

Our Ref: SMIRES001



Dear Policyholder

Sale of Abbey's life business to Resolution plc

On 7 June 2006, Abbey announced it had agreed to sell its life businesses to Resolution plc.

The sale is now complete, and Resolution now owns Scottish Mutual International plc. Please note that the company name will change later in the year from Scottish Mutual International plc to Scottish Mutual International Limited.

What this means for you

- You do not need to do anything. We are writing to you just to let you know about the sale to Resolution.
- There are no changes to the benefits, features or terms and conditions of your policy as a result of the sale.
- You can continue to contact us on the same telephone number and address and your policy number and all other details will remain the same.
- As you are a With Profits policyholder you should read the attached update which details some changes to our management of With Profits funds.
- Your policy is still secure. Resolution will continue to meet the capital requirements (financial support) designed to protect policyholder benefits set out by our industry regulator, the Irish Financial Regulator.
- As part of the transaction, Resolution will take on the investment management responsibilities of Abbey National Asset Managers Limited.
- You will in due course see the updated life company name Scottish Mutual International Limited in correspondence.
- Resolution is now looking after your personal information, and will apply the same Data Protection rules as before.
- As this sale does not involve you giving up any rights of ownership, no 'windfall' payment will be paid to any policyholder.

Background on Resolution

Resolution is the largest specialist manager of in-force UK life funds. Central to its strategy is growing its business to enable it to continue to deliver excellent service to customers and attractive returns to shareholders. At the core of Resolution's strategy is the aim to treat customers fairly and to continue to meet or exceed customers' reasonable expectations.

Resolution plc was formed in September 2005 from the merger of Resolution Life Group Limited and Britannic plc. Before the Abbey transaction, Resolution had around 5 million policyholders and around £36 billion combined life company assets.

Please visit www.resolutionplc.com for more information on Resolution.

Who you should contact if you have a question

If you would like some advice on your plan, you should speak to your financial adviser first. Our customer helpdesk is also available in the normal way. Please contact us by email at info@smi.ie or by telephone on +3531 8044000, 10:00 to 16:00 local time (German language +353 1 8044088, 9:00 to 13:00).

What you need to do now

Just to confirm, there is no need for you to do anything as a result of the sale. If however you would like to ask any questions about the sale please call our dedicated helpline on +353 1 804 4007. Lines are open Monday to Friday from 9am to 5pm local time.

Yours faithfully

A handwritten signature in black ink, appearing to read 'G Singleton', with a horizontal line extending to the right.

Graham Singleton
Managing Director Life Division
Resolution plc

Changes to the Management of the With Profits fund

This update is for policyholders in the SMI With Profits Series 1 Fund ('the Fund') which is reassured into the Scottish Mutual Assurance ('SMA') With Profits Fund in accordance with the Overseas Life Assurance Business regime. SMI is a wholly-owned subsidiary of Resolution plc.

As you may be aware, we aim to operate the Fund and your policy in accordance with certain principles and practices.

As a result of the recent acquisition by Resolution plc we need to make some changes to these principles and practices. We expect that these changes will benefit our With Profits policyholders. Therefore, you do not need to take any action.

1. Ownership

The key decisions for the Fund will continue to be taken by the SMI Board. However as the Fund is reassured into the SMA fund, the function of the SMI board will in some instances be to ratify decisions taken by the SMA Board in relation to its With Profits Fund. A new With Profits Committee, appointed by SMA, replaces the Policyholder Review Committee established by the Abbey Board.

2. Reducing policyholder liability in relation to a deficit on the Fund

As is normal in the day to day running of the Fund there will be fluctuations in the mix of assets and liabilities held. We have very stringent guidelines when dealing with any surplus or deficit in the Fund. If in the unlikely event that the Fund does run into a deficit, policyholders in the SMA With Profits Fund will continue to be charged the first part of that deficit, either through a change to the mix of assets in that fund or a reduction in the share of that fund allocated to policyholders. However, there are new and lower limits on how much of this deficit can be charged to policyholders before the shareholder (Scottish Mutual Assurance) is required to contribute.

3. Increasing flexibility on our investment strategy

We are also taking the opportunity to allow for the possibility of a higher equity content in the Fund by increasing the upper limit for equities by 5% to 45%. This will give greater flexibility to take advantage of market opportunities that may arise.

4. How can I find out more?

Please view our website at www.smi.ie or write to us at: Scottish Mutual International, Styne House, Upper Hatch Street, Dublin 2, Ireland.