ADDENDUM TO THE ASISA RETAIL STANDARD ON EFFECTIVE ANNUAL COST (EAC) FOR UNIVERSAL LIFE PRODUCTS
(referred to throughout as "the Universal Life Standard")

1. Introduction

This Universal Life Standard is attached to and forms part of the ASISA Retail Standard: EAC (the Retail Standard) that came into effect on 1 October 2016. This Universal Life Standard was developed to cater for those products identified in clauses 7.4.2 and 7.4.3 of the Retail Standard, namely those sold prior to 31 May 2010.

To the extent that any of the terms and provisions contained in this Universal Life Standard may contradict or conflict with any of the terms and provisions of the Retail Standard, it is expressly understood and agreed that the terms of this Universal Life Standard shall take precedence and supersede the Retail Standard.

All other terms and provisions of the Retail Standard shall remain in full force and effect.

2. Scope

This Universal Life Standard applies to linked investment service providers and product providers (collectively referred to in this Universal Life Standard as "Provider(s)") which offer universal life products. Universal life products are a type of flexible permanent life insurance offering a combination of term life insurance as well as an investment savings element and are referred to throughout as "Financial Products" for the purposes of this Universal Life Standard. This Universal Life Standard (and by implication, the Retail Standard) does not apply to reversionary bonus products, or with-profit annuities sold prior to 2000 and as defined below. With profit annuities are excluded to the extent that Providers have closed these products to new business and investors within those products are unable to transfer to a similar product with an alternate Provider. In the event that Providers are requested to provide an EAC on reversionary bonus products or such with- profit annuities, Providers hereby commit to the provision of full and adequate disclosure, including the reasons for the products' exclusion and all available relevant and applicable charges, to the investor.

3. Governance

Clause 3.2.1 of the Retail Standard requires every Provider to submit a compliance certificate to ASISA. In terms of this Universal Life standard, every Provider shall include in the abovementioned certificate to ASISA, a specific reference to their Financial Products as defined herein, certifying that the Provider's EAC calculations and disclosures for these Financial Products comply in all respects with the letter and spirit of this Universal Life Standard.

4. EAC calculation principles

4.1 Providers must, to the extent possible for the Financial Products, utilise the calculation methodologies encapsulated in the Retail Standard. Where this is not possible, Providers may disclose the EAC as set out in this Universal Life Standard.

4.2 EAC disclosure in terms of this Universal Life Standard is only required where a Financial Product is an investment/savings product. Where a Financial Product is a risk product, these may be excluded from the provision of an EAC under this Universal Life Standard. In determining whether or not the Financial Product in question is a risk product or an investment/savings product, the market value as at the date of the EAC calculation must be used. The market value of a specific investment is the sum of the values of all the underlying funds or assets (as applicable) in which that investment invests. Providers must determine whether or not the market value is more or less than the sum assured at a policy level. If less than the sum assured at a policy level, the Financial Product may be classified as a predominantly risk product and be excluded from the ambit of this Universal Life Standard. Where the market value is more than the sum assured at a policy level, the Financial Product will qualify as an investment/savings product and an EAC must be generated.

4.3 The EAC comprises two separate components into which various charges are allocated. Each charge should be expressed as a percentage of the market value. The components are:

- combined charges (as described in clause 5.3); and
- other charges (as described in clause 5.4).

5. The calculation methodology for each component

5.1 The EAC is calculated separately for each of the relevant components and then summed to derive the EAC for the Financial Product as a whole, using the following formula:

EAC[total] = EAC[Combined] + EAC[Other]

5.2 The value for each of the components, as well as the total EAC, is displayed in a table at maturity in accordance with the table in Annexure A (referred to as "the EAC table"). Where there is no maturity date, clause 4.3 of the Retail Standard, dealing with the lack of a specified term, shall apply. Providers may, in addition to the existing EAC table and disclosures, disclose an additional row below the EAC table, indicating the EAC value using the realisable value as a starting point (as set out in the example in Annexure A). The realisable value is the market value at the time of calculation less any termination charge plus any loyalty bonus which would be added to the investment on immediate termination. This additional EAC value must be clearly explained and disclosed in the free textnotes.

5.3 The Combined Charges [EAC(Combined)]

Combined charges will include all costs and charges that are expressed as a percentage of the market value per annum related to advice fees, commissions, distribution, administration and investment management charges. Performance fees (where applicable) shall be calculated consistently with the assumed return in the EAC calculation. Where any charges are levied monthly, these should be annualised and expressed as a percentage of the market value and a free text note must be included setting out exactly what charges are contained under EAC(Combined).

5.4 The Other Charges [EAC(Other)]

The EAC(Other) calculation should include any capital or guarantee charges, the impact of termination charges, penalties or loyalty bonus payments that are reasonably foreseen. These shall also include but shall not be limited to guarantees, smoothing or risk benefits, guarantee charges, the cost of limiting investment returns, wrap fund charges and the cost of any risk benefits such as waiver of premium or death benefits. (If the cost of any risk benefit is separately identifiable and the risk benefit can be removed or added to the financial product at any point in time without otherwise impacting the savings/investment product or its terms, the cost is not required to be included in the EAC(Other) calculation but should be disclosed separately in an accompanying free text note.) In essence it is the "catch all" to contain any remaining charges that will be levied against a Financial Product and a free text note must be included setting out exactly what charges are contained under EAC(Other), including but not limited to exit penalties, loyalty bonuses and guarantee charges. Where possible, and in particular where exit penalties and/or termination charges may apply, Providers must calculate the EAC values at the time periods encapsulated in the Retail Standard. Where not possible, information regarding such charges must be made available to investors in the free text notes.

The EAC(Other) component is only shown in the EAC table where it has a non-zero value.

6. Effective date and phased implementation

6.1 The EAC must be made available to investors within a reasonable timeframe, and no later than 15 business days, from the date of the investor's request for an EAC.

6.2 As per the Retail Standard, the following phased implementation shall apply:

6.2.1 this Universal Life Standard will be effective from 1 October 2018 in respect of all Financial Products sold between 1 June 2000 and 31 May 2010;

6.2.2 this Universal Life Standard will be effective from 1 October 2019 in respect of all Financial Products sold prior to 1 June 2000.

ANNEXURE A

EXISTING BUSINESS EXAMPLE OF AN EAC TABLE

Note to Providers: the values used are for illustration only. The format of the table and paragraph above the table are mandatory. Providers may add further explanatory wording to the mandatory wording as they deem necessary taking cognisance of the principles set out in the Standard. The wording beneath the table provides an example of the type of explanations which may relate to a particular Financial Product as required by the Standard.

For existing Financial Products, Providers may, in addition to the existing EAC table and disclosures, disclose an additional row below the EAC table, indicating the EAC value using the realisable value as a starting point (as described in the Standard and indicated below). This additional EAC value must be clearly explained and disclosed in the free text notes.

EFFECTIVE ANNUAL COST: EFG PRODUCT OF COMPANY ABC

The Effective Annual Cost (EAC) is a measure which has been introduced to allow you to compare the estimated impact of charges on investment returns when you invest in different Financial Products. It is expressed as an annualised percentage. The EAC is made up of two components, which are added together, as shown in the table below. The figures only show the estimated impact of immediate and future charges, and do not include the impact of any charges that have already been incurred. The effect of some of the charges may vary, depending on your investment period.

<u>EAC for your current investment</u> *(if only using the first table below*)

or

EAC if you intend to continue with your current investment (*if using both tables below)*

The table below shows the EAC calculation assuming that you continue with your current investment in the Financial Product and terminate at maturity date. The figures ignore all charges incurred to date.

FUND VALUE

Impact of future charges	Investment assumed to end after term to maturity - Next xx Years
Combined [1]	1.0%
Other [2] [3] [4] [5]	0.0%
Effective Annual Cost	1.0%

[*Note to Providers: this section and line item is optional*]:

EAC if you are considering replacing your current investment

The table below shows the EAC calculation using the current realisable value rather than the market value as the starting value for the EAC calculation. This is the value that would apply now if you were to terminate your current investment in the Financial Product in order to replace it. The EAC table of an alternative Financial Product should be compared with the information below in order to determine whether or not the replacement may be in your best interest from an effective annual cost-comparison perspective.

SURRENDER VALUE

	Term to maturity - Next xx Years
Impact of future charges[6]	1.8%

[*Note to Providers: explanations to be in plain language appropriate to the product and target market at the Providers' discretion*]

1 Includes all charges expressed as a percentage of the market value per annum, including but not limited to advice fees, commissions, distribution, administration and investment management fees.

2 Includes a termination charge that will be incurred if the investor terminates his or her investment in the Financial Product (to the extent such a charge is applicable). Please note, if you terminate your investment prior to the maturity date, termination charges and/or exit penalties [will/will not]* apply. It is unfortunately not possible to project such charges under the EAC calculations, however the Provider will provide you with information in this regard upon request.

**Providers to specify*

3 The values shown are the expected annual reduction in return after your investment forgoes all or part of the return above a specified level. The actual reduction in return may vary significantly as it will depend on how the markets perform during your investment in this Financial Product.

4 Includes accrued guarantee charges.

5 Includes an allowance for loyalty bonuses which will have been earned and vested at the appropriate period end (reducing the charge).

6 Total EAC, calculated by adding the components and using the current realisable value rather than the market value as the starting value for the EAC calculation. The realisable value is the market value at the time of calculation less any termination charge plus any loyalty bonus which would be added to the investment on immediate termination. Please note, if you terminate your investment prior to the maturity date, termination charges and/or exit penalties [will/will not]* apply. It is unfortunately not possible to project such charges under the EAC calculations, however the Provider will provide you with information in this regard upon request.

**Providers to specify*

HISTORY OF AMENDMENTS

Effective date	Amendments
1 October 2018 and 2019 respectively	Approved by ASISA Board on 13 September 2018
30 June 2023	Amended certain table headings version 19 July 2022 approved by Marketing and Distribution Board Committee. Certain table headings have been amended to make them more understandable to clients but only comes into effect on 30 June 2023. However, those ready to implement the changes sooner may do so. Those not yet ready to do so must apply the existing table headings.

RESPONSIBLE SENIOR POLICY ADVISER:

ASISA Point Person – Marketing and Distribution Board Committee