income payment term is longer than 0 years. If the policyholder passes away before the guaranteed term has ended, the nominated policy owners will receive an **income** for the **remainder** of the guaranteed term.

If the total percentage allocated does not add up to 100%, or if the nominee does not accept the nomination, the remaining percentage will form part of the policyholder's estate.

4.3.2. Joint Life Annuity (Plan 3)

Fund Owned – Name nominees

If the last living life insured passes away before the guaranteed income payment term has ended, the Fund will determine (if applicable), in accordance with the law, how the **income** will be distributed between the member's dependants and nominees for the **remainder** of the guaranteed term. It is therefore not guaranteed that the nominees will receive the income benefits. The trustees of the Fund may be **guided** by the nominations, but they are not bound by it. For more information on who will be considered a dependant, please refer to section 4.5.

Member Owned – Nominated policy owners

It's compulsory to nominate policy owner(s) if the guaranteed income payment term is longer than 0 years.
The existing nominated policy owners on the policy will automatically be removed should the first life insured pass away before the second life insured. If the guaranteed income payment term is still applicable, the second life insured (who will be new policy owner) will be allowed to nominate their own policy owners once the policy ownership has been transferred to them.

If the last life insured passes away before the guaranteed term has ended, the nominated policy owners, as nominated by the last living life insured, will receive an **income** for the **remainder** of the guaranteed term.
If the total percentage allocated does not add up to 100%, the remaining percentage will form part of the **last** living life insured's estate.

4.3.3. Changing nominees

Nominees may be removed or added. Any change is only valid if it is in writing, signed by the client (whoever it may legally be at that point in time), and received by Sanlam Life before they pass away.

4.4. Appointing beneficiaries (Plan 29 only)

This section is only applicable to Plan 29 policies. A guaranteed income payment term is not allowed on a Plan 29, and therefore no individuals may be nominated to continue receiving the income after all of the lives insured have passed away. A **maximum of 10 individuals** may be appointed. A beneficiary may only accept the appointment after the policyholder has passed away.

4.4.1. Fund Owned (only single life allowed)

When we are notified that the member (who is the policyholder of the life cover) has passed away, the benefits will be split between the beneficiaries, as specified by the member. If no percentage is indicated, the benefits will be divided equally among the beneficiaries. If the total percentage allocated does not add up to 100%, the remaining percentage will form part of the member's estate.

4.4.2. Member Owned (single and joint life allowed)

Single life

When we are notified that the policyholder has passed away, the benefits will be split between their beneficiaries, as specified by them. If no percentages are indicated on the application form, the benefits will be divided equally among the beneficiaries. If the total percentage allocated does not add up to 100%, the remaining percentage will form part of the policyholder's estate.

Joint life

The existing beneficiaries on the policy will automatically be removed should the first life insured pass away before the second life insured. The second life insured (who will be new policy owner) will be allowed to appoint their own beneficiaries once the policy ownership has been transferred to them. When we are notified that the last life insured has passed away, the beneficiaries, as appointed by the **last** living life insured, will receive the death benefits.

If no percentages are indicated on the application form, the benefits will be divided equally among the beneficiaries. If the total percentage allocated does not add up to 100%, the remaining percentage will form part of the **last** living life insured's estate.

4.4.3. Changing beneficiaries

Beneficiaries may be removed or added. Any change is only valid if it is in writing, signed by the client (whoever it may legally be at that point in time), and received by Sanlam Life before they pass away.

4.5. Dependants of the client

The following persons will be considered as dependants of the client:

a) the spouse (*refer to page 8 *Definition of Spouse*),
b) a child (including adopted or illegitimate),
c) a person who, in accordance with the law, depends on the member for financial support, and
d) a person who, in accordance with the law, would have depended on the client for financial support had the client not died (for example, a child of the client who is born after the client's death).

5. Security cessions

A policy may only be ceded if the policy is funded by optional money. The client pays tax on the total income (including the life cover premium) and therefor the life cover is funded by optional funds.

With a collateral cession the policyholder may cede the life cover policy of the Plan 29 as security to one other party, where this party may be an individual, trust, tax-paying institution or tax-exempt institution.

If the policyholder cedes the life cover policy as security, he or she must notify Sanlam Life of the cession in writing. The notice will take effect when Sanlam Life receives it.

An appointment of a beneficiary to receive the benefit amount payable after the death of the last surviving life insured will not be cancelled, but the party to whom the policy is ceded, will have the first right to benefits when it becomes payable. For policies with one life insured, “last surviving life insured” refers to this life insured.

6. General information

6.1. Inception date

The start date of a policy will be determined by the date on which the capital amount for the product is received by us.

6.1.1. Plans 2 and 3

The following applies:

a) If the capital amount is received on or before the 15th of a month, the start date of the policy will be the first day of the month in which the capital amount is received by us (for example, if we receive the money on 14 January, the start date will be 1 January).
b) If the capital amount is received after the 15th of a month, the start date of the policy will be the first day of the following month (for example, if we receive the money on 16 January, the start date will be 1 February).

6.1.2. Plan 29

The following applies:

a) The start date of the life annuity policies will be determined as described under “Plans 2 and 3” above.
b) The start date of the life cover policy will be one month after the start date of the life annuity policies. The client is covered for death in the first month despite the cover policy only incepting a month later

6.2. Particular provisions

We may recalculate and alter the provisions of the policy, including the amount of the pension payment, if:

a) the life annuitant’s tax status changes;
b) the government or governing authority changes or introduces tax or similar levies;
c) prescribed requirements regarding the underlying assets in the fund we keep for this policy and other similar policies change, due to our interpretation or understanding of tax or similar levies changing as a result of the impact of an event or circumstance.

6.3. Rates used to calculate income payments

We manage a separate investment portfolio for life annuities.

Life annuity rates depend on the following factors:

a) Date on which the capital amount is received by us.
b) The sex of the lives insured.
c) Ages of the lives insured.
d) Prevailing interest rates and yields on fixed interest and index-linked bonds of different durations, particularly long-term bonds. These are reviewed weekly.
e) The product choices made, for example, with or without guaranteed income payment term, income payments with or without growth, reduction of income payments at first or specific death, etc.

The size of an income payment will depend on the life annuity rates used on the start date of a policy. Changes in rates after the start date of a policy will have no effect on the size of the income payments of the policy and are guaranteed for life.

A base rate applies for a capital amount received on the 1st day of a month. Base rates are adjusted regularly. The rates for capital amounts received on dates other than the 1st of a month, are adjusted as follows:

For a payment received from the 2nd up to and including the 15th of a month

a) The base rate applying on the 1st of the same month is reduced by the interest for the number of days from the 1st up to and including the date on which we receive the payment.

For a payment received from the 16th up to and including the last day of a month

b) The base rate applying on the 1st of the following month is increased by interest for the number of days from the date on which we receive the payment up to and including the 1st day of the following month.
c) The net rate will include all fees (intermediary remuneration and factor above). The only additional deduction would be the tax as explained underneath.

6.4. Tax

6.4.1. Tax applicable for both compulsory and optional money products

Request to change tax rate

If the application of the Fourth Schedule results in too little or too much tax being recovered from a life annuitant during a year of assessment, then:

a) it may be requested that a percentage higher than the Pay-As-You-Earn (PAYE) rate be withheld for tax, or
b) a tax directive from the South African Revenue Services (SARS) may be requested, on the basis of which Sanlam will withhold a percentage lower than the Pay-As-You-Earn (PAYE) rate, or even no tax at all.

IRP5 certificate

At the end of each tax year, Sanlam will provide an IRP5 certificate to each life annuitant indicating the taxable income as well as the tax that has been paid over to SARS. The life annuitant must submit this certificate together with his/her tax return.

Quotations

The values on a quotation are calculated at the specified tax rate. If a tax rate is not specified, the Pay-As-You-Earn (PAYE) rate will be used. If the specified tax rate is less than the PAYE rate calculated for the specific income payment, the quotation will only be valid if accompanied by a tax directive from SARS.

6.4.2. Tax applicable only for compulsory money products

Tax on income payments

The full pension payment from a life annuity bought with compulsory money is currently deemed to be gross taxable income in the hands of the life annuitant. This means that the life annuitant's income is increased by the amount of the pension payments (therefore also known as income payments). Tax must be paid in South Africa in South African currency for local and international income payments.

Tax on life cover policies of Plan 29

No tax is currently payable on the life cover amount which is payable at the death of the life insured, for policies with one life insured, or at the death of the last surviving life insured, for Plan 29 with two lives insured.

6.4.3. Tax applicable only for optional money products

Tax on income payments

Income payments of a life annuity consists of a repayment of the capital amount, which is referred to as the capital portion of the income payments. The remaining part of an income payment is the non-capital portion, which is always fully taxable.

Section 10A certificate

Section 10A(3)(a) or (b) of the Income Tax Act determines the basis of calculation of the capital portion of each income payment. A section 10A certificate will be provided with the policy documents, indicating the capital portion of the income payment. The life annuitant must submit a copy together with his/her next tax return to SARS.

6.5. Reduction in income

This product feature is only available where a second life insured is applicable.

6.5.1. Reduction at first death

Guaranteed income payment term = 0
When one of the lives insured passes away before the other, the income will be reduced by the selected percentage.

Guaranteed income payment term > 0
When one of the lives insured passes away before the other, the income will be reduced by the selected percentage after the guaranteed income payment term has ended.

6.5.2. Reduction at specific death

The client may choose to have the income reduced by a percentage when they (the first life insured) passes away first, and a different percentage if the second life insured passes away first.

Guaranteed income payment term = 0
When one of the lives insured passes away before the other, the income will be reduced by the selected percentage allocated to the life insured who passed away.

Guaranteed income payment term > 0
When one of the lives insured passes away before the other, the income will be reduced by the selected percentage allocated to the life insured who passed away, but the reduction will only take place after the guaranteed income payment term has ended.

Example: Joint life annuity with a 10-year guarantee term, a **50% decrease on the death of the first life** and a 5% annual increase. If the **first life** insured passed away in year 2:

- The reduction in the income will only take effect after the 10-year guaranteed term.
- The 5% increase in the income will occur until the death of the second life insured.

- After the 10-year guaranteed term, the income will decrease by 50%. Thereafter the income will increase annually with 5%.

6.6. Legal restrictions

The following is only applicable if the policy is funded by **compulsory money**.

A Plan 2 or Plan 3 policy may **not** be:

a) cancelled;
b) taken in cash;
c) transferred to a new owner while the client is still alive;
d) ceded to another owner or third party;
e) reduced, by making additional withdrawals other than the income amount;
f) pledged or offered as security; or
g) attached by creditors.

A Plan 29 policy may **not** be:

a) cancelled;
b) taken in cash;
c) transferred to a new owner while the client is still alive;
d) ceded to another owner or third party;
e) reduced, by making additional withdrawals other than the income amount;
f) pledged or offered as security (only allowed on life cover policy); or
g) attached by creditors.

The life cover policy that forms part of the plan 29 may not be:

a) cancelled;
b) taken in cash;
c) reduced, by making additional withdrawals other than the income amount;

6.7. Cooling-off period (cancellation of policy)

6.7.1. Compulsory money

No cooling off period applicable.

6.7.2. Optional money

A policyholder may cancel this policy by notifying us in writing within 31 days of the date on the letter of acceptance. They will receive their original investment minus any losses due to market changes and income amounts paid to them during the time the policy was in force.

6.8. Section 37

Transfers from living annuities to any of the life annuity products are allowed. These conventional life annuities cannot be transferred to another product or provider.

7. Calculations

7.1. How to calculate the income of a life annuity

How to calculate the income with a different purchase amount:

$$\frac{\text{purchase amount} - 350}{10\ 000} \times \text{Rate}\ \% - \text{R}15 = \text{income payable amount}$$

How to calculate the purchase amount with only the rate available:

$$\frac{\text{income payable amount} + \text{R}15}{\text{Rate}\ \%} \times 10\ 000 + 350 = \text{purchase amount}$$

How to calculate the rate when you have the purchase amount and income:

$$\frac{\text{income payable amount} + \text{R}15 \times 10\ 000}{\text{purchase amount} - 350} = \text{Rate}\ \%$$

7.2. Calculation of the capital portion that is exempt from tax

Applicable to an optional annuity.

Formula prescribed in section 10A(3)(a) of the Income Tax Act.

Y = A/B x C

- "Y" represents the sum to be determined and the value of the tax exemption.
- "A" represents the amount of the total cash consideration given by the purchaser under the annuity contract in question as contemplated in paragraph (b) of the definition of "annuity contract" in subsection (1).
- "B" represents the total expected returns of all the annuities provided for in the annuity contract in question.
- "C" represents the aforesaid annuity amount.

Example

Assume the following:

Optional Term Annuity with a level income payment

Capital amount (C)	=	R50 000
Level income payment (I)	=	R805 per month

Term (n) = 10 years

A = (R805 x 12) x 10 years = R96 600

Y = $^{R}/_{R96\ 6}$ x R805

Y = R416.67

Therefore, the taxable portion of each annuity accrual is R805 – R416.67 = **R388.33**

7.3. Intermediary remuneration

7.3.1. Life annuities

The following applies to new business:

- Up to1.5% (excl. VAT) of the investment amount may be paid upfront
- The net rate will be adjusted accordingly
- No ongoing fees payable

7.3.2. Life cover

Initial Commission

Commission on Life Cover portion of Plan 29:

- n (term) > 26 years: 85% x annual premium (monthly debit order premium x 11.4)
- n (term) <= 26 years: 3.25% x n x annual premium

If the benefit (DS-death benefit) end date is whole of life like with the Plan 29:

Greatest of [75 – and (age next birthday) and 10 year]

Paid on the portion for the life cover is as per normal commission rules for risk premiums.

Then also 2nd year commission

1/3rd of initial commission paid in year 1

7.3.3. DIF and Score

The following applies to new business:

- DIF = 1.3% of investment amount
- Score = 1.25% of investment amount

7.4. Contact details for internal personnel

Product Owner: Nicola Symons
Product queries: GLC Business Solutions – Glacier Product Management team
Email: GLC Product Management glcproductsupport@glacier.co.za

8. Descriptions

8.1. Single Life Annuity (Plan 2) *with one life insured*

The policy is an insurance policy as described under, and regulated by the Long-term Insurance Act, 1998, and is issued under the insurance licence of Sanlam Life Insurance Limited (Sanlam Life). The policy will be a contract between the policyholder and us, Sanlam Life.

Our agreement with the client consists of the following:

- the quotation;
- the application for the policy;
- the policy document (contract);
- other documents, correspondence and information, if any, that by implication form part of the contract.

Product description	**Guaranteed income payment term = 0** Regular income payments will be paid until the death of the life insured. If the life insured dies before a date on which an income payment would have become payable, no further income payments will be paid and no proportional part of the income payment can be claimed. Income tax will be deducted from each income payment. **Guaranteed income payment term > 0** Regular income payments will be paid until the later of: • the death of the life insured, or • the end of the minimum term. If the life insured dies after expiry of the minimum term, but before a date on which an income payment would have become payable, no further income payments will be payable and no proportional part of the income payment can be claimed. Income tax will be deducted from each income payment.
Are income payments guaranteed?	Income payments are guaranteed for the full period they are payable, subject to the “Particular provisions” listed in section 6.2. Future changes in interest rates will have no effect on the amount of these income payments.
Minimum capital amount	No specified minimum, but the capital amount must be enough to provide the minimum initial income payment.
Optional money or compulsory money	Available for both optional and compulsory money. Only the taxable amount will differ.

Minimum initial income payment	• Monthly: R100 **Below payment options only available via special quote process** • Quarterly: R200 • Half-yearly: R300 • Yearly: R600

Guaranteed income payment term (The quotation system refers to "term certain")	Choice between: • 0 years (terminates at death) • 5 years • 10 years • 15 years • 20 years ***NB*** The chosen guaranteed term and the client's age may not exceed 96 ANB. e.g. *Client 66 ANB + 20 year guaranteed term = 86 (they can get a 20 year term)* *Client 82 ANB + 15 year guaranteed term = 97 (they cannot get a 15 / 20 year term)*
Frequency of income payments	• Only Monthly **Below frequency options only available via special quote process** • Quarterly • Half-yearly • Yearly
Income payments in advance or arrears?	In advance or arrears
Growth of income payments	Choice between: • Level • Fixed growth: any growth rate from 1% to 7% per year. • Inflation linked growth *(only available for compulsory funds)* **Fixed growth:** The yearly adjustment of the income payments, if applicable, will take place on each policy anniversary, and the growth rate is fixed and guaranteed. **Inflation linked:** The pension payments will be adjusted each year at the South African headline inflation rate for the 12 months up to the date four months prior to the yearly increase date. The yearly adjustment of the pension payments, if applicable, will take place on each policy anniversary. The increase will be limited to a maximum cap of 20% per year. However, should legislation change, we will immediately waive the cap as this cap is purely to comply with legislation and not for any other reason. The headline inflation rate is defined as the percentage change in the South African consumer price index for the historical metropolitan areas, for all expenditure groups, for the relevant period as calculated by Statistics South Africa. Should this index not be available, another index as determined by Sanlam Life will be used. Please note that if there is deflation over any such 12-month period, the pension payments will decrease from the level of the previous year. (Deflation is when the change in the rate of Consumer Price Index drops below zero percent.)
Lives insured	One life insured is allowed. The life insured will receive the income payments from the start of the policy until death.

Limits for inception age	• Minimum: 20 next birthday • Maximum: 86 next birthday
At death	**Fund Owned** **Guaranteed income payment term = 0** If the member dies, the payments stop. **Guaranteed income payment term > 0** If the member passes away before the guaranteed term has ended, the Fund will determine, in accordance with the law, how the income will be distributed between the member's dependants and nominees for the remainder of the guaranteed term. **Member Owned** **Guaranteed income payment term = 0** If the policyholder dies, the payments stop. **Guaranteed income payment term > 0** If the policyholder passes away before the guaranteed term has ended, the nominated policy owners will receive an income for the **remainder** of the guaranteed term. If the total percentage allocated does not add up to 100%, or if the nominee does not accept the nomination, the remaining percentage will form part of the policyholder's estate.

8.2. Joint Life Annuity (Plan 3) *with two lives insured*

The policy is an insurance policy as described under, and regulated by the Long-term Insurance Act, 1998, and is issued under the insurance licence of Sanlam Life Insurance Limited (Sanlam Life). The policy will be a contract between the policyholder and us, Sanlam Life.

Our agreement with the client consists of the following:

- the quotation;
- the application for the policy;
- the policy document (contract);
- other documents, correspondence and information, if any, that by implication form part of the contract.

Product description	**Guaranteed income payment term = 0** Regular income payments will be paid until the death of the last surviving life insured. If the last surviving life insured dies before a date on which an income payment would have become payable, no further income payments will be paid and no proportional part of the income payment can be claimed. Income tax will be deducted from each income payment. **Guaranteed income payment term > 0** Regular income payments will be paid until the later of: • the death of the last surviving life insured, or • the end of the minimum term. If the last surviving life insured dies after expiry of the minimum term, but before a date on which an income payment would have become payable, no further income payments will be paid and no proportional part of the income payment can be claimed. Income tax will be deducted from each income payment.
Are income payments guaranteed?	Income payments are guaranteed for the full period they are payable, subject to the "Particular provisions" listed in section 6.2. Future changes in interest rates will have no effect on the amount of these income payments.
Minimum capital amount	No specified minimum, but the capital amount must be enough to provide the minimum initial income payment.
Optional money or compulsory money	Available for both optional and compulsory money. Only the taxable amount will differ.
Minimum initial income payment	• Monthly: R100 **Below payment options only available via special quote process** • Quarterly: R200 • Half-yearly: R300 • Yearly: R600

Guaranteed income payment term (The quotation system refers to "term certain")	Choice between: • 0 years (terminates at death) • 5 years • 10 years • 15 years • 20 years ***NB*** The chosen guaranteed term and the client's age may not exceed 96 ANB. *e.g. Client 66 ANB + 20 year guaranteed term = 86 (they can get a 20 year term)* *Client 82 ANB + 15 year guaranteed term = 97 (they cannot get a 15 / 20 year term)*
Frequency of income payments	• Only Monthly **Below frequency options only available via special quote process** • Quarterly • Half-yearly • Yearly
Income payments in advance or arrears?	In advance or arrears
Growth of income payments	Choice between: • Level • Fixed growth: any growth rate from 1% to 7% per year • Inflation linked growth (*only available for compulsory funds*) **Fixed growth:** The yearly adjustment of the income payments, if applicable, will take place on each policy anniversary, and the growth rate is fixed and guaranteed. **Inflation linked:** The pension payments will be adjusted each year at the South African headline inflation rate for the 12 months up to the date four months prior to the yearly increase date. The yearly adjustment of the pension payments, if applicable, will take place on each policy anniversary. The increase will be limited to a maximum cap of 20% per year. However, should legislation change, we will immediately waive the cap as this cap is purely to comply with legislation and not for any other reason. The headline inflation rate is defined as the percentage change in the South African consumer price index for the historical metropolitan areas, for all expenditure groups, for the relevant period as calculated by Statistics South Africa. Should this index not be available, another index as determined by Sanlam Life will be used. Please note that if there is deflation over any such 12-month period, the pension payments will decrease from the level of the previous year. (Deflation is when the change in the rate of Consumer Price Index drops below zero percent.)
Optional reduction of income payments	Any percentage less than 100% can be selected for an optional reduction of income payments. **Reduction at first death or specific death are available.** The reduction in income payments will be as follows: **Guaranteed income payment term = 0** Income payments will be reduced by the selected percentage **Guaranteed income payment term > 0** Income payments will be reduced by the selected percentage after the end of the minimum term.
Lives insured	Two lives insured are allowed. The first life insured will receive the income payments from the start of the policy.

Limits for inception age	• Minimum: 20 next birthday • Maximum: 86 next birthday
At death	**Fund Owned** **Guaranteed income payment term = 0** If the member dies before the second life insured, the Fund will determine who will receive the income payments until the second life insured also passed away. If both the first and second lives insured are deceased, the payments stop. **Guaranteed income payment term > 0** If the last living life insured passes away before the guaranteed income payment term has ended, the Fund will determine, in accordance with the law, how the income will be distributed between the member's dependants and nominees for the remainder of the guaranteed term. **Member Owned** **Guaranteed income payment term = 0** If the policyholder dies before the second life insured, the second life insured will continue to receive the income payments until they also pass away. If both the first and second lives insured are deceased, the payments stop. **Guaranteed income payment term > 0** If the last life insured passes away before the guaranteed term has ended, the nominated policy owners, as nominated by the **last** living life insured, will receive an **income** for the **remainder** of the guaranteed term. If the total percentage allocated does not add up to 100%, the remaining percentage will form part of the **last** living life insured's estate.

8.3. Income with Capital Preservation (Plan 29) *maximum two lives insured*

The policies are insurance policies as described under, and regulated by the Long-term Insurance Act, 1998, and are issued under the insurance licence of Sanlam Life Insurance Limited (Sanlam Life). Each policy will be a contract between the principal life insured as policyholder and us, Sanlam Life.

Our agreement with the client consists of the following:

- the quotation;
- the application for the policies;
- the three policy documents (contracts);
- other documents, correspondence and information, if any, that by implication form part of the contract.

Product description	Monthly pension payments will be paid until the death of the last surviving life insured. At the death of the last surviving life insured, the life cover's guaranteed amount will be paid as a lump sum. If the last surviving life insured dies before a date on which an income payment would have become payable, no further income payments will be paid and no proportional part of the income payment can be claimed. Income tax will be deducted from each income payment. **Three policies will be issued:** • A life annuity policy (called Income Annuity), from which the income payments will be paid to a life insured. • A second life annuity policy (called Capital Preservation Life Annuity), of which the pension payments will be used to pay the premiums of the life cover policy. • A life cover policy (called Capital Preservation Life Cover), which will provide the life cover amount.
Are pension payments guaranteed?	Income payments are guaranteed for the full period they are payable, subject to the "Particular provisions" listed in section 6.2. Future changes in interest rates will have no effect on the amount of these pension payments.
Life cover amount	A maximum equal to the original investment amount may be chosen, with a minimum of R20 000. The selected cover amount will influence the income payable. The lower the cover chosen, the higher the income will be.
Minimum capital amount	R20 000
Optional money or compulsory money	Only available for compulsory money
Minimum initial pension payment	R100 per month

Frequency of pension payments	Monthly

Income payments in advance or arrears?	In arrears
Growth of pension payments	Choice between: • Level • Fixed growth: any growth rate from 1% to 7% per year • Inflation linked growth **Fixed growth options:** The yearly adjustment of the income payments, if applicable, will take place on each policy anniversary. **Inflation Linked growth:** The income payments will be adjusted each year at the South African headline inflation rate for the 12 months up to the date four months prior to the yearly increase date. The yearly adjustment of the income payments, if applicable, will take place on each policy anniversary. The increase will be limited to a maximum cap of 20% per year. However, should legislation change, we will immediately waive the cap as this cap is purely to comply with legislation and not for any other reason. The headline inflation rate is defined as the percentage change in the South African consumer price index for the historical metropolitan areas, for all expenditure groups, for the relevant period as calculated by Statistics South Africa. Should this index not be available, another index as determined by Sanlam Life will be used. Please note that if there is deflation over any such 12-month period, the income payments will decrease from the level of the previous year. (Deflation is when the change in the rate of Consumer Price Index drops below zero percent.)
Growth of income payments of Capital Preservation Annuity policy	Compulsory premium growth applies. The premiums of the life cover policy will increase by 7% per year. ***These increases will not influence/decrease the income payment of the Income Annuity.***
Optional reduction of income amounts of Income Annuity policy	Any percentage less than 100% can be selected for an optional reduction of pension amounts after the death of the life insured who dies first, which will apply to the Income policy only. **Reduction for specific death is not available**
Frequency of premiums of Capital Preservation Annuity policy	Monthly
Lives insured	Two lives insured are allowed (product is available with one or two lives insured). The first life insured will receive the income payments from the start of the policy.

Limits for inception age	**Single Life:** • Minimum: 20 next birthday • Maximum:80 next birthday **Joint Life:** • Minimum: 40 next birthday with first or second life insured at least being 55 next birthday • Maximum: 70 next birthday
At death	Only the life cover's guaranteed amount is deemed a death benefit. For both Fund Owned and Member Owned policies the client is the policyholder of the life cover. **Single life** When we are notified that the policyholder has passed away, the benefits will be split between the beneficiaries, as specified by the policyholder. If no percentage is indicated, the benefits will be divided equally among the beneficiaries. If the total percentage allocated does not add up to 100%, the remaining percentage will form part of the policyholder's estate. **Joint life** The existing beneficiaries on the policy will automatically be removed should the first life insured pass away before the second life insured. The second life insured (who will be new policy owner) will be allowed to appoint their own beneficiaries once the policy ownership has been transferred to them. When we are notified that the last life insured has passed away, the beneficiaries, as appointed by the **last** living life insured, will receive the death benefits. If no percentages are indicated on the application form, the benefits will be divided equally among the beneficiaries. If the total percentage allocated does not add up to 100%, the remaining percentage will form part of the **last** living life insured's estate.