



Single Premium Investments

Technical guide for Nimbus Fixed Options

February 2022

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.

Take note that information contained in this technical guide is with regards to the latest versions of the applicable products/benefits. Refer to the contract documents for information about the existing products/benefits of a life insured.

Any reference to "we", "us", "our" or "ours" refers to Sanlam Life Insurance Limited (Sanlam Life). Any reference to "plan overview" refers to the plan overview of the contract documents.

Contents

Nimbus Fixed Return SN1	3
Why should you invest in this product?	3
General	3
General product details	3
The investment within the Nimbus Fixed Return	4
Policyholder (Nimbus Fixed Return and Income)	4
Payments	4
May additional amounts be added?	4
What happens at maturity with the Nimbus Fixed Return?	4
Liquidity	4
Loans	4
Withdrawals	4
Cashing in the policy	4
Are cessions allowed?	5
Nominee for ownership required	5
Taxation	5
Cooling-off period	5
Death of the policyholder	5
Making the investment	5
Rate Dates	6
Charges	6
New business	6
Nimbus Fixed Return with Income SN1P (SN1+J05P)	7
Why should you invest in this product?	7
General	7
General product details	7
Particular provisions	8
The investment (Stratus Guaranteed Income Policy) J05P	9
Payments	9
May additional amounts be added?	9
Income payments	9
Liquidity	9
Loans	9
Cashing in the policy	9
The Stratus Guaranteed Income Policy:	9
Restrictions under present legislation	9
Are cessions allowed?	9
Nominee for ownership required	9
What happens to the income payments if the life insured is a natural person and he or she dies?	9
Taxation	10

Calculation of the capital portion that is exempt from tax	10
Request to change tax rate	10
Section 10A certificate	10
IRP5 certificate	10
Quotations	11
Cooling-off period	11
Death of the policyholder	11
Nimbus Fixed Return policy:	11
The Stratus Guaranteed Income Policy:	11
Making the investment	11
Backdating	11
Start Date of Nimbus Fixed Return with Income Policy	11
Rate Dates	12
Rates used to calculate income payments	12
The Stratus Guaranteed Income Policy:	12
Charges	12
New business	12
DIF and Score	12
Contact details for internal personnel	12

Nimbus Fixed Return SN1

Why should you invest in this product?

The Nimbus Fixed Return offers a tax-efficient investment that provides a fixed maturity amount that is exposed to the underlying assets of the top four banks of South Africa.

Your investment is exposed in equal proportion to the following four banks: Absa Bank, First National Bank, Standard Bank and Nedbank. You will carry the risk of a default, therefore, if any of these banks default, we may reduce the maturity benefit of your policy investment. We reserve the right to change any of the four banks during the term of the policy, and when this change happens, we will communicate it to you.

General

The Nimbus Fixed Return underwritten by Safrican Insurance Company Limited (Safrian) and administered by Sanlam Life. This product will provide investors with **a lump sum at the end of the five-year term**.

The product can be purchased with discretionary money. Discretionary money is any money that an investor has available and can even 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).

For the Nimbus Fixed Return product of Safrican the policyholder carries investment default risk. This means that the maturity value of the investment could potentially be negatively affected if a specified category of assets loses value. In an extreme scenario the policyholder might lose some or all of the investment value.

Safrian have contracted Sanlam Life to deal with all administrative matters on our behalf. The policy will be a contract between the policyholder and Safrican Insurance Company Ltd.

The contract consists of the following:

1. the quotation;
2. the application form;
3. the policy document;
4. other documents, correspondence & information, if any, that by implication form part of the contract.

General product details

Product description	A policy that provides a maturity benefit at the end of the term
Maturity benefit payable	At the end of the term subject to the default risk
Minimum capital amount	R100 000
Term	5 years
Nominees	Nominee for ownership preferred Maximum of 10 Nominees
Lives insured	Not applicable
Policy underwritten by	Safrian Insurance Company Ltd
Policy administered by	Sanlam Life

The investment within the Nimbus Fixed Return

Policyholder (Nimbus Fixed Return and Income)

The policyholder must be a natural person or a trust (natural person beneficiaries only).

Age limit at inception:

- No minimum age and
- Maximum age is 90 next birthday (new business quotations for people older than 90 are only available from Product Development- a nominee for ownership must be appointed for these special permissions).

* A nominee for policy ownership (that should be younger than 80) should be appointed for applicants older than 80.

Payments

All payments must be made in South Africa in South African currency.

May additional amounts be added?

Additional amounts may **not** be added.

What happens at maturity with the Nimbus Fixed Return?

On the maturity date, the maturity amount will be available to the policyholder.

The policyholder will have the option to continue with the plan underwritten by Safrican Insurance Company Ltd and will be provided with a list of available funds to invest in at that time. The continuation will still be underwritten by Safrican Insurance Company Ltd.

The benefits of a continuation?

- The proceeds of your plan are currently tax-exempt after the initial investment period.
- No restriction/fixed period after the 5-year term.
- Your investment may be cashed in at any time, or you may apply for a loan and also make regular tax-free withdrawals from the plan.

Liquidity

Loans

The policyholder cannot borrow against the policy during contractual 5-year period.

Withdrawals

Only one withdrawal may be made during the contractual 5-year period. A termination charge will be charged for the withdrawal, which will be communicated at the time. The normal policy restrictions, in terms of Section 54 of the Long-term Insurance Act, will apply to the cash withdrawals.

Cashing in the policy

The policyholder can apply to cash in the policy. The total cash value of the policy will be the market value of the underlying assets at the time, less a termination charge.

Currently the termination charge consists of the following:

1. A fixed charge, which Sanlam Life may increase each year with the inflation rate. Sanlam Life will determine this inflation rate.
2. A percentage of the market value of the underlying assets at the time. This percentage depends on when the cashing in takes place. Sanlam Life may, in addition to the increase with the inflation rate, change the charge from time to time, but will not exceed the limits permissible by the Insurance Act.
3. Under certain circumstances, legislation (Section 54) limits the amount of the cash value we may pay the policyholder. If the policy is cashed in before the restriction period end date, as indicated in the policy document, we are not allowed to pay the policyholder more than an amount limited by law. So, if the cash value of the policy is more than this limited amount*, we will pay the limited amount, and the balance will remain invested until that date. Also, if the policyholder only partially cashes in his or her policy before the restriction period end date, the policyholder is not allowed to cash in again before this date.

***Legislation provides that during any restriction period**, you may make one withdrawal. The maximum amount you may withdraw is the lesser of your contributions during the restriction period, **including any market value in the policy the day before the restriction period started, plus 5% compound interest**; or the market value of the investment account less fees and charges. Any remaining balance must stay invested until the restriction period ends.

Are cessions allowed?

The policyholder may cede the Nimbus Fixed Return policy (outright or for collateral). With regard to an outright cession, the new policyholder may only be a natural person or a trust (where all beneficiaries are natural persons) because the product is invested in the IPF (individual policy holder fund) and taxed accordingly within the fund. All the normal rules will apply for such a request.

Nominee for ownership required

Preferably yes.

Can the nomination for policy-ownership be cancelled or changed?

Yes, the policyholder may cancel or change it at any time. The nomination, cancellation or change must be in writing and signed by the policyholder and must reach Sanlam Life Head Office before the policyholder's death.

Will the nominee become the policyholder without accepting the nomination?

No, the nominee must accept the nomination to become the new policyholder. However, the nominee can only accept the nomination after the policyholder's death.

The surrender value of the policy will always be an asset in the deceased estate of the policyholder for the purposes of estate duty, irrespective of whether there is nominee for ownership, or the nominee accepts or not.

Can the nomination lapse?

Yes, it will lapse if the policyholder cedes the policy, whether outright or as collateral security.

Taxation

No tax is currently payable by the policyholder on the proceeds of a Nimbus Fixed Return policy, including the Nimbus Fixed Return Policy when forming part of the Nimbus Fixed Return with Income. All charges, including tax are incorporated in the net effective rate quoted, and therefore not taxable in the hands of the policyholder.

Cooling-off period

If the policy does not meet the policyholder's requirements, he or she may cancel it by notifying Sanlam Life in writing within 31 days (the cooling-off period) of the date on the letter of acceptance. The policyholder must also return the contract documents to Sanlam Life. We will then refund the original investment minus any losses due to market changes. If the assets in which the paid amount was invested have decreased in value, we will reduce the amount to be refunded to the policyholder accordingly.

Death of the policyholder

If the policyholder nominates a nominee, that nominee will become the new policyholder of the policy after the policyholder's death, if that nominee accepts the nomination at that stage. The policy will continue until maturity date, unless the new policyholder cashes in the policy. If there is no such nominee at the policyholder's death, the policy will be an asset in the policyholder's estate – for the purposes of distribution.

Making the investment

Backdating

No backdating allowed.

Start Date

The following applies:

- If the capital amount is received on the 1st of a month, the start date of the policy will be the same date.
- If the capital amount is received from the 2nd up to and including the 31st of a month, the start date of the policy will be the 1st day of the following month. (Interest will be included in the rate from the actual payment date to the inception date of the policy).

Rate Dates

The rates that are used to determine the maturity value are determined weekly and will be affected by the date on which the investment amount reflects in Sanlam Life's bank account. These rates only apply if the investment amount reflects in our bank account within the validity period, which also reflects in the quotation.

Charges

New business

Up to 3% initial commission may be paid upfront on the Nimbus Fixed Return policy. If the level of commission is negotiated to be less than the maximum, this will result in the net effective rate of return to the client increasing.

Nimbus Fixed Return with Income SN1P (SN1+J05P)

Why should you invest in this product?

The Nimbus Fixed Return policy can be combined with a Stratus Guaranteed Income Policy (a term annuity) to form the Nimbus Fixed Return with Income.

The Nimbus Fixed Return policy will return the original single payment after the five years, while the Stratus Guaranteed Income Policy provides a guaranteed monthly income payment during the term of the plan.

Your investment is exposed to the following four banks: Absa Bank, First National Bank, Standard Bank and Nedbank. You will carry the risk of a default, therefore, if any of these banks default, we may reduce the maturity benefit of your policy investment. We reserve the right to change any of the four banks during the term of the policy, and when this change happens, we will communicate it to you.

General

The Nimbus Fixed Return is the five-year tax-efficient investment in a policy. This product will provide investors with the original investment **lump sum at the end of the five-year term. The Stratus Guaranteed Income Policy will provide regular income payments until the end of the investment term. Income payments are guaranteed by Sanlam Life Insurance Limited (Sanlam Life).**

The product can be purchased with discretionary money. Discretionary money is any money that an investor has available to invest and can even 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).

For the Nimbus Fixed Return, the risk of default will be carried by the policyholder. *This means that the maturity value of the investment could potentially be negatively affected if a specified category of assets loses value. In an extreme scenario the policyholder might lose some or all of the investment value.*

Two policies will be issued for a **Nimbus Fixed Return with Income** product; the one policy will be a Stratus Guaranteed Income Policy while the other policy will be a Nimbus Fixed Return.

Both policies are insurance policies as described under, regulated by the Long-term Insurance Act, 1998, and are issued under the insurance licence of Safrican Insurance Company Ltd for the Nimbus Fixed Return policy and Sanlam Life Insurance Limited (Sanlam Life) for the Stratus Guaranteed Income Policy. Each policy will be a contract between the policyholder and Sanlam Life (J05P) or between the policyholder and Safrican Insurance Company Ltd (SN1).

The contract consists of the following:

1. The quotation;
2. The application form;
3. The policy documents;
4. Other documents, correspondence and information, if any, that by implication form part of the contract.

General product details

Product description	<p>Regular income payments will be paid until the end of the term. Income tax will be deducted from each income payment.</p> <p>A maturity benefit will be paid at the end of the term.</p> <p>Two policies will be issued:</p> <ol style="list-style-type: none">1. A term annuity policy (called Stratus Guaranteed Income Policy), which will provide the income payments.2. An investment policy (called Nimbus Fixed Return), which will provide the maturity benefit.
Maturity benefit payable	At the end of the term, subject to the default risk

Are income payments guaranteed?	Income payments are guaranteed on the Stratus Guaranteed Income Policy for the full period. Future changes in interest rates will have no effect on the amount of these income payments. Also refer to 'rates used to calculate income payments'.
Minimum capital amount	The minimum capital amount that may be invested is R100 000, and the capital amount must always be enough to provide the minimum initial income payment.
Minimum initial income payment	Monthly: R225 Yearly: R3 000
Term	5 years
Frequency of income payments	Choice between: <ul style="list-style-type: none">○ Monthly○ Yearly
Income payments	In arrears
Growth of income payments	Choice between: <ul style="list-style-type: none">○ Level○ Fixed growth: any growth rate from 1% to 10% per year <p>The yearly adjustment of the income payments, if applicable, will take place on each policy anniversary, and the growth rate is fixed and guaranteed.</p>
Nominees (Return)	Nominee for ownership preferred Maximum of 10 Nominees
Nominee (Income)	Nominee for ownership preferred Only 1 nominee allowed
Lives insured (Income)	One life insured is allowed. The life insured will receive the income payments from the start of the Stratus Guaranteed Income Policy. The Nimbus Fixed Return policy will not have a life insured.
Limits for inception age	Refer to Policyholder description above
Policy underwritten by	Safrican Insurance Company Ltd (SN1) and Sanlam Life Insurance Limited (Sanlam Life) (J05P)
Policies administered by	Sanlam Life

Product codes: J05P and SN1P will be used respectively for a Stratus Guaranteed Income Policy and a Nimbus Fixed Return policy when it forms part of a Nimbus Fixed Return with Income product.

Particular provisions

We may recalculate and alter the provisions of a policy, including the amount of income payments and maturity benefits, if:

- a government imposes taxation or effect legislation which changes the taxation of the underlying assets
- a government imposes taxation or effect legislation which changes the way in which the underlying assets must be invested

The investment (Stratus Guaranteed Income Policy) J05P

Payments

All payments must be made in South Africa in South African currency.

May additional amounts be added?

Additional amounts may **not** be added.

Income payments

Regarding the Stratus Guaranteed Income Policy that forms part of the Nimbus Fixed Return with Income, the income payments will be paid to the policyholder for the duration of the policy term. These income payments are guaranteed by Sanlam Life.

Liquidity

Loans

The policyholder cannot borrow against the policy.

Cashing in the policy

The Stratus Guaranteed Income Policy:

The policyholder can apply to cash in the policy. The total cash value of the policy is equal to the present value of the remaining income payments, discounted at the current interest rate applicable to surrenders, less a termination charge. Each year we may increase the charge with the inflation rate. We will determine this inflation rate.

We may, in addition to the increase with the inflation rate, change the charge from time to time.

Under certain circumstances legislation limits the amount of the cash value we may pay the policyholder, as indicated below.

Restrictions under present legislation

If the policy is cashed in before the restriction period end date, as indicated in the policy document, we are not allowed to pay the policyholder more than an amount limited by law. So, if the cash value of the policy is more than this limited amount, the policyholder will only be allowed to partially cash in his or her policy, to a maximum of this limited amount. The policy will then continue with a reduced income payment. If the policyholder partially cashes in his or her policy before the restriction period end date, he or she will not be allowed to cash in again before this date.

Are cessions allowed?

The policyholder may cede (outright or for collateral) the policies or either policy, as long as the new policyholder is a natural person or a trust (where all beneficiaries are natural persons). All the normal rules will apply for such a request. Where the section 10A capital exemption applied prior to the cession, the exemption will lapse due to the cession unless the policy is ceded to the spouse.

Nominee for ownership required

Preferable yes.

Can the nomination for policy-ownership be cancelled or changed?

Yes, the policyholder may cancel or change it at any time. The nomination, cancellation or change must be in writing and signed by the policyholder and must reach Sanlam Life Head Office before the policyholder's death.

Will the nominee become the policyholder without accepting the nomination?

No, the nominee must accept the nomination to become the new policyholder. However, the nominee can only accept the nomination after the policyholder's death. If the nominee does not accept the nomination, the policy will be an asset in the policyholder's estate – for the purposes of distribution.

Can the nomination lapse?

Yes, it will lapse if the policyholder cedes the policy, whether outright or as collateral security.

What happens to the income payments if the life insured is a natural person and he or she dies?

The income payments remaining on the date on which we receive notice of his death, will be paid to the person(s) of the policyholder's choice.

Taxation

The Stratus Guaranteed Income Policy:

The income payments of a term annuity consist partly 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 at the annuitant's marginal tax rate.

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.

$$Y = \frac{A}{B} \times C$$

- "Y" represents the capital element 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

$$B = (R805 \times 12) \times 10 \text{ years} = R96\,600$$

$$Y = \frac{R50\,000}{R96\,600} \times R805$$

$$Y = R416.67$$

Therefore, the taxable portion of each annuity accrual is $R805 - R416.67 = \mathbf{R388.33}$

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 or term annuitant during a year of assessment:

- it may be requested that a percentage higher than the Pay-As-You-Earn (PAYE) rate be withheld for tax, or
- 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.

Section 10A certificate

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

IRP5 certificate

At the end of each tax year, Sanlam will provide an IRP5 certificate to each annuitant indicating the taxable income as well as the tax that has been paid over to SARS. The 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.

Cooling-off period

If the policy really does not meet the policyholder's requirements, he or she may cancel it by notifying us in writing within 31 days (the cooling-off period) of the date on the letter of acceptance. The policyholder must also return the contract documents to us. The policyholder will receive the original investment minus any losses due to market changes during the time the policy was in force. If we have already made an income payment, we will deduct the amount of such income payment from the amount to be refunded to the policyholder. If the assets in which the paid amount was invested have decreased in value, we will reduce the amount to be refunded to the policyholder accordingly.

Death of the policyholder

Nimbus Fixed Return policy:

This is a policy with no benefit payable on death. If the policyholder nominates a nominee, that nominee will become the new policyholder of the policy after the policyholder's death if that nominee accepts the nomination at that stage. The policy will continue until the end of the policy term, unless the new policyholder cashes in the policy. If there is no such nominee at the policyholder's death, the policy will be an asset in the policyholder's estate – for the purpose of distribution.

The Stratus Guaranteed Income Policy:

Death of policyholder	Death of annuitant
No benefit payable on death. If there is a nominee then the term annuity will continue providing an income for the duration of the 60 monthly payments, unless the new policyholder surrenders the policy, in which case the surrender value will pay out. The nominee will become the new policyholder. If there is no nomination the policy will be distributed in terms of the deceased estate. Tax payable dependent on recipient- referring to section 10A above.	Remaining income payments will be paid to the policyholder/policyholder's choice.

Making the investment

Backdating

No backdating allowed.

Start Date of Nimbus Fixed Return with Income Policy

The Stratus Guaranteed Income Policy	Nimbus Fixed Return
<p>If the capital amount is received on the 1st of the month, the start date of the policy will be the 29th day of the previous month.</p> <p>If the capital amount is received from the 2nd up to and including the 29th of a month, the start date of the policy will be the same as the date on which we receive the capital amount.</p> <p>If the capital amount is received on the 30th or 31st of a month, the start date of the policy will be the 29th day of the month in which the capital amount is received by us.</p>	<p>The start date of the Nimbus Fixed Return policy will be one month later than payment date less one day.</p>

Rate Dates

Nimbus Fixed Return policy and The Stratus Guaranteed Income Policy:

The rates that are used to determine the maturity value are determined weekly and will be affected by the date on which the investment amount reflects in our bank account and are displayed in the quotation. These rates only apply if the investment amount reflects in our bank account within the validity period which also reflects in the quotation.

Rates used to calculate income payments

The Stratus Guaranteed Income Policy:

Term annuity rates depend on the following factors:

1. Date the capital amount is received by us
2. Prevailing interest rates

The size of an income payment will depend on the term 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.

Charges

New business

- Up to 3% initial commission may be paid upfront on the Nimbus Fixed Return policy.
- Up to 1.5% initial commission may be paid upfront on the Stratus Guaranteed Income policy.
- If the level of commission is negotiated to be less than the maximum, this will result in the net effective rate of return to be increased.

DIF and Score

The following applies to new business:

- DIF = 1.0% on fixed return and 0.85% on term annuity
- Score = 0.82% on fixed return and term annuity

Contact details for internal personnel

Product queries: GLC Business Solutions – Glacier Product Management team

Email: GLC Product Management glcproductsupport@glacier.co.za