

# *In the Royal Court of Jersey*

---

Samedi Division

---

2019/209

**In the year two thousand and nineteen, the tenth day of December.**

Before Sir Michael Cameron St. John Birt, Commissioner, assisted by Jurats Jane Ronge and Robert Anthony Christensen, M.B.E.

IN THE MATTER OF THE REPRESENTATION OF THE EQUITABLE LIFE ASSURANCE SOCIETY  
AND UTMOST LIFE AND PENSIONS LIMITED  
AND IN THE MATTER OF AN APPLICATION PURSUANT TO ARTICLE 27 OF AND SCHEDULE 2 TO THE INSURANCE BUSINESS (JERSEY) LAW 1996

Whereas on the 1<sup>st</sup> August, 2019, as appears by Act of Court that day, The Equitable Life Assurance Society (hereinafter “the First Representor”) and Utmost Life and Pensions Limited (hereinafter “the Second Representor”) presented to the Court a Representation in the following terms:-

1. Purpose of the Representation

This Representation relates to the proposed scheme (the Jersey Scheme, a copy of which is annexed to this Representation) for the transfer of part of the long-term insurance business carried on in or from within Jersey (as defined in Article 1(1) of the Insurance Business (Jersey) Law 1996 (the Insurance Law), from The Equitable Life Assurance Society (the Transferor) to Utmost Life and Pensions Limited (the Transferee). The Jersey Scheme is intended to transfer such long-term insurance business from the Transferor to the Transferee (together the Representors) on the same terms as the terms of the insurance business transfer scheme pursuant to Part VII of the Financial Services and Markets Act 2000 (the FSMA) filed with the High Court of England and Wales (the High Court) on the 22<sup>nd</sup> July, 2019, for its approval (the UK Scheme), and the terms of the insurance business transfer scheme pursuant to section 44 of the Insurance Business (Bailiwick of Guernsey) Law 2002 (the Guernsey Scheme). The terms of the UK Scheme are incorporated into the Jersey Scheme as Schedule 1 to the Jersey Scheme.

2. Interpretation

Words and expressions used in this Representation, which are defined in the Jersey Scheme or the UK Scheme, shall bear the same meanings herein (save where they are expressly defined herein) unless the context otherwise requires.

3. Introduction

- (a) The Transferor was incorporated in England and Wales on the 18<sup>th</sup> August, 1892, as a mutual society and its registered number is 00037038.
- (b) The Transferee was incorporated in England and Wales on the 12<sup>th</sup> January, 2017, and its registered number is 10559664. The Transferee was incorporated with the name LCCG New Lifeco Limited, but changed its name on the 23<sup>rd</sup> March, 2018, to Reliance Life Limited, and has been known as Utmost Life and Pensions Limited since the 4<sup>th</sup> March, 2019.
- (c) The Transferor is a mutual society owned by its members, who are holders of its with-profits policies, and as such does not have any share capital or shareholders.
- (d) The Transferee is a shareholder-owned company within the Life Company Consolidation Group, a specialist life insurance group founded in 2013 with the aim of acquiring and managing life insurance business across the UK and Europe.
- (e) Each of the Representors is an insurance company carrying on long-term insurance business from the UK to which the FSMA applies and each holds an authorisation under the FSMA.
- (f) The Transferor holds a Category A permit to carry on long-term insurance business under the Insurance Law. The Transferee does not currently hold a Category A permit pursuant to the Insurance Law but it is intended that it will apply for such a permit before the application to sanction the Jersey Scheme is heard before the Royal Court of Jersey (the Royal Court).
- (g) Having closed to new business in 2000, the Transferor is now in solvent run-off. While the Transferor can continue in solvent run-off for the time being, it is not considered to be optimal or in the best interests of the Transferor's policyholders as described in more detail in paragraphs 29 to 46 of the First Transferor Witness Statement (as defined in paragraph 6(f) below). As such, the Transferor is making the following proposals (together, the Proposals):
  - (i) to convene a meeting of certain of its creditors for the purpose of considering, and if thought fit, approving a scheme of arrangement to be entered into between the Transferor and certain of its creditors pursuant to Part 26 of the UK Companies Act 2006. This will allocate each

Scheme Policyholder (as defined in the UK Scheme of Arrangement (as defined below) appended as Schedule 2 to the Jersey Scheme) their full share of the available part of the Transferor's profits by way of an increase to their policy values (the UK Scheme of Arrangement) as described in more detail in paragraph 29 of the First Transferor Witness Statement (as defined in paragraph 6(f) below);

- (ii) to amend its articles of association such that the Transferee becomes the Transferor's sole member by way of a special resolution to be passed at an extraordinary general meeting of the Transferor (the EGM Vote); and
  - (iii) to transfer almost all of its long-term insurance business to the Transferee on the Implementation Date, and the Residual Assets and the Residual Liabilities will be transferred on the Subsequent Transfer Date.
- (h) The purpose of the UK Scheme, the Guernsey Scheme and the Jersey Scheme (together the Schemes) is to transfer the Transferring Business as described in paragraph 3(g)(iii) above of the Proposals, as the Transferee will be in a position to continue to administer the Transferring Policies without the cost inefficiencies that the Transferor currently faces.
- (i) The transfer of the Transferring Business conducted by the Transferor will proceed pursuant to the UK Scheme, subject to approval being granted by the High Court of England and Wales. As the Transferring Jersey Policies are governed by Guernsey Law, the transfer of the Transferring Jersey Business is subject to approval being granted by both the High Court of England and Wales and the Royal Court of Guernsey.
- (j) The transfer of the Transferring Jersey Business is proposed pursuant to the terms of the Jersey Scheme in accordance with the provisions of Article 27 of and Schedule 2 to the Insurance Law, which requires the sanction of the Royal Court of Jersey (the Royal Court) to any scheme under which the whole or part of the insurance business of a permit holder is to be transferred to an insurance company or other permit holder.
- (k) The UK Scheme and the Guernsey Scheme have the effect that:
- (i) if the transfer of any Transferring Jersey Policies pursuant to the Jersey Scheme is sanctioned by the Royal Court, with effect from the Jersey Implementation Date, such policies shall be treated:
    - (1) for all purposes of the UK Scheme as if they were Transferring Policies of the Transferor with effect from the Implementation

Date and, to the extent necessary to comply with the FSMA, shall also be transferred pursuant to the terms of the UK Scheme; and

- (2) for all purposes of the Guernsey Scheme as if they were Guernsey Transferring Policies of the Transferor with effect from the Guernsey Implementation Date and, to the extent necessary to comply with section 44 of the Guernsey Scheme, shall also be transferred pursuant to the terms of the Guernsey Scheme.
  - (ii) if the Royal Court does not sanction the transfer of any Transferring Jersey Policies pursuant to the Jersey Scheme, despite having the jurisdiction to do so, or if this Jersey Scheme is sanctioned by the Royal Court but the transfer of any Transferring Jersey Policies does not become effective by the Jersey Implementation Date, then such policies shall, with effect from the Implementation Date, be deemed to be Excluded Guernsey Policies under the Guernsey Scheme, and be deemed to be Excluded Policies under the UK Scheme, and will be reinsured by the Transferee as provided for under the terms of the UK Scheme.
  - (l) Each of the Representors has agreed to appear by counsel at the hearing of this Representation to sanction the Jersey Scheme and undertake to be bound thereby and to execute all such documents and to do all such acts and things as may be necessary or expedient to be executed or done by it for the purposes of giving effect to the Jersey Scheme.
4. Independent Actuary's Report  
Pursuant to paragraph 3 of Schedule 2 to the Insurance Law, an independent actuary, Richard Baddon of Deloitte MCS Limited, has prepared a report in relation to the UK Scheme, the Guernsey Scheme and the Jersey Scheme (the Independent Actuary's Report), which confirms that his conclusions in relation to the UK Scheme apply equally to the Guernsey Scheme and the Jersey Scheme.
5. Notices and Availability of Documents
  - (a) In accordance with the requirements of paragraph 4(a) of Schedule 2 to the Insurance Law, a notice of the presentation of this Representation containing the prescribed information will be published in the Jersey Gazette.
  - (b) In accordance with the requirements of paragraph 4(c) of Schedule 2 to the Insurance Law, a copy of this Representation, the Independent Actuary's Report, the Transferor Decision Pack (as defined below) and the Policyholder



Letter (as defined below) will be served on the Jersey Financial Services Commission (the JFSC) at least twenty-one days before the Representors seek an order sanctioning the Jersey Scheme.

- (c) In accordance with the requirements of paragraphs 4(d) and 5 of Schedule 2 to the Insurance Law, copies of this Representation and the Independent Actuary's Report will be made available:
  - (iii) for inspection at the offices of Mourant Ozannes, 22 Grenville Street, St Helier, Jersey for a period of not less than twenty-one days beginning with the date of the first publication of the notice referred to in paragraph (a) above; and
  - (iv) for collection at any time before the grant of an order sanctioning the Jersey Scheme.

#### 6. Notification of Policyholders and Members

- (a) Paragraph 4(b) of Schedule 2 to the Insurance Law requires that, except where the Royal Court has otherwise directed, a statement setting out the terms of the Jersey Scheme and containing a summary of the Independent Actuary's Report sufficient to indicate the opinion of the actuary on the likely effects of the Jersey Scheme on the policyholders of the Representors be sent to:
  - (i) each of the policyholders of the Representors; and
  - (ii) every member of the Representors,(the Paragraph 4(b) Requirement).
- (b) The Paragraph 4(b) Requirement, in this case, means that the required statement should (except where the Royal Court has otherwise directed) comprise the following:
  - (i) a complete copy of the Jersey Scheme;
  - (ii) a complete copy of the UK Scheme which is incorporated in the Jersey Scheme; and
  - (v) a sufficient summary of the Independent Actuary's Report.
- (c) The Paragraph 4(b) Requirement, in this case, also means that such statement should (except where the Royal Court has otherwise directed) be sent to the following different classes of persons:
  - (i) every member of the Representors (the Members);
  - (ii) each of the policyholders of policies of the Transferor, including persons who hold or have an interest in policies issued as part of the business conducted by the Transferor in or from within Jersey; and
  - (iii) each of the policyholders of policies of the Transferee, including persons

who hold or have an interest in policies issued as part of the business conducted by the Transferee in or from within Jersey.

- (d) Subject to the directions of the Royal Court, it is intended that the Representors will use reasonable endeavours to send a notification (each a Transferor Decision Pack) to the Notified Transferor Policyholders (as defined in paragraph 6(f) below). Every Transferor Decision Pack will include information relating to the Jersey Scheme, including a statement indicating that policyholders have a right to object to the Jersey Scheme.
- (e) Subject to the directions of the Royal Court, it is intended that the Transferor Decision Pack will consist of:
  - (i) a covering letter explaining why policyholders have been written to, outlining the background to the Proposals and setting out which sections of the Explanatory Booklet (defined below) are relevant to them (the Cover Letter); and
  - (ii) an explanatory booklet (the Explanatory Booklet) (which will be divided into Part A and Part B) describing the Proposals, containing, among other things:
    - (1) a summary of the UK Scheme of Arrangement, the EGM Vote, and the Schemes (referred to therein as the Transfer);
    - (2) a summary of the policyholder independent expert report on the UK Scheme of Arrangement, together with a summary of the Independent Actuary's Report;
    - (3) a summary of the terms of the UK Scheme (referred to therein as the Transfer) and a confirmation that such summary applies equally to the terms of the Jersey Scheme;
    - (4) instructions for members on voting at the EGM and with-profits policyholders on voting at the policyholder meeting, as required for the UK Scheme of Arrangement and EGM Vote;
    - (5) a set of frequently asked questions and answers about the Proposals;
    - (6) a copy of the legal notice relating to the UK Scheme;
    - (7) details of a dedicated website from where documents relating to the Proposals may be downloaded free of charge;
    - (8) details of a specific helpline for the Proposals; and

- (9) details of how a policyholder may make representations to the relevant courts in respect of the Schemes and the UK Scheme of Arrangement.
- (f) Subject to the directions of the Royal Court, it is intended that the Transferor will use reasonable endeavours to send a Transferor Decision Pack to each policyholder of the Transferor, subject to the qualifications in paragraphs 354 to 391 of the first witness statement of Simon Antony Small (the First Transferor Witness Statement) signed in connection with the UK Scheme, and also to reinsurers of the Transferring Business, court appointed third parties, executors of deceased policyholders and counterparties to transferring material contracts, as set out at paragraph 337 of the First Transferor Witness Statement (each a Notified Transferor Policyholder and together the Notified Transferor Policyholders). The Notified Transferor Policyholders will include persons who hold or have an interest in policies issued as part of the business carried on in or from within Jersey by each Transferor but, for the reasons explained in paragraphs 354 to 391 of the First Transferor Witness Statement, may not be all such policyholders.
- (g) Subject to the directions of the Royal Court, it is intended that the Representatives will use reasonable endeavours to send an explanatory letter (each a Policyholder Letter) to the Notified Transferee Policyholders (as defined in paragraph 6(i) below).
- (h) Subject to the directions of the Royal Court, it is intended that the Policyholder Letter will consist of an explanatory letter setting out:
- (i) why policyholders have been written to;
  - (ii) details of the UK Scheme and a reference to the Jersey Scheme;
  - (iii) that the Transferee's policyholders are not transferring and that no changes will be made to their policy terms and conditions;
  - (vi) details of the UK Scheme and how policyholders are protected throughout, including a statement indicating that policyholders have a right to object to the Jersey Scheme;
  - (vii) that information and documents will be available on the Transferee's website and may be downloaded free of charge; and
  - (viii) details of how a policyholder may contact the Transferee for more information.
- (i) Subject to the directions of the Royal Court, it is intended that the Transferee will use reasonable endeavours to send the Policyholder Letter to each

policyholder of the Transferee for whom it holds a name and current address on its computerised policyholder databases as at the 15<sup>th</sup> July, 2019, subject to the qualifications in paragraphs 12 to 15 of the first witness statement of Stephen Shone (the First Transferee Witness Statement) signed in connection with the UK Scheme (each a Notified Transferee Policyholder and together the Notified Transferee Policyholders).

7. Directions - Content of the Transferor Decision Pack and Policyholder Letter

The Representors accordingly apply for directions dispensing with the Paragraph 4(b) Requirement in relation to the content of the Transferor Decision Pack on the grounds that:

- (a) the Cover Letter will be tailored for certain policyholders including, for policyholders with a current address in Jersey, to include specific information on the Jersey Scheme;
- (b) sending a complete copy of the Jersey Scheme, the Guernsey Scheme and the UK Scheme would not generally be helpful to policyholders because of the length and technical nature of those documents;
- (c) the content of the Transferor Decision Pack is sufficient for these purposes because it contains a summary of the terms of the UK Scheme and the Independent Actuary's conclusions in relation to the UK Scheme, as well as a statement to the effect that the Jersey Scheme will be implemented in Jersey on substantially the same terms as are contained in the UK Scheme and that the Independent Actuary's assessment and conclusions in relation to the UK Scheme apply equally to the Jersey Scheme;
- (d) the Representors consider it helpful for all Notified Transferor Policyholders to understand all three parts of the Proposals as part of a single unifying transaction, even though the nature of the Proposals means that not all types of policyholders will be affected in the same way by each Proposal;
- (e) the content of the Policyholder Letter is sufficient because it contains an explanation of why the Notified Transferee Policyholders have been written to, and details of where to find more information on the website [www.utmost.co.uk](http://www.utmost.co.uk); and sending a more lengthy and detailed document to policyholders of the Transferee would be unnecessary, as in particular the provisions relating to the Scheme of Arrangement and EGM Vote will not apply to the Notified Transferee Policyholders;

- (f) copies of this Representation, including the Jersey Scheme and the UK Scheme incorporated therein, and the Independent Actuary's Report will be made available:
  - (i) for inspection at the offices of Mourant Ozannes, 22 Grenville Street, St Helier, Jersey for a period of not less than twenty-one days beginning with the date of the first publication of the notice referred to in paragraph 5(a) above;
  - (ii) for collection at any time before the grant of an order sanctioning the Jersey Scheme;
- (g) the Representors will make available a complete copy of the Jersey Scheme, the UK Scheme and the Independent Actuary's Report on the websites [www.equitable.co.uk](http://www.equitable.co.uk) and [www.utmost.co.uk](http://www.utmost.co.uk); and
- (h) the Representors will send a complete copy of the Jersey Scheme, the UK Scheme and the Independent Actuary's Report to any policyholder who requests a copy.

8. Directions - Recipients of the Transferor Decision Pack and Policyholder Letter

The Representors also apply for directions dispensing with the Paragraph 4(b) Requirement in relation to the recipients of the Transferor Decision Pack and the Policyholder Letter on the grounds that:

- (a) the Transferor will use reasonable endeavours to send the Transferor Decision Pack to the Notified Transferor Policyholders described in paragraph 6(f) above, and to members of the Transferor as necessitated by the UK Scheme of Arrangement and EGM Vote, to notify them of the Proposals (which excludes certain categories of policyholder, as detailed in the First Transferor Witness Statement, for example, those where no current address is held, third parties and deceased policyholders);
- (b) the Transferee will use reasonable endeavours to send the Policyholder Letter to the Notified Transferee Policyholders described in paragraph 6(i) above (which excludes certain categories of policyholder, as described in the First Transferee Witness Statement in paragraphs 354 to 391, for example, "gone aways", "assignees" and deceased policyholders);
- (c) the members of the Transferee do not need to be sent a statement as required by paragraph 4(b) of Schedule 2 to the Insurance Law or the Policyholder Letter, on the basis that they are aware of and have approved the Schemes;
- (d) other policyholders of the Representors may also become aware of the proposals pursuant to the UK Scheme and the Jersey Scheme because:



- (i) a notice containing the prescribed information in relation to the Jersey Scheme will be published in the Jersey Gazette as described in paragraph 5(a) above;
- (ii) a notice in the form approved by the UK Financial Services Authority stating that an application pursuant to Part VII of the FSMA has been made shall be published in the London, Edinburgh and Belfast Gazettes and in the Times, The Daily Mail and The Daily Telegraph; and
- (iii) a copy of the summary of the UK Scheme and the summary of the Independent Actuary's Report, together with other documents relating to the UK Scheme and the Jersey Scheme, including actuarial reports and the full terms of the UK Scheme and the Jersey Scheme will also be available online at [www.equitable.co.uk](http://www.equitable.co.uk) and [www.utmost.co.uk](http://www.utmost.co.uk).

WHEREFORE THE REPRESENTORS PRAY THAT THIS HONOURABLE COURT DO MAKE THE FOLLOWING ORDERS:

- (a) that service of a statement as required by paragraph 4(b) of Schedule 2 to the Insurance Law upon each of the policyholders and on each member of each Representor be dispensed with;
- (b) that such other interim order(s) be made as this Honourable Court shall deem appropriate;
- (c) that an order be made pursuant to Schedule 2 of the Insurance Law sanctioning the Jersey Scheme;
- (d) that the Representors do within ten days from the date of such order referred to in paragraph (c) above, or such longer period as the JFSC may allow, deposit two office copies of such order with the JFSC; and
- (e) that such other order(s) be made as this Honourable Court shall deem appropriate.

Upon reading the Representation and the affidavits of Simon Antony Small, Stephen Shone, and Alexander Timothy Skudder in support thereof, upon the First Representor undertaking to use reasonable endeavours to send the Transferor Decision Pack, as defined in the said Representation, to the Notified Transferor Policyholders, as defined in the said Representation, upon the Second Representor undertaking to use reasonable endeavours to send the Policyholder Letter, as defined in the said Representation, to the Notified Transferee Policyholders, as defined in the said Representation.

And upon hearing the submissions of the advocate on behalf of the Representors, the Court directed that:-

1. service of a statement in accordance with paragraph 4(b) of Schedule 2 to the Insurance Law upon each of the policyholders and on each member of each Representor be dispensed with;
2. the First Representor shall use reasonable endeavours to send the Transferor Decision Pack, as defined in paragraph 6(d) of the said Representation, to the Notified Transferor Policyholders as defined in paragraph 6(f) of the said Representation;
3. the Second Representor shall use reasonable endeavours to send the Policyholder Letter, as defined in paragraph 6(g) of the said Representation, to the Notified Transferee Policyholders as defined in paragraph 6(i) of the said Representation;
4. the hearing of the Representation shall be adjourned to the 10<sup>th</sup> December, 2019, at 10.00 a.m.; and
5. there shall be liberty to apply for further directions.

Now this day, the Court sat to consider the Representors' application for sanction of a scheme (hereinafter "the Jersey Scheme") pursuant to Article 27 of the Insurance Law and Schedule 2 thereto.

Upon hearing the advocate on behalf of the Representors, and upon being satisfied that an undertaking in relation to mailing of the Transferor Decision Pack (as defined in the Representation) given by the First Representor, and that an undertaking in relation to mailing of the Policyholder Letter (as defined in the Representation) given by the Second Representor at the directions hearing on the 1<sup>st</sup> August, 2019, had been fulfilled, the Court made an order pursuant to Schedule 2 of the Insurance Law, that:-

- (1) the Jersey Scheme in the terms of the copy thereof set forth in the Schedule to this order be sanctioned;
- (2) in accordance with the terms of and using the definitions set out in the Jersey Scheme, that the Transferring Jersey Business shall be transferred to the Second Representor; and
- (3) the Representors, within ten days from the date of such order or such longer period as the JFSC may allow, deposit two office copies of such order with the said JFSC.



Greffier Substitute

MO (SMG x 3) ✓



**IN THE ROYAL COURT OF THE ISLAND OF JERSEY**

**(Samedi-Division)**

**IN THE MATTER OF**

**THE EQUITABLE LIFE ASSURANCE SOCIETY**

**- and -**

**UTMOST LIFE AND PENSIONS LIMITED**

**AND IN THE MATTER OF AN APPLICATION PURSUANT TO ARTICLE 27 OF AND SCHEDULE  
2 TO THE INSURANCE BUSINESS (JERSEY) LAW, 1996**

---

**JERSEY SCHEME**

**pursuant to Article 27 of and Schedule 2 to the Insurance Business (Jersey) Law 1996  
for the transfer of part of the long-term insurance business of (1) The Equitable Life  
Assurance Society to (2) Utmost Life and Pensions Limited**

---

## 1. Interpretation

### Definitions

1.1 In this scheme (the **Jersey Scheme**), unless inconsistent with the subject or context, the following expressions have the following meanings:

**Excluded Jersey Policies** means:

- (a) any Jersey Policies that are Excluded Policies; and
- (b) any other Jersey Policies which are not capable of being transferred pursuant to Article 27 of, and Schedule 2 to, the Jersey Law at the Jersey Implementation Date to the extent that and for so long as it is not capable of being transferred;

**Excluded Policies Reinsurance Agreement** means the reinsurance agreement to be entered into between the Transferor and the Transferee in respect of any Excluded Policies other than the German Policies and the Irish Policies on terms agreed between the Transferor and the Transferee;

**Guernsey Scheme** means the scheme for the transfer of insurance business under the Insurance Business (Bailiwick of Guernsey) Law, 2002, a copy of which is contained in Schedule 3 to this Jersey Scheme (without schedules);

**Jersey Business Records** means all Business Records relating to the Transferring Jersey Business;

**Jersey Implementation Date** means the time and date on which this Jersey Scheme will become effective in accordance with its terms in relation to the Jersey Policies;

**Jersey Law** means the Insurance Business (Jersey) Law 1996;

**Jersey Order** means an order made by the Royal Court pursuant to Article 27 of and Schedule 2 to the Jersey Law sanctioning this Jersey Scheme and any order (including any subsequent order, which is ancillary thereto) in relation to this Jersey Scheme made by the Royal Court pursuant to Schedule 2 to the Jersey Law;

**JFSC** means the Jersey Financial Services Commission;

**Part 26 Scheme** means the scheme of arrangement, attached as Schedule 2 to this Jersey Scheme, proposed to be undertaken between the Transferor and its Scheme Policyholders and Legacy Scheme Policyholders (each as defined in the Part 26 Scheme) pursuant to Part 26 of the Companies Act 2006;

**Residual Jersey Liability** means any liability under or in connection with the Transferring Jersey Policies:

- (a) the transfer of which liability to the Transferee pursuant to this Jersey Scheme requires, on the Jersey Implementation Date, the consent or waiver of any person (other than the Transferee, the Transferor or the Royal Court) and which the Royal Court either does not have jurisdiction to transfer to the Transferee pursuant to Article 27 of and Schedule 2 to the Jersey Law or which (despite having such jurisdiction) the Royal Court determines, notwithstanding such provision, not so to transfer but in any case only to the extent of that part of the Transferee interest in such liability in respect of which the transfer requires such consent and/or waiver or would result in such a right; or
- (b) which cannot be transferred to or vested to the Transferee pursuant to this Jersey Scheme for any other reason; or



- (c) which the Transferor and the Transferee shall agree in writing prior to the Jersey Implementation Date should not be transferred pursuant to this Jersey Scheme;

**Royal Court** means the Royal Court of Jersey;

**Subsequent Jersey Transfer Date** means, in relation to any Residual Jersey Liability or Excluded Jersey Policy, the date after the Jersey Implementation Date on which such Residual Jersey Liability or Excluded Jersey Policy is to be transferred to the Transferee namely:

- (a) in respect of any Residual Jersey Liability falling within paragraph (a) of the definition thereof, the date on which the requisite consent, waiver or order to enable the same to be transferred to the Transferee upon the terms of this Jersey Scheme is:
- (i) obtained;
  - (ii) no longer required; or
  - (iii) dispensed with by Order of the Royal Court;
- (b) in respect of any Residual Jersey Liability falling within paragraph (c) of the definition thereof, the date on which the parties agree that the transfer of the relevant Residual Jersey Liability shall take effect;
- (c) in respect of any Excluded Jersey Policy other than any such policy falling within paragraph (b) of the definition of Excluded Policies, the date on which the transfer of all rights, title, interest in and obligations under such policy are fully effective in Jersey and under the law of any other country or territory to which it is subject; and
- (d) in respect of any Excluded Policy falling within paragraph (b) of the definition thereof, the Guernsey Implementation Date.

**Transferring Jersey Business** means all or any of the Transferring Business carried on in or from within Jersey including the Transferring Jersey Policies, including Transferring Jersey Liabilities and Residual Jersey Liabilities but excluding Excluded Jersey Policies (if any);

**Transferring Jersey Liabilities** means all or any Transferring Liabilities (other than those liabilities listed in limbs c) and d) of the definition thereof) (including present or future, actual or contingent and prospective liabilities) whatsoever and wheresoever arising, attributable to or in connection with the Transferring Jersey Business, including all or any liabilities of the Transferor arising as a result of any act or omission of any appointed representative or intermediary for which the Transferor had assumed responsibility, in each case whether before, on or after the Jersey Implementation Date but excluding, prior to the applicable Subsequent Jersey Transfer Date, the Residual Jersey Liabilities;

**Transferring Jersey Policies** means all insurance and reinsurance policies of the Transferor where the Transferor is insurer or reinsurer (as applicable) that are Jersey Policies (including any expired, surrendered, lapsed, matured or reinstated policies) other than the Excluded Jersey Policies, including the rights, benefits and powers (whether actual or contingent) of the Transferor whatsoever under or by virtue of such policies;

**UK Scheme** means the insurance business transfer scheme pursuant to Part VII of the Financial Services and Markets Act 2000 for, *inter alia*, the transfer of part of the long term insurance business of the Transferor to the Transferee, a copy of which is contained in Schedule 1 to this Jersey Scheme, as it may be varied or amended from time to time in accordance with its terms;

- 1.2 Other words and expressions used as defined terms in this Jersey Scheme shall bear the meanings given to them in the UK Scheme.
- 1.3 Subject to paragraph 1.2 above and except where the context requires otherwise, words and expressions used in the Jersey Law or in any regulations made under it shall have the same meanings in this Jersey Scheme.

### **Headings**

- 1.4 Headings in this Jersey Scheme are inserted for convenience only and shall not affect its construction.

### **References**

- 1.5 Any reference in this Jersey Scheme to an enactment, statutory provision or regulations shall be deemed to include a reference to the enactment or statutory provision or those regulations as from time to time amended, consolidated, modified, replaced or re-enacted by any statute or statutory provision.
- 1.6 Any reference to the singular includes a reference to the plural and vice versa. Any reference to he, she or it includes the others.
- 1.7 Any reference to a time of day is a reference, unless otherwise expressly specified, to London time.
- 1.8 Any reference to this Jersey Scheme shall include the Schedule hereto.

## **2. Introduction**

### **The Transferor**

- 2.1 The Transferor was incorporated in England and Wales on 18 August 1892 as a mutual society and is an authorised person under section 31 and Part 4A of FSMA.
- 2.2 The Transferor is authorised by the Prudential Regulation Authority (**PRA**) and regulated by the Financial Conduct Authority (**FCA**) and the PRA and is registered on The Financial Services Register with firm reference number 110340.
- 2.3 The Transferor holds a Category A permit to carry on long term insurance business, in or from within Jersey, under the Jersey Law.
- 2.4 Additionally as an unlimited company without share capital under the Companies Acts 1862 to 1892, the Transferor is a "company" for the purposes of section 895 of the Companies Act 2006 and able to undertake the Part 26 Scheme.

### **The Transferee**

- 2.5 The Transferee was incorporated in England and Wales on 12 January 2017 and is an authorised person under section 31 and Part 4A of FSMA.
- 2.6 The Transferee is authorised by the PRA and regulated by the FCA and the PRA and is registered on The Financial Services Register with firm reference number 775704.
- 2.7 The Transferee does not currently hold a Category A permit to carry on long term insurance business pursuant to the Jersey Law, but it is intended that it will apply for such a permit before the application to sanction the Jersey Scheme is heard before the Royal Court.

### **The Jersey Scheme**

- 2.8 It is proposed that, by Order of the Royal Court in accordance with Article 27 of, and Schedule 2 to, the Jersey Law, the Transferring Jersey Business shall be transferred to the Transferee on the Jersey Implementation Date on the same terms as the terms of the UK Scheme governing the transfer of the Transferring Business to the Transferee and as if the Transferring Jersey Business were part of the Transferring Business as defined in the UK Scheme.

### **Operation of the UK Scheme and Guernsey Scheme**

- 2.9 The UK Scheme and the Guernsey Scheme has the effect that:

- (a) if the transfer of any Transferring Jersey Policies is sanctioned by the Royal Court pursuant to this Jersey Scheme, with effect from the Jersey Implementation Date, such policies shall be treated:
  - (i) for all purposes of the UK Scheme as if they were Transferring Policies of the Transferor with effect from the Implementation Date and, to the extent necessary to comply with Part VII of FSMA, shall also be transferred pursuant to the terms of the UK Scheme; and
  - (ii) for all purposes of the Guernsey Scheme as if they were Guernsey Transferring Policies of the Transferor with effect from the Guernsey Implementation Date and, to the extent necessary to comply with section 44 of the Guernsey Scheme, shall also be transferred pursuant to the terms of the Guernsey Scheme,
- (b) if the Royal Court does not sanction the transfer of any Transferring Jersey Policies pursuant to this Jersey Scheme, despite having the jurisdiction to do so, or if this Jersey Scheme is sanctioned by the Royal Court but the transfer of any Transferring Jersey Policies does not become effective by the Jersey Implementation Date, then such policies shall, with effect from the Implementation Date, be deemed to be Excluded Guernsey Policies under the Guernsey Scheme, and be deemed to be Excluded Policies under the UK Scheme, and will be reinsured by the Transferee pursuant to the terms of the Excluded Policies Reinsurance Agreement.

- 2.10 Each of the Transferor and the Transferee has agreed to appear by Counsel at the hearing of the Representation to sanction this Jersey Scheme and undertake to be bound thereby and to execute all such documents and to do all such acts and things as may be necessary or expedient to be executed or done by it for the purposes of giving effect to this Jersey Scheme.

### **3. Incorporation of the UK Scheme**

- 3.1 Save as otherwise set out in this Jersey Scheme, the terms of:

- (a) paragraph 3 (Transfer of the Transferring Business to the Transferee);
- (b) paragraph 4 (Continuity of Proceedings);
- (c) paragraph 5 (Premiums and Mandates);
- (d) paragraph 6 (Rights and Obligations under Transferring Policies);
- (e) paragraph 8 (Indemnities);
- (f) paragraph 9 (Allocations in respect of Transferring Business);
- (g) paragraph 10 (Linked Funds);

- (h) paragraph 11 (Maintenance of Transferee sub-funds);
- (i) paragraph 12 (Undertakings and covenants);
- (j) paragraph 22 (Costs and Expenses); and
- (k) paragraph 24 (Successors and Assigns),

of the UK Scheme shall be deemed to be part of this Jersey Scheme as if reproduced herein mutatis mutandis. For this purpose, the following definitions of the UK Scheme shall be read and construed as follows:

- (i) Court shall be read as Royal Court;
- (ii) Excluded Policies shall be read as Excluded Jersey Policies;
- (iii) Implementation Date shall be read as Jersey Implementation Date;
- (iv) Order shall be read as Jersey Order;
- (v) Residual Liabilities shall be read as Residual Jersey Liabilities;
- (vi) Scheme shall be read as Jersey Scheme;
- (vii) Subsequent Transfer Date shall be read as Subsequent Jersey Transfer Date;
- (viii) Transferring Policies shall be read as Transferring Jersey Policies; and
- (ix) Transferring Liabilities shall be read as Transferring Jersey Liabilities.

3.2 Without limiting paragraph 3.1 above, the Transferring Jersey Policies will be transferred to the Transferee on terms that incorporate the amendment to the Transferring Jersey Policies set out in the Part 26 Scheme.

3.3 In the UK Scheme deemed to be part of this Jersey Scheme as if reproduced herein mutatis mutandis:

- (a) In the first line of paragraph 3.1, the words "and Transferring Assets," shall be deleted;
- (b) paragraph 3.2 shall be deleted;
- (c) in the fifth and sixth lines of paragraph 3.6 the words "the Transferring Assets, the Residual Assets," shall be deleted;
- (d) in the third and fourth lines of paragraph 3.7, the words "or any Transferring Assets, the Residual Assets," shall be deleted;
- (e) in the second line of paragraph 4.1, the words," the Transferring Assets" shall be deleted;
- (f) in paragraph 4.2, the words "Residual Asset or the relevant Residual Liability which relate to a Transferring Asset or a Residual Asset which is to be transferred on such Subsequent Transfer Date" shall be deleted;
- (g) in the fifth line of paragraph 5.2, the words "or Transferring Asset" shall be deleted;
- (h) paragraphs 9.2(a) and (b) shall be deleted;

- (i) paragraphs 9.3(a) and (b) shall be deleted;
- (j) paragraphs 9.4(a)(ii) shall be deleted;
- (k) in the second line of paragraph 9.6, the words "Transferring Asset," and ", Residual Asset" shall be deleted;
- (l) in the second line of paragraph 10.1(a), the words "Transferring Assets" shall be deleted;
- (m) in the last line of paragraph 10.1(c), the word "and" shall be deleted;
- (n) paragraph 10.1(d) shall be deleted; and
- (o) paragraphs 10.2 and 10.3 shall be deleted.

3.4 This Jersey Scheme is ancillary to the UK Scheme and the Guernsey Scheme and is intended to transfer business carried on in or from within Jersey that would not otherwise transfer under the UK Scheme or the Guernsey Scheme. Nothing in this Jersey Scheme shall operate so as to prevent or conflict with any transfer provided for by the UK Scheme and the Guernsey Scheme.

#### **4. Jersey Implementation Date**

4.1 This Jersey Scheme shall become effective and the Jersey Implementation Date shall occur simultaneously with the last of the following conditions being met, namely:

- (a) the Order by the Royal Court sanctioning this Jersey Scheme being made;
- (b) the Guernsey Scheme becoming effective in accordance with its terms; and
- (c) the UK Scheme in relation to the Transferring Business of the Transferor becoming effective on the Implementation Date in accordance with its terms.

4.2 Subject to paragraph 4.1, this Jersey Scheme shall become effective on the Jersey Implementation Date.

#### **5. Modification of this Jersey Scheme**

5.1 The Transferor and the Transferee may at any time before the Jersey Implementation Date consent for and on behalf of the persons bound by this Jersey Scheme and all other persons concerned (other than the JFSC) to any modification or addition to this Jersey Scheme or to any further condition or provision affecting the same which, prior to its sanction of this Jersey Scheme, the Royal Court may approve or impose, provided that where such amendment results in a significant change to this Jersey Scheme:

- (a) the JFSC shall be notified in advance and as soon as reasonably practicable, and shall have the right to request further information and comment on the proposed amendment; and
- (b) such amendment shall be accompanied by a certificate from an independent actuary to the effect that the proposed amendment will not materially adversely affect the benefit expectations of the holders of Transferring Jersey Policies or existing policyholders of the Transferee.

5.2 Subject to paragraph 5.3, any amendment to this Jersey Scheme (except the UK Scheme at Schedule 1 to this Jersey Scheme, amendments to which shall be governed by the terms of the UK Scheme) after the Jersey Implementation Date must be:

- (a) approved, if applicable, by the Royal Court;



- (b) notified in advance, and not less than six weeks prior to the proposed Royal Court hearing, to the JFSC, who shall have the right to attend and be heard at any hearing of the Royal Court (if applicable) at which such application is considered; and
- (c) accompanied by a certificate from an independent actuary to the effect that in his opinion (having considered the proposed amendments in the round), the proposed amendments to the Jersey Scheme will not have a material adverse effect on the policyholders in the Transferee, including by reference to:
  - (i) the effect of the proposed amendments to the Jersey Scheme on the security of those policyholders' contractual rights, including the likelihood and potential effects of the insolvency of the Transferee; and
  - (ii) the cost and tax effects of the proposed amendments to the Jersey Scheme, including in so far as they may affect the security of those policyholders' contractual rights or their reasonable benefit expectations.

5.3 Any amendment to this Jersey Scheme (excluding the UK Scheme at Schedule 1 to this Jersey Scheme, amendments to which shall be governed by the terms of the UK Scheme) will not require Royal Court approval where:

- (a) such amendment is:
  - (i) considered by the Transferee to be minor and/or technical; or
  - (ii) to correct manifest errors; or
  - (iii) required to reflect any change in any Applicable Law or in the interpretation or application of any Applicable Law which has or will have any implications for the Transferor or Transferee; or
  - (iv) necessary to reflect any changes in the actuarial practices relating to, or techniques for the management of, the Transferring Jersey Policies; or
  - (v) required to protect the rights and reasonable expectations of the policyholders of the Transferring Jersey Policies; and
- (b) the JFSC has been notified of such amendment and either:
  - (i) has indicated that it does not object to such amendment; or
  - (ii) a period of 28 days has passed commencing on the date of receipt of the relevant notification by the JFSC without it indicating any objections thereto.

## 6. Evidence of Transfer

The production of a copy of the Jersey Order in respect of the sanctioning of the Jersey Scheme with any modifications, amendments and/or additions made under paragraph 5 (and the equivalent provisions of the UK and Guernsey Schemes), shall for all purposes be evidence of the transfer to and vesting in the Transferee of (i) the Transferring Jersey Business, the Transferring Jersey Liabilities and the Transferring Jersey Policies, on and from the Jersey Implementation Date; and (ii) the Residual Jersey Liabilities and Excluded Jersey Policies, on and from the relevant Subsequent Jersey Transfer Date.

## 7. Jersey Business Records

The Transferee hereby grants to the Transferor access to the Jersey Business Records that are transferred pursuant to the UK Scheme, to the extent necessary and until the

Transferring Jersey Business to which those records relate transfers pursuant to this Jersey Scheme.

**8. Governing Law**

8.1 This Jersey Scheme shall be governed by and construed in accordance with Jersey law.



**Schedule 1**

**UK Scheme**





**IN THE HIGH COURT OF JUSTICE  
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES  
COMPANIES COURT (ChD)**

**IN THE MATTER OF  
THE EQUITABLE LIFE ASSURANCE SOCIETY  
AND  
IN THE MATTER OF  
UTMOST LIFE AND PENSIONS LIMITED  
AND  
IN THE MATTER OF  
THE FINANCIAL SERVICES AND MARKETS ACT 2000**

---

**SCHEME**

**for the transfer of part of the long-term insurance business  
of The Equitable Life Assurance Society to Utmost Life and  
Pensions Limited  
pursuant to Part VII of the Financial Services and Markets Act  
2000**

---

## TABLE OF CONTENTS

Clause	Page
1. Interpretation .....	2
2. Introduction.....	17
3. Transfer of the Transferring Business to the Transferee .....	18
4. Continuity of Proceedings .....	19
5. Premiums and Mandates.....	20
6. Rights and Obligations under Transferring Policies .....	20
7. Declaration of Trust by the Transferor .....	21
8. Indemnities .....	21
9. Allocations in respect of Transferring Business.....	22
10. Linked Funds.....	22
11. Maintenance of Transferee sub-funds .....	23
12. Undertakings and covenants.....	23
13. Establishment of the German WP Fund.....	23
14. Maintenance of the German WP Fund.....	25
15. Internal Transfers.....	25
16. Credits to the German WP Fund.....	25
17. Debits from the German WP Fund.....	26
18. Rights and obligations in relation to Partially Transferring Contracts.....	27
19. Data Protection .....	27
20. The Implementation Date .....	28
21. Modification or Additions to this Scheme .....	28
22. Costs and Expenses .....	29
23. Continuity of the RMIS Scheme .....	29
24. Successor and Assigns .....	30
25. VAT.....	30
26. Evidence of Transfer .....	30
27. Third Parties .....	31
28. Governing Law .....	31
Schedule 1 Reinsurance Agreements .....	32
Schedule 2.....	34
Part A - Transferee Undertakings and Covenants.....	34
Part B - Transferor Undertakings and Covenants.....	36

Schedule 3 Asset Share and Inter-Fund Reinsurance Arrangement .....40

## 1. Interpretation

### 1.1 Definitions.

In this Scheme the following expressions bear the meanings respectively set opposite them.

**Actuary** means the person from time to time appointed as head of the actuarial function at the relevant insurance company, such function being required pursuant to 6.1R of the Conditions Governing Business section of the PRA Rulebook;

**Applicable Laws** means any statute, common law, constitution, judgment, treaty, rules and regulations (including the FCA's Handbook and the PRA's Rulebook), by-law, order, decree, code of practice, circular, directive, other legislative measure, requirement or guideline made by any governmental entity or Regulatory Authority, which is binding and enforceable against any party from time to time in any jurisdiction in which the Transferor or the Transferee is established or conducts or solicits business;

**Applicable Privacy Laws** means all applicable data protection laws, rules and regulations, (including the General Data Protection Regulation and the Data Protection Act 2018, the Data Protection (Jersey) Law 2018, the Data Protection (Guernsey) Law 2017), and any applicable national laws, rules and regulations implementing the foregoing;

**Asset Share** means, in respect of each UK Style German WP Policy, the Initial Asset Share as it develops over time from the Implementation Date in accordance with the provisions of Schedule 3 and **Asset Shares** shall mean the aggregate of each such Asset Share;

**Automatic Allocation Asset Mix Funds** means, together, the USD Global Equity Fund, the Irish Managed Fund, the Multi-Asset Cautious Fund, the Multi-Asset Moderate Fund and the Money Market Fund;

**Automatic Allocation Mechanism** means the mechanism described in paragraphs 24 to 25 of Part B of Schedule 2 to the Part 26 Scheme;

**Aylesbury Leases** means the leases of the Second Floor and of the Third Floor, AOF2, Walton Street, Aylesbury, commencing 16 November 2016 and 21 June 2017 and registered at the Land Registry under leasehold title numbers BM406977 and BM417244, respectively;

**Board** means, in relation to a company, the board of directors from time to time of that company;

**Business Contracts** means any contracts, arrangements, licences, deed polls, declarations of trust, deeds of appointment or variation, scheme rules and other commitments to which the Transferor is a

party on the Implementation Date and which relate to the Transferring Business, including the Reinsurance Agreements and the System Business Contracts but excluding the Excluded Contracts;

**Business Day** means a day (other than a Saturday or Sunday or a public holiday) on which banks are generally open in the City of London for the transaction of normal banking business;

**Business Records** means that part of any documents, books and records in relation to the Transferring Business (in whatever form and whether physical or electronic, in whole or in part) which are in the possession of, or under the control of the Transferor or its third party service providers but excluding the Excluded Business Records;

**Capitalisation Amount** means such amount as the Transferor Board, having regard to appropriate actuarial advice from the Transferor Actuary, shall determine as sufficient to ensure that the Transferor is able to meet the higher of:

- (a) 125% of the MCR Floor Amount; and
- (b) 150% of its Solvency Capital Requirement immediately after the Implementation Date;

**Court** means the High Court of Justice of England and Wales;

**Encumbrance** means any mortgage, charge, pledge, security, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, any other encumbrance or security interest of any kind and any other type of preferential arrangement (including title, transfer and retention arrangements) having a similar effect;

**Excluded Assets** means all assets relating to the German Policies and Irish Policies (other than any assets falling within the definition of Residual Assets), including:

- (a) the Transferor's rights under or relating to the German Policies and Irish Policies;
- (b) the assets matching or allocated to meet the liabilities in respect of the German Policies and the Irish Policies;
- (c) the Excluded Contracts; and
- (d) the Excluded Business Records;

**Excluded Business** means the German Policies, the Irish Policies, the Excluded Assets and the Excluded Liabilities;

**Excluded Business Records** means that part of any documents, books and records in relation to the Excluded Business (in whatever form and whether physical or electronic, in whole or in part) which are in the possession of, or under the control of the Transferor or its third party service providers;



**Excluded Contracts** means that part of any Business Contracts to which the Transferor is a party on the Implementation Date and which relate to the Excluded Business, including the Excluded Reinsurance Agreements but excluding the System Business Contracts;

**Excluded Liabilities** means all the liabilities (including present or future, actual or contingent and prospective liabilities) whatsoever and wheresoever arising, attributable to or in connection with the German Policies and Irish Policies;

**Excluded Policies** means:

- (a) the German Policies;
- (b) the Irish Policies; and
- (c) any Transferring Policy under which any liability remains unsatisfied or outstanding on the Implementation Date and one or more of the following terms apply to it:
  - (i) for the purpose of Schedule 12 of FSMA:
    - (A) paragraph 3A of Part I of Schedule 12 to FSMA, an EEA State other than the United Kingdom is the State in which the contract was concluded; and
    - (B) the PRA has not, prior to the issue of the Order by which the Court sanctions the Scheme, delivered a Schedule 12 Certificate,

to the extent that and for so long as the transfer of such Transferring Policy is not fully effective in the United Kingdom and under the law of the EEA State (other than the United Kingdom) which is the State in which the contract was concluded, and for these purposes **EEA State** bears the meaning ascribed thereto by, or for the purposes of, Part VII of FSMA;

- (ii) Guernsey Policies (save for those Guernsey Policies which are Jersey Policies) to the extent that and for so long only as the Guernsey Scheme has not yet received the requisite court approval and become effective in accordance with its terms;
- (iii) Jersey Policies, to the extent that and for so long only as the Jersey Scheme and Guernsey Scheme have not yet received the requisite court approval and become effective in accordance with their terms; and
- (iv) any other Transferring Policy which is not otherwise capable of being transferred pursuant to Part VII of FSMA on the Implementation Date to the extent that and for so long as it is not capable of being transferred;



**Excluded Policies Reinsurance Agreement** means the reinsurance agreement to be entered into between the Transferor and the Transferee in respect of any Excluded Policies other than the German Policies and the Irish Policies on terms agreed between the Transferor and the Transferee;

**Excluded Reinsurance Agreements** means:

- (a) contracts of reinsurance which have been arranged by the relevant reinsurer for the benefit of the Transferor or to which the Transferor is a party which relate solely to the German Policies and/or the Irish Policies; and
- (b) those parts of any contracts of reinsurance listed in Schedule 1 and marked with an asterisk which have been arranged by the relevant reinsurer for the benefit of the Transferor or to which the Transferor is a party which relate to the German Policies and/or the Irish Policies,

in each case, together with any security arrangements or letters of credit and including those contracts of reinsurance which have expired but in respect of which claims have been brought or may be brought;

**FCA** means the United Kingdom's Financial Conduct Authority or its successors from time to time;

**FCA Handbook** means the handbook of rules and guidance issued by the FCA from time to time pursuant to FSMA;

**FSMA** means the Financial Services and Markets Act 2000;

**General Data Protection Regulation** means:

- (a) Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC; and
- (b) laws implementing Regulation 2016/679;

**German Policy** means any policy (including, for the avoidance of doubt, any lapsed, matured, surrendered, expired or reinstated policy) governed by German law written or assumed by the German branch of the Transferor (such policies being identified by the company code "D" on the internal records of the Transferor) and **German Policies** shall mean all such Policies;

**German Style German WP Policy** means a German Policy as listed in the CD marked "GSGWPP" for identification purposes by the Transferor and Transferee and **German Style German WP Policies** shall mean all such policies;

**German WP Fund** means the with-profits fund of the Transferor established and maintained pursuant to this Scheme;

**German WP Fund Liabilities** means the “with profits policy liabilities” as defined in the Glossary of the PRA Rulebook in respect of the German WP Policies and any other liabilities in respect of the business allocated to the German WP Fund including, for the avoidance of doubt, the Transferor’s liability to treat customers fairly in respect of the Asset Shares;

**German WP Policies** means the UK Style German WP Policies and the German Style German WP Policies;

**Good Industry Practice** means the exercise of the degree of skill, care, diligence and timeliness and the applications of standards of quality which would at that time be expected from a reasonably prudent insurer providing services and products similar to those services and products provided by the Transferring Business or the Excluded Business (as the case may be);

**Guernsey** means the Bailiwick of Guernsey, a crown dependency of the United Kingdom of Great Britain and Northern Ireland;

**Guernsey Implementation Date** means the date on which the Guernsey Scheme will become effective in accordance with its terms in relation to the Guernsey Policies;

**Guernsey Policy** means a Transferring Policy which was:

- (a) effected or carried out as part of insurance business carried on in or from within Guernsey; or
- (b) written under Guernsey law; or
- (c) issued to a person resident in the Bailiwick of Guernsey,

and in respect of which any liability remains unsatisfied or outstanding on the Guernsey Implementation Date and which the Royal Court of Guernsey has jurisdiction to transfer pursuant to the Insurance Business (Bailiwick of Guernsey) Law 2002;

**Guernsey Scheme** means the scheme for the transfer of insurance business under the Insurance Business (Bailiwick of Guernsey) Law 2002;

**HMRC** means HM Revenue & Customs or its successors from time to time;

**Implementation Date** means:

- (a) 0.02 on 1 January 2020, provided that before that time the conditions set out in paragraph 20.1 have been satisfied; or
- (b) if the conditions in paragraph 20.1 have not been satisfied by 0.02 on 1 January 2020 then 0.02 on the date on which the

condition set out in paragraph 20.1(c) is satisfied, provided that the conditions in paragraphs 20.1(a) and 20.1(b) have been satisfied before that time and if such conditions have not been satisfied before that time then the subsequent date on which the last of the conditions in paragraph 20.1 is satisfied;

**Independent Expert** means Richard Baddon of Deloitte MCS Limited;

**Initial Asset Share** has the meaning given in paragraph 13.2(b);

**Inter-Fund Reinsurance Arrangement** has the meaning given in Schedule 3;

**Irish Policy** means any policy (including, for the avoidance of doubt, any lapsed, matured, surrendered, expired or reinstated policy) governed by Irish law written or assumed by the Republic of Ireland branch of the Transferor (such Policies being identified by the company code "I" on the internal records of the Transferor) and **Irish Policies** shall mean all such Policies;

**Irish Managed Fund** means the Linked Fund of that name maintained by the Transferor prior to or following the Implementation Date or by the Transferee following the Implementation Date;

**IT Systems** means the information, computer and communications technologies, software and hardware used by the Transferor;

**Jersey** means the Bailiwick of Jersey, a crown dependency of the United Kingdom of Great Britain and Northern Ireland;

**Jersey Implementation Date** means the date on which the Jersey Scheme will become effective in accordance with its terms in relation to the Jersey Policies;

**Jersey Policy** means a Guernsey Policy which was effected or carried out as part of insurance business carried on in, or from within, Jersey and in respect of which any liability remains unsatisfied or outstanding on the Jersey Implementation Date and which the Royal Court of Jersey has jurisdiction to transfer pursuant to the Insurance Business (Jersey) Law 1996;

**Jersey Scheme** means the scheme for the transfer of insurance business under the Insurance Business (Jersey) Law 1996;

**Linked Fund** means an internal linked fund maintained by:

- (a) the Transferor in respect of:
  - (i) the Transferring Policies prior to the Implementation Date; and
  - (ii) any Excluded Policies which are Linked Policies prior to or following the Implementation Date; or



(b) the Transferee prior to or following the Implementation Date,

in each case, for the purpose of calculating the benefits payable under Linked Policies (including such a fund maintained for the purpose of calculating the benefits linked to the value of external unit trusts);

**Linked Policy** means (as applicable) a Transferring Policy or an Excluded Policy (other than a German WP Policy) under which the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the policies) or by reference to fluctuations in or an index of, the value of the property of any description (whether or not so specified);

**Long-Term Insurance Business** means the business of effecting or carrying out Long-Term Insurance Contracts;

**Long-Term Insurance Contracts** means contracts of insurance falling within classes of long-term insurance business as set out in Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;

**Loss** means:

- (a) all direct losses (including, for the avoidance of doubt, direct loss of profits), liabilities (including any settlement payment irrespective of whether legal liability has been admitted or determined), damages, penalties, costs relating to disciplinary actions and fines, but excluding punitive, special, consequential or indirect loss (such as, for the avoidance of doubt, indirect loss of profits or loss of goodwill); and
- (b) all costs and expenses (including legal fees) properly incurred as a result of investigating, defending or settling a claim or in connection with any threatened, pending or actual proceeding;

**MCR** means the minimum capital requirement calculated in accordance with the Minimum Capital Requirement Part of the PRA Rulebook;

**MCR Floor Amount** means the absolute floor amount of MCR applicable to the Transferor as specified in rule 3.2 of the Minimum Capital Requirement Part of the PRA Rulebook;

**Mis-selling** means the sale of a Transferring Policy in circumstances where a policyholder was not provided with appropriate information in relation to such Transferring Policy at the outset or during the lifetime of such policy, and/or where actions and/or omissions of the Transferor (or any other persons or entities which were involved in the sale of the policy, including any intermediary or appointed representative) otherwise induced the policyholder to buy that policy and this constituted a breach of or failure to comply with Applicable

Law (to the extent in force at that time or as a result of any change in, or change of interpretation of, Applicable Law having retrospective effect), at that time, of such Applicable Laws, and references to “mis-sold” shall be construed accordingly;

**Mis-selling Liabilities** means any liabilities in respect of Mis-selling, including any liabilities in respect of the thematic reviews undertaken by the FCA in relation to (i) pensions, (ii) endowments, and (iii) annuities;

**Money Market Fund** means the Linked Fund of that name maintained by the Transferor prior to or following the Implementation Date or by the Transferee following the Implementation Date for the purposes of the Automatic Allocation Mechanism;

**Multi-Asset Cautious Fund** means the Linked Fund of that name maintained by the Transferor prior to or following the Implementation Date or by the Transferee following the Implementation Date for the purposes of the Automatic Allocation Mechanism;

**Multi-Asset Moderate Fund** means the Linked Fund of that name maintained by the Transferor prior to or following the Implementation Date or by the Transferee following the Implementation Date for the purposes of the Automatic Allocation Mechanism;

**New Unit-linked Policy** means any Linked Policy derived from the conversion of a with-profits policy to a Linked Policy pursuant to the Part 26 Scheme;

**Non-Profit Fund** means a non-profit fund or sub-fund;

**OEIC** means open ended investment company;

**Order** means an order made by the Court pursuant to section 111 of the FSMA sanctioning this Scheme and any order (including, without limitation, any subsequent order) in relation to this Scheme made by the Court pursuant to section 112 of the FSMA;

**Part 26 Scheme** means the scheme of arrangement proposed to be undertaken between the Transferor and its Scheme Policyholders and Legacy Scheme Policyholders (each as defined in the Part 26 Scheme) pursuant to Part 26 of the Companies Act 2006;

**Partially Transferring Contracts** means any Business Contracts (including Reinsurance Agreements) to which the Transferor is a party on the Implementation Date, that relate in part to the Transferring Business and in part to the Excluded Business but excluding any such contracts, licences and other commitments that relate to the IT Systems;

**Policy Value** means, in relation to a UK Style German WP Policy, the value which can be obtained from the Transferor’s policy administration systems and which is described therein as “policy

value” which is determined in accordance with the PPFM applicable to the UK Style German WP Policies immediately prior to the Implementation Date;

**PPFM** means the Principles and Practices of Financial Management of the Transferor from time to time;

**Primary Uplift Amount Equivalent** means, in relation to a UK Style German WP Policy, the value of the “Primary Uplift Amount” (as defined in the Part 26 Scheme) that would have applied to that UK Style German WP Policy at the Implementation Date had it been a Scheme Policy (as defined in the Part 26 Scheme);

**PRA** means the United Kingdom's Prudential Regulation Authority and its successors from time to time;

**PRA Rulebook** means the rulebook of rules issued by the PRA from time to time pursuant to FSMA;

**Proceedings** includes any action or other legal or administrative proceedings or step (whether direct or indirect, by way of a claim, demand, legal proceedings, execution of judgment, arbitration, complaint or otherwise howsoever) including arbitration, mediation, adjudication, any other dispute resolution procedure (whether or not it involves submission to any court), any judicial, quasi-judicial, administrative or regulatory review or process or any complaint or claim to any ombudsman, including the Financial Ombudsman Service, or other proceedings for the resolution of a dispute or claim, in each case whether current, future, pending, threatened or otherwise;

**Property Fund** means the Transferor’s fund of that name;

**Regulatory Authority** means, as the context requires, the FCA, the PRA, the Department for Business, Energy and Industrial Strategy, HMRC, the Information Commissioner’s Office, the Jersey Financial Services Commission, the Guernsey Financial Services Commission and such other regulatory authority which has responsibility for regulating businesses such as that relating to the Transferring Policies from time to time in the UK, Jersey and Guernsey;

**Regulatory Handbook** means the PRA Rulebook and the FCA Handbook taken together;

**Reinsurance Agreements** means any contracts of reinsurance, together with any security arrangements or letters of credit, which have been arranged by the relevant reinsurer for the benefit of the Transferor or to which the Transferor is a party, which cover any part or all of any of the Transferring Policies as at or prior to the Implementation Date, including those which have expired but in respect of which claims have been brought or may be brought and including those agreements listed in Schedule 1 but excluding the Excluded Reinsurance Agreements;



**Residual Assets** means:

- (a) any Transferring Asset of the Transferor to be transferred pursuant to this Scheme and any agreement relating to any such asset (including any right, benefit or power of the Transferor under any Transferring Asset) the transfer of which to the Transferee pursuant to this Scheme, on the Implementation Date, either:
  - (i) requires the consent of any person (other than the Transferee, the Transferor or the Court); or
  - (ii) requires the waiver by any person of any right to acquire, or to be offered the right to, or to offer to, acquire or procure the acquisition by some other person of, all or any part of such property, being a right which directly or indirectly arises or is exercisable as a consequence of such transfer being proposed or taking effect; or
  - (iii) would result in a third party having a right to terminate an agreement with the Transferee or to claim compensation in damages or otherwise,and in each case which the Court either (i) does not have jurisdiction to transfer pursuant to section 112 of the FSMA, or (ii) which (despite having such jurisdiction) the Court determines, notwithstanding section 112 and 112A of the FSMA, not to so transfer but in any case only to the extent of that part of the Transferee interest in such asset in respect of which the transfer requires such consent and/or waiver or would result in such a right;
- (b) any Transferring Assets of the Transferor to be transferred pursuant to this Scheme which the Transferor and the Transferee agree in writing prior to the Implementation Date shall not be transferred on the Implementation Date;
- (c) any other interest of the Transferor in any property or any agreement relating to any property which the Transferor and the Transferee shall agree in writing prior to the Implementation Date should be transferred pursuant to this Scheme in conjunction with any property referred to in paragraphs (a) or (b) of this definition;
- (d) any proceeds of sale or income or other accrual or return whatsoever, whether or not in any case in the form of cash, earned or received from time to time after the Implementation Date in respect of any property referred to in paragraphs (a) or (b) or (c) of this definition;

- (e) any Transferring Asset which cannot be transferred or vested to the Transferee pursuant to this Scheme for any other reason; and
- (f) such amount (if any) additional to the value of the assets referred to in paragraphs (a) to (e) above (if any) as is required so that the Residual Assets (in aggregate) have a value at least equal to the Capitalisation Amount on the Implementation Date;

**Residual Liabilities** means any liability under or in connection with the Transferring Policies and in connection with the Transferring Assets:

- (a) the transfer of which liability to the Transferee pursuant to this Scheme requires, on the Implementation Date, the consent or waiver of any person (other than the Transferee, the Transferor or the Court) and which the Court either does not have jurisdiction to transfer to the Transferee pursuant to section 112 of the FSMA or which (despite having such jurisdiction) the Court determines, notwithstanding section 112 and 112A of FSMA, not so to transfer but in any case only to the extent of that part of the Transferee interest in such liability in respect of which the transfer requires such consent and/or waiver or would result in such a right; or
- (b) which is attributable to or connected with a Residual Asset and arises at any time before the Subsequent Transfer Date applicable to that Residual Asset;
- (c) which cannot be transferred to or vested to the Transferee pursuant to this Scheme for any other reason; or
- (d) which the Transferor and the Transferee shall agree in writing prior to the Implementation Date should not be transferred pursuant to this Scheme;

**RMIS Order** means the court order sanctioning the RMIS Scheme dated 15 March 2018 as may be amended or supplemented by further court order from time to time;

**RMIS Scheme** means the scheme under Part VII of FSMA pursuant to which the Transferee received a transfer of the entire business of Reliance Mutual Insurance Society Limited;

**Schedule 12 Certificate** means, in respect of any Transferring Policy, a certificate referred to in paragraph 3A of Part I of Schedule 12 to FSMA with respect to the relevant EEA State which is the State in which the contract was concluded;

**Scheme** means this Scheme in its original form or with or subject to any modification, addition or condition which may be approved or imposed in accordance with Part VII of, and Schedule 12 to, FSMA;



**Secure Cash Investment** means the Linked Fund of that name maintained by the Transferor prior to and/or following the Implementation Date or by the Transferee following the Implementation Date for the purposes of the Automatic Allocation Mechanism;

**Solvency Capital Requirement** means the "SCR" as defined in the PRA Rulebook;

**Subsequent Transfer Date** means, in relation to any Excluded Policy, Residual Asset or Residual Liability, the date after the Implementation Date on which such Excluded Policy, Residual Asset or Residual Liability is to be transferred to the Transferee namely:

- (a) in respect of any Residual Asset falling within paragraph (a) of the definition thereof, and of any Residual Liability falling within paragraph (a) of the definition thereof, the date on which the requisite consent, waiver or order to enable the same to be transferred to the Transferee upon the terms of this Scheme is:
  - (i) obtained;
  - (ii) no longer required; or
  - (iii) dispensed with by Order of the Court;
- (b) in respect of any Residual Asset falling within paragraphs (b) or (c) of the definition thereof and of any Residual Liability which falls within paragraph (b) of the definition thereof, the date on which the parties agree that the transfer of the relevant Residual Asset shall take effect;
- (c) in the case of any Residual Asset falling within paragraph (d) of the definition thereof, the date on which such Residual Asset is received or earned by the Transferor;
- (d) in respect of any Residual Asset falling within paragraph (f) of the definition thereof (including any amount satisfying the requirement to hold amounts in relation to regulatory capital, from time to time, immediately prior to the relevant date), the date with effect from which the Transferor's status as an authorised person is withdrawn under section 33(2) of FSMA, immediately following such withdrawal;
- (e) in respect of any Residual Asset falling within the paragraph (e) of the definition thereof, or of any Residual Liability falling within paragraph (c) of the definition thereof, the date upon which the impediments to the transfer pursuant to the terms of this Scheme have been removed;
- (f) in respect of any Residual Liability falling within paragraph (d) of the definition thereof, the date on which the parties agree

that the transfer of the relevant Residual Liability shall take effect;

- (g) in respect of any Excluded Policy falling within paragraphs (c)(i) or (c)(iv) of the definition thereof, the date of which the transfer of all rights, title interest in and obligations under such policy are fully effective in the United Kingdom and under the law of any other country or territory to which it is subject; and
- (h) in respect of any Excluded Policy falling within paragraphs (c)(ii) or (c)(iii) of the definition thereof, the Guernsey Implementation Date and Jersey Implementation Date, respectively;

**System Business Contracts** means that part of any contracts, arrangements, licences and other commitments which relate to IT Systems in relation to the Transferring Business to which the Transferor is a party on the Implementation Date but excluding the Excluded System Business Contracts;

**Tax or Taxation** includes (a) taxes on gross or net income, profits and gains, and (b) all other taxes, levies, duties, imposts, charges and withholdings of any nature, including any excise, property, value added, sales, use, occupation, transfer, franchise and payroll taxes and any national insurance or social security contributions, and any payment whatsoever which the relevant person may be or become bound to make to any person as a result of the discharge by that person of any tax which the relevant person has failed to discharge, together with all penalties, charges and interest relating to any of the foregoing or to any late or incorrect return in respect of any of them, and regardless of whether such taxes, levies, duties, imposts, charges, withholdings, penalties and interest are chargeable directly or primarily against or attributable directly or primarily to the relevant person or any other person and of whether any amount in respect of them is recoverable from any other person;

**Tax Clearances** means:

- (a) confirmation from HMRC that the transfer of the Transferring Business is to be treated as a transfer of all or part of the business of the Transferor as a going concern within article 5 of the Value Added Tax (Special Provisions) Order 1995, or a confirmation that the transactions contemplated by such transfer are supplies of services either outside the scope of VAT or exempt from VAT; and
- (b) any other clearances or confirmations in relation to Tax which the parties, acting reasonably, agree are necessary as a result of changes to Tax legislation and / or HMRC practice relating to transfers of insurance business made before, or take effect from before, the Implementation Date;

**Transferee** means Utmost Life and Pensions Limited a company incorporated in England and Wales, with registered number 10559664 and its registered address at Utmost House, 6 Vale Avenue, Tunbridge Wells, Kent, United Kingdom, TN1 1RG;

**Transferee Actuary** means the Actuary of the Transferee;

**Transferee Board** means the Board of the Transferee;

**Transferee Group** means the Transferee and any subsidiaries, subsidiary undertakings or associated undertakings of the Transferee, any holding companies of the Transferee and any subsidiaries, subsidiary undertakings or associated undertakings of such holding companies from time to time as each is defined in the Companies Act 2006;

**Transferee Non-Profit Fund** means the Non-Profit Fund maintained by the Transferee as at the Implementation Date;

**Transferor** means The Equitable Life Assurance Society, a company incorporated in England and Wales under registered number 00037038 whose registered office is at Walton Street, Aylesbury, England, HP21 7QW;

**Transferor Actuary** means the Actuary of the Transferor;

**Transferor Board** means the Board of the Transferor;

**Transferor Brand** means all rights (including any registered or unregistered intellectual property rights), title, interest and goodwill in or to the name "The Equitable Life Assurance Society" and any associated logo or device which the Transferor owns, or any similar name or mark;

**Transferor Group** means the Transferor and any subsidiaries, subsidiary undertakings or associated undertakings of the Transferor from time to time as each is defined in the Companies Act 2006;

**Transferor's Main Fund** means the main fund of the Transferor comprising all of the Excluded Business other than: (i) the German WP Policies; (ii) the assets in the German WP Fund which are to be allocated pursuant to paragraph 13; and (iii) the other assets allocated from time to time to the German WP Fund in accordance with the operation of this Scheme;

**Transferring Assets** means all of the assets of the Transferor as at the Implementation Date, including:

- (a) the rights, benefits and powers (whether actual or contingent) of the Transferor whatsoever under or by virtue of the Transferring Policies;

- (b) the assets matching or allocated to meet the liabilities in respect of the Transferring Policies and Excluded Policies (other than the German Policies and the Irish Policies);
- (c) the rights and benefits (subject to the burden) of the Transferor under or by virtue of the Business Contracts (including contractual, tortious and statutory rights);
- (d) the Business Records, including without limitation, all rights, title and interest of the Transferor in the Business Records;
- (e) the IT Systems;
- (f) physical assets used for the business of the Transferor, including office fittings, furniture, and fixtures;
- (g) the right to use the Transferor Brand;
- (h) the Aylesbury Leases; and
- (i) all of the Transferor's interest in Lydiard Fields Management Company Limited;

but excluding the Excluded Assets and, prior to the applicable Subsequent Transfer Date, (i) the Residual Assets and (ii) rights, benefits and powers under the Excluded Policies;

***Transferring Business*** means the Transferring Policies, Transferring Assets, Transferring Liabilities, Residual Assets and Residual Liabilities, but excluding the Excluded Policies, Excluded Contracts, Excluded Liabilities and Excluded Assets;

***Transferring Liabilities*** means all the liabilities (including present or future, actual or contingent and prospective liabilities) whatsoever and wheresoever arising, attributable to or in connection with the Transferring Business, including any and all liabilities of the Transferor arising as a result of any act or omission of any appointed representative or intermediary for which the Transferor had assumed responsibility, in each case whether before, on or after the Implementation Date, including (for the avoidance of doubt):

- (a) all legacy liabilities arising from or in connection with the Transferring Business or the Transferring Policies;
- (b) any Mis-selling Liabilities;
- (c) all liabilities of the Transferor under or by virtue of the Business Contracts; and
- (d) all liabilities relating to the Transferring Assets,

but excluding the Excluded Liabilities and prior to the applicable Subsequent Transfer Date, (i) the Residual Liabilities and (ii) the liabilities in respect of any Excluded Policies;



**Transferring Policies** means all insurance and reinsurance policies of the Transferor where the Transferor is insurer or reinsurer (as applicable) (including any expired, surrendered, lapsed, matured or reinstated policies) other than Excluded Policies;

**Transferring Policyholder** means a policyholder in respect of a Transferring Policy;

**Twelve Month Period** means the period of twelve (12) months following the Implementation Date;

**UK or United Kingdom** means the United Kingdom of Great Britain and Northern Ireland;

**UK Style German WP Policy** means a German Policy as listed in the CD marked "UKSGWPP" for identification purposes by the Transferor and Transferee and **UK Style German WP Policies** shall mean all such policies;

**USD Global Equity Fund** means the Linked Fund of that name maintained by the Transferor prior to or following the Implementation Date or by the Transferee following the Implementation Date;

**VAT** means value added tax as provided in VATA 1994 and any other tax of a similar nature which is introduced in substitution for or in addition to such tax, or any value added tax, or similar sales or turnover tax imposed by any jurisdiction;

**VATA 1994** means the Value Added Tax Act 1994; and

**With-Profits Actuary** means the person or persons appointed from time to time to perform the with-profits actuary function as defined in 8.2 of the Insurance - Senior Management Functions chapter of the PRA Rulebook.

1.2 In this Scheme:

- (a) "assets" includes property, rights and powers of any description;
- (b) "liabilities" means all liabilities, duties and obligations of every description, whether deriving from contract, common law, statute or otherwise, whether present or future, actual or contingent, ascertained or unascertained or disputed and whether owed or incurred severally or jointly or as principal or surety and "liability" means any one of them;
- (c) "property" includes property, assets, rights (including contingent rights as to the repayment of Tax), benefits and powers of every description (whether present or future, actual or contingent) and, for the avoidance of doubt, includes investment management agreements, distribution agreements, service agreements and external and internal reinsurance

agreements (where relevant) and includes property held on trust and any interest whatsoever in any of the foregoing;

- (d) "transfer" includes (as the context may require) "assign", "assignment" or "assignment", "dispose" or "disposal" or "convey" or "conveyance";
- (e) references to rights or liabilities being "under" a Transferring Policy shall mean rights or liabilities howsoever arising whether contractually or otherwise in respect of the Transferring Policy;
- (f) references to a policy and a policyholder shall have the meanings ascribed to them by the Financial Services and Markets Act 2000 (Meaning of "Policy" and "Policyholder") Order 2001;
- (g) any reference to the singular shall (where appropriate) include a reference to the plural and vice versa and any reference to the masculine shall include a reference to the feminine and neuter and vice versa (unless the context otherwise requires);
- (h) save as expressly provided otherwise, any reference in this Scheme to an enactment, a statutory provision or any subordinate legislation shall be deemed to include a reference to that enactment, statutory provision or subordinate legislation (including for the avoidance of doubt provisions of the Regulatory Handbook) as amended, replaced or re-enacted from time to time after the date of this Scheme and to any instrument or order made from time to time after the date of this Scheme under such enactment, statutory provision or subordinate legislation;
- (i) any reference to any rules or regulations issued by the FCA or PRA shall be deemed to include a reference to such rules or regulations as amended or replaced from time to time;
- (j) expressions used in this Scheme which have meanings under the Act shall bear those meanings (unless the context otherwise requires);
- (k) any references to paragraphs or Parts are to paragraphs or Parts of this Scheme (unless the context otherwise requires);
- (l) headings are inserted for convenience only and shall not affect the construction of this Scheme;
- (m) any reference to a person shall include a reference to any individual, company, firm, partnership, joint venture, association, organisation, trust or agency, whether or not having a separate legal personality;

- (n) if a period of time is specified from a given day or date or from the day or date of an actual event, it shall be calculated exclusive of that day or date;
- (o) any reference to writing shall include any modes of reproducing words in a legible and non-transitory form;
- (p) any reference to a document in the form agreed is to the form of the relevant document agreed between the parties in accordance with this Scheme and for the purpose of identification initialled by or on behalf of the parties prior to the date on which the Court sanctions this Scheme;
- (q) the expression "variation" or "varied" shall include any variation, supplement, deletion, replacement or termination, however effected; and
- (r) any reference to "includes" or "including" shall mean "includes without limitation" or "including without limitation".

## **2. Introduction**

### **2.1 At the date of this Scheme:**

- (a) each of the Transferor and the Transferee has permission under Part IV of FSMA to effect and carry on Long-Term Insurance Business of the same classes as the Transferring Policies; and
- (b) the Transferee maintains one Non-Profit Fund (being the Transferee Non-Profit Fund) and four with-profits funds.

2.2 The Transferor is permitted to carry out contracts of long-term insurance from the UK on a freedom of services basis into the following countries, in the classes of business indicated, as set out in Part I of Schedule 1 to the RAO: Germany (classes I, III and IV), Greece (classes I and III) and the Republic of Ireland (classes I and III).

2.3 The Transferee is permitted to carry out contracts of long-term insurance from the UK on a freedom of services basis into the following countries, in the classes of business indicated, as set out in Part I of Schedule 1 to the RAO: Finland (class IV) and the Netherlands (class I).

2.4 Between 1993 and 2000, the Transferor wrote long term insurance contracts for Policyholders having their permanent residence in Germany and the Republic of Ireland. This business was written on a freedom of establishment basis from a distribution office in Cologne and Dublin respectively. In 2002, the Cologne and Dublin distribution offices were closed. The German and Irish business (which is governed by German and Irish law respectively) is excluded from the Scheme and will remain with the Transferor.

- 2.5 A new with-profits fund, being the German WP Fund, will be established in the Transferor to which the German WP Policies and related liabilities and assets, including the Initial Asset Share in respect of each UK Style German WP Policy, shall be allocated in accordance with this Scheme. All other Excluded Business shall be maintained in the Transferor's Main Fund.
- 2.6 It is proposed that:
- (a) all of the Transferring Policies, Transferring Assets, Transferring Liabilities, Residual Assets and Residual Liabilities shall, in accordance with this Scheme, be transferred to the Transferee and that the Order be made accordingly for the sanction of this Scheme under section 111(1) of the FSMA;
  - (b) by the Order referred to in paragraph 2.6(a) provision be made for, among other matters, the transfers of the Transferring Policies, Transferring Assets, Transferring Liabilities, Residual Assets and Residual Liabilities from the Transferor to the Transferee pursuant to section 112(1) of the FSMA; and
  - (c) Excluded Policies will not transfer to the Transferee under this Scheme but instead will remain with the Transferor (save as provided for in this Scheme) and any Excluded Policies other than the German Policies and Irish Policies shall be reinsured by the Transferee pursuant to the Excluded Policies Reinsurance Agreement.
- 2.7 It is further proposed that:
- (a) the transfer of the Guernsey Policies (save for the Jersey Policies which shall be transferred pursuant to paragraph (b) below) to the Transferee shall only take place to the extent that the transfer of such policies to the Transferee has been approved by the Royal Court of Guernsey and has become effective in accordance with the terms of the Guernsey Scheme; and
  - (b) the transfer of the Jersey Policies to the Transferee shall only take place to the extent that the transfer of such policies to the Transferee:
    - (i) has been approved by the Royal Court of Guernsey and has become effective in accordance with the terms of the Guernsey Scheme; and
    - (ii) has been approved by the Royal Court of Jersey and has become effective in accordance with the terms of the Jersey Scheme.

### **3. Transfer of the Transferring Business to the Transferee**

- 3.1 On the Implementation Date, the Transferring Policies and Transferring Assets, will transfer and vest in full to the Transferee



according to the terms of the Order without any further act or instrument.

- 3.2 On each Subsequent Transfer Date, each Residual Asset to which such Subsequent Transfer Date applies and all the interest of the Transferor in it shall, by the Order and without any further act or instrument, be transferred to and be vested in the Transferee.
- 3.3 On the Implementation Date, each Transferring Liability shall, by the Order and without any further act or instrument, be transferred to and become a liability of the Transferee and shall cease to be a liability of the Transferor.
- 3.4 On each Subsequent Transfer Date, each Residual Liability to which such Subsequent Transfer Date applies will, by the Order and without any further act or instrument, be transferred to and become a liability of the Transferee and shall cease to be a liability of the Transferor.
- 3.5 On and from the relevant Subsequent Transfer Date in respect of an Excluded Policy (other than a German Policy or an Irish Policy), such policy shall be transferred to the Transferee and shall thereafter be treated in all respects as if it were a Transferring Policy and any liability attributable to such Excluded Policy shall be transferred to the Transferee and shall thereafter be treated in all respects as if it were a Transferring Liability.
- 3.6 On and with effect from the Implementation Date or Subsequent Transfer Date, as the case may be, and without prejudice to any other provision of this Scheme, all references to the Transferor or Transferor Group in any contract between the Transferor and any other party, or in any document or instrument, to the extent evidencing title to or the benefit or burden of the Transferring Policies, the Transferring Assets, the Residual Assets, the Transferring Liabilities and the Residual Liabilities shall, in so far as they are transferred to the Transferee, be read and construed as if the same were references to the Transferee so that such contract, document or instrument shall operate as if such references had always been to the Transferee or Transferee Group (as applicable) rather than the Transferor or Transferor Group.
- 3.7 Neither the transfer of the Transferring Policies nor this Scheme nor anything done or omitted to be done in connection with the transfer of the Transferring Policies or this Scheme shall, in relation to the Transferring Policies or any Transferring Assets, the Residual Assets, the Transferring Liabilities and the Residual Liabilities or any other asset, property, liability or business of any member of the Transferee whether before or after the Implementation Date:
  - (a) invalidate, discharge or result in the termination of any Transferring Policy, agreement, instrument, trust deed, indenture, Encumbrance, right, interest, benefit, power, obligation or title; or

- (b) constitute a breach of or default, event of default, potential event of default, termination event, mandatory prepayment event, enforcement event, perfection event or other similar event or condition (however described) under, or allow any person to terminate, any Transferring Policy, agreement, instrument, trust deed, indenture, Encumbrance, right, interest, benefit, power, obligation or title; or
- (c) require any registration, re-registration or filing of any amendment to any existing registration or filing in respect of any Transferring Policy agreement, instrument, trust deed, indenture, Encumbrance, right, interest, benefit, power, obligation or title; or
- (d) require any person to perform any new or additional obligation or take any new or additional step or action, including the giving of any notice, the obtaining of any consent, approval or determination, the accession to any agreement, the payment of any fee, cost, expense, interest or other amount, the granting of any new or additional Encumbrance or the transfer of any asset or property; or
- (e) entitle or require any person to exercise any right or remedy, to reduce, suspend, delay, alter or discharge its rights or obligations, to accelerate, terminate, suspend, delay, alter or discharge the performance of any rights or obligations or otherwise to vary, amend, disclaim, repudiate or terminate any Transferring Policy, agreement, instrument or Encumbrance; or
- (f) affect the enforceability, priority or ranking of any Encumbrance.

#### **4. Continuity of Proceedings**

- 4.1 On and with effect from the Implementation Date, any Proceedings arising from or in connection with the Transferring Policies, the Transferring Assets or the Transferring Liabilities relating to the Transferor, shall be commenced by or against, or continued by or against the Transferee (as appropriate) and the Transferee shall be entitled to all defences, claims, counterclaims, defences to counterclaims and rights of set-off that were or would have been available to the Transferor in relation to those Proceedings and the Transferor shall have no liability under those Proceedings.
- 4.2 On and with effect from the Subsequent Transfer Date applicable thereto, any Proceedings arising from or in connection with the relevant Excluded Policy, Residual Asset or the relevant Residual Liability which relate to a Transferring Asset or a Residual Asset which is to be transferred on such Subsequent Transfer Date relating to the Transferor, shall be commenced by or against, or continued by or against the Transferee (as appropriate) and the Transferee shall be entitled to all defences, claims, counterclaims, defences to

counterclaims and rights of set-off that were or would have been available to the Transferor in relation to those Proceedings, and the Transferor shall have no liability under those Proceedings. Until such Subsequent Transfer Date, the relevant Proceedings shall be continued by the Transferor.

## **5. Premiums and Mandates**

- 5.1 All premiums attributable or referable to the Transferring Policies, if any, shall on and after the Implementation Date be payable to the Transferee.
- 5.2 Any direct debit mandate, standing order or other instruction or authority in force on the Implementation Date (including, without limitation, any instructions given to a bank by its customer in the form of direct debit or standing order) and providing for the payment by a bank or other intermediary of premiums or other amounts payable to the Transferor under any Transferring Policy or Transferring Asset shall thereafter take effect as if it had provided for and authorised such payment to the Transferee.
- 5.3 Any mandate or other instruction or authority in force on the Implementation Date as to the manner of payment by the Transferor of any sum payable under any Transferring Policy shall continue in force as an effective mandate, instruction or authority to the Transferee.

## **6. Rights and Obligations under Transferring Policies**

- 6.1 On and with effect from the Implementation Date, the Transferee shall become entitled to all the rights, benefits and powers of the Transferor whatsoever subsisting on the Implementation Date under or by virtue of the Transferring Policies.
- 6.2 A policyholder in respect of a Transferring Policy shall, on and with effect from the Implementation Date, become entitled, in succession to, and to the exclusion of, any rights which he may have had against the Transferor under such Transferring Policy, to the same rights and options against the Transferee as were available to him against the Transferor under such Transferring Policy and (as regards a Transferring Policy under which premiums or other sums attributable or referable thereto continue to be payable by him) shall on and with effect from the Implementation Date account to the Transferee for any further or additional premiums or other sums attributable or referable thereto, if any, as and when the same become due and payable.
- 6.3 If any person entitled to do so with respect to a Transferring Policy exercises any right or option granted under the terms of that Transferring Policy and either:

- (a) the right or option provides for a new, additional or replacement policy to be issued or amendments to be made to an existing Transferring Policy; or
- (b) it is appropriate in the opinion of the Transferee Board, having regard to the advice of the Transferee Actuary, in order to comply with that right or option to issue a new, additional or replacement policy or, as the case may be, amend an existing Transferring Policy,

such person shall be entitled to require that the obligation thereby arising shall be satisfied by the issue or amendment (as the case may be) by the Transferee of a policy which complies with the terms of such right or option. Without prejudice to such entitlement, if the Transferee is not at the time of the exercise of such right or option writing policies complying exactly with the policy to which such person is entitled pursuant to the right or option, the Transferee shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) the policy commonly offered by the Transferee or any other member of the Transferee Group which the Transferee in its absolute discretion considers to be the nearest equivalent policy of the Transferee or such other member of the Transferee Group (as the case may be) at that time.

- 6.4 All references in any Transferring Policy to the Transferor, the Transferor Board, the Transferor Actuary, the Transferor auditor or any other officers, employees or agents of the Transferor shall, with effect on and from the Implementation Date, be read as references to the Transferee, the Transferee Board, the Transferee Actuary, the Transferee auditor or any other officers, employees or agents of the Transferee respectively or, where appropriate, agents of the Transferee to which the administration or investment management of the relevant part of the business carried on by the Transferee has been delegated. In particular, and subject to the other provisions of this Scheme, all rights and/or duties exercisable or expressed to be exercisable or responsibilities to be performed by the Transferor, the Transferor Board, the Transferor Actuary, the Transferor auditor or any other officers, employees or agents of the Transferor in relation to any of the Transferring Policies shall, with effect on and from the Implementation Date, be exercisable or required to be performed by the Transferee, the Transferee Board, the Transferee Actuary, the Transferee auditor or any other officers, employees or agents of the Transferee respectively, and accordingly all obligations of the Transferor or any officers, employees or agents of the Transferor in relation to any of the Transferring Policies shall, with effect on and from the Implementation Date, cease. All references in a Transferring Policy to the Transferor Group shall, where the context requires, be read and construed with effect from the Implementation Date as references to the Transferee Group.

## **7. Declaration of Trust by the Transferor**

- 7.1 if any Residual Assets, or other property of the Transferor that is intended to transfer under this Scheme, do not transfer to the Transferee under this Scheme on the Implementation Date, the Transferor will, from the Implementation Date, subject to receiving all necessary consents or waivers (if any), hold such property and any associated proceeds of sale, income, or other accrued rights or returns as trustee for the Transferee.
- 7.2 The Transferee shall indemnify the Transferor on demand against any Losses incurred in connection with its trusteeship under this Scheme.

## **8. Indemnities**

- 8.1 From the Implementation Date until the relevant Subsequent Transfer Date, the Transferee shall discharge on the Transferor's behalf or, failing that, shall indemnify the Transferor against each Residual Liability and any Losses incurred by the Transferor in connection therewith.
- 8.2 Where the Transferor is entitled to receive an amount pursuant to paragraph 8.1, it shall be entitled to receive such amount as, after payment of any liability to Tax in respect of the amount receivable and/or any deduction or withholding required to be made from any payment under paragraph 8.1 will result in the receipt of an amount equal to the liability indemnified against.

## **9. Allocations in respect of Transferring Business**

- 9.1 Any allocation of property or attribution of liabilities to the Non-Profit Fund of the Transferee is for the purpose of establishing policyholder entitlements from time to time and shall not be taken to limit the availability of all the property from time to time of the Transferee to meet the liabilities which it is obliged by law to meet.
- 9.2 With effect from:
- (a) the Implementation Date, the Transferring Policies shall be allocated to the Transferee Non-Profit Fund;
  - (b) the Guernsey Implementation Date, the Guernsey Policies shall be allocated to the Transferee Non-Profit Fund; and
  - (c) the Jersey Implementation Date, the Jersey Policies shall be allocated to the Transferee Non-Profit Fund.
- 9.3 With effect from:
- (a) the Implementation Date, all Transferring Assets shall be allocated to the Transferee Non-Profit Fund;
  - (b) each applicable Subsequent Transfer Date, each Residual Asset shall be allocated to the Transferee Non-Profit Fund.



- 9.4 With effect from:
- (a) the Implementation Date, the following shall be allocated to the Transferee Non-Profit Fund:
    - (i) all Transferring Liabilities;
    - (ii) the liability to indemnify the Transferor pursuant to paragraph 7 of this Scheme; and
    - (iii) the liability to discharge liabilities on the Transferor's behalf or failing that to indemnify the Transferor pursuant to paragraph 8.
- 9.5 With effect from the applicable Subsequent Transfer Date, each Residual Liability shall be allocated to the Transferee Non-Profit Fund.
- 9.6 If any doubt or difference shall arise as to the allocation or attribution of any Transferring Asset, Transferring Liability, Residual Asset or Residual Liability in accordance with this Scheme, such doubt or difference shall be determined by the Transferee Board, having obtained appropriate actuarial advice.

## **10. Linked Funds**

- 10.1 With effect from the Implementation Date:
- (a) the property and any associated liabilities in each Linked Fund of the Transferor, to the extent that they are Transferring Assets and Transferring Liabilities, respectively, shall be allocated to and become comprised in a corresponding Linked Fund of the Transferee within the Transferee Non-Profit Fund, comprising immediately following the Implementation Date the same number and value of units as were comprised within the relevant Linked Fund of the Transferor immediately prior to the Implementation Date;
  - (b) subject always to the provisions of this paragraph 10, in relation to any benefits under the Transferring Policies which are linked to a Linked Fund of the Transferor pursuant to paragraph 10.1(a), the Transferee shall become entitled to the same rights and powers and be subject to the same duties and liabilities as applied to the Transferor in relation to the corresponding Linked Fund of the Transferor;
  - (c) benefits under any Transferring Policy which, immediately prior to the Implementation Date were linked to any one or more Linked Fund or Linked Funds of the Transferor shall become linked to the corresponding Linked Fund or Linked Funds of the Transferee, and the Transferee shall allocate to each such Transferring Policy the same number and classes of units in the corresponding Linked Fund or Linked Funds of the Transferee as the number and classes of units in the relevant Linked Fund or Linked Funds of the Transferor which were allocated to the Transferring Policy immediately prior to the Implementation Date; and

- (d) the Transferee shall from time to time allocate (and re-allocate) Transferring Assets in respect of the Transferred Policies to which the Automatic Allocation Mechanism applies in accordance with the Automatic Allocation Mechanism.
- 10.2 If any property comprised in a Linked Fund of the Transferor falls within the provisions of paragraph 7.1, all interests and rights in relation to such property shall be allocated to the relevant Linked Fund of the Transferee to which such property would, had it been a Transferring Asset, been allocated.
- 10.3 On and with effect from the relevant Subsequent Transfer Date, each Residual Asset that is comprised in a Linked Fund of the Transferor shall be allocated to that Linked Fund of the Transferee to which it would have been allocated pursuant to this paragraph 10 had it been a Transferring Asset.

## **11. Maintenance of Transferee sub-funds**

- 11.1 Nothing in this Scheme shall at any time prevent the Transferee from establishing and maintaining other funds or sub-funds or Linked Funds in respect of any of its business or policies from time to time.

## **12. Undertakings and covenants**

- 12.1 With effect from the Implementation Date:
  - (a) the Transferee shall comply with the provisions set out in Part A of Schedule 2; and
  - (b) the Transferor shall comply with the provisions set out in Part B of Schedule 2.

## **13. Establishment of the German WP Fund**

- 13.1 On and from the Implementation Date the German WP Fund shall be established and maintained as a separate sub-fund within the Transferor.
- 13.2 On and with effect from the Implementation Date:
  - (a) the German WP Policies shall be allocated to the German WP Fund;
  - (b) the Transferor shall, in respect of each UK Style German WP Policy, allocate to such policy an amount equal to the sum of:
    - (i) the Policy Value of such UK Style German WP Policy as at the Implementation Date; and
    - (ii) the Primary Uplift Amount Equivalent attributable to such UK Style German WP Policy,(together the **Initial Asset Share**)

and shall allocate Excluded Assets in an amount backing the Initial Asset Share in respect of each UK Style German WP Policy to the German WP Fund;

- (c) in addition to the assets allocated in accordance with subparagraph (b) above, the Transferor shall allocate to the German WP Fund such additional Excluded Assets as are required so that the total assets allocated to the German WP Fund at the Implementation Date are equal to the German WP Fund Liabilities as at the Implementation Date;
- (d) upon allocation to the German WP Fund, the entitlement of the UK Style German WP Policies to participate in the profits and assets (and losses and liabilities) of the Transferor shall be ring-fenced for their benefit as the Asset Share in the German WP Fund and holders of German WP Policies shall have no right to participate in assets outside the German WP Fund, including in the Transferor's Main Fund; and
- (e) all the liabilities (including present or future, actual or contingent and prospective liabilities) whatsoever and wheresoever arising, attributable to or in connection with the German WP Policies, shall be allocated to the German WP Fund other than any liabilities which are required, pursuant to the relevant rules in the Conduct of Business Sourcebook of the FCA Handbook, to be allocated to the Transferor's Main Fund.

13.3 The only new business undertaken by the Transferor which shall be allocated to the German WP Fund shall be:

- (a) premiums in respect of German WP Policies;
- (b) such business as the Transferor Actuary and the Transferor With-Profits Actuary decide is required to be written into the German WP Fund in order to avoid:
  - (i) a liability, or an increase in a liability, to Tax of the holder of a policy allocated to the German WP Fund in his capacity as the holder of such policy; or
  - (ii) a failure to satisfy the reasonable expectations (including taking account of appropriate obligations to treat customers fairly) of, or to satisfy an obligation to, the holder of a policy allocated to the German WP Fund.

#### **14. Maintenance of the German WP Fund**

14.1 Subject to the provisions of this Scheme, at all times after the Implementation Date, the Transferor shall procure that:

- (a) the German WP Fund is separately maintained as a separate sub-fund within the Transferor; and
- (b) separate accounting records for the German WP Fund and any other fund of the Transferor are at all times maintained which are sufficient to enable the separate identification of the



property, assets and liabilities allocated to the German WP Fund.

- 14.2 The German WP Fund and the UK Style German WP Policies will be administered in accordance with the Transferor's PPFM from time to time.
- 14.3 Any future changes to the principles or practices outlined in the Transferor's PPFM shall:
- (a) be made in accordance with the Transferee's governance process for its with-profits business as applied from time to time; and
  - (b) be made in accordance with the relevant FCA rules in the Conduct of Business Sourcebook in the FCA's Handbook.

## **15. Internal Transfers**

- 15.1 Subject to paragraph 15.2, and save as otherwise expressly provided for by this Scheme and subject to Applicable Laws, there shall not at any time on or after the Implementation Date be any transfer, exchange or re-allocation of property or liabilities from the German WP Fund to any other Transferor fund except for a transfer, exchange or re-allocation of property or liabilities on arm's length terms (including terms reflecting an appropriate allowance, if any, for Tax or deferred Tax) and which has been certified as being on arm's length terms by the Transferor Actuary and the Transferor With-Profits Actuary (and the Transferor Actuary and Transferor With-Profits Actuary having reviewed the contemplated transaction), provided that any such transfer, exchange or re-allocation shall not have any adverse implications for the reasonable expectations (including taking account of appropriate obligations to treat customers fairly) or security of the holders of policies which are allocated from time to time to the German WP Fund.
- 15.2 If any policy which has been allocated to the German WP Fund were, at any time and for any reason, to cease to confer a right on the policyholder to participate in profits, that policy and any assets in the German WP Fund relating to that policy shall be transferred and re-allocated from the German WP Fund to the Transferor's Main Fund.

## **16. Credits to the German WP Fund**

- 16.1 With effect from the Implementation Date, there shall be credited to the German WP Fund all of the following:
- (a) all property allocated to the German WP Fund in accordance with paragraph 13 of this Scheme;
  - (b) all payments from third parties arising from any Proceedings continued by or against the Transferor to the extent that such Proceedings relate to policies, property or liabilities allocated to

the German WP Fund, pursuant to paragraph 13 of this Scheme;

- (c) all investment gains, earnings, income and profits arising from the property and business allocated to the German WP Fund;
- (d) all amounts resulting from the sale of any property allocated to the German WP Fund;
- (e) all premiums and other amounts received by the Transferor pursuant to policies allocated from time to time to the German WP Fund;
- (f) all amounts received under reinsurance arrangements in respect of liabilities from time to time allocated to the German WP Fund which are reinsured;
- (g) all amounts in respect of taxation which are to be credited to the German WP Fund;
- (h) all property transferred to the German WP Fund in respect of any transfer, exchange or reallocation of property or other transaction pursuant to paragraph 15;
- (i) any amounts to be credited to the German WP Fund in accordance with the Inter-Fund Reinsurance Arrangement as described in Schedule 3; and
- (j) any other amounts which are required by this Scheme to be credited to or received by the German WP Fund or which are determined by the Transferor Actuary and the Transferor With-Profits Actuary, in accordance with the PPFM applicable to the UK Style German WP Policies and the Transferor's usual practice, to be properly attributable to the German WP Fund.

## **17. Debits from the German WP Fund**

17.1 With effect from the Implementation Date, there shall be debited from, and charged to, German WP Fund all of the following:

- (a) all amounts paid by the Transferor in respect of those liabilities which are allocated to the German WP Fund in accordance with paragraph 13 of this Scheme (including all amounts payable in respect of policies allocated from time to time to the German WP Fund, arising by reason of surrender, death, annuity vesting or payment, disability or maturity or other event giving rise to a claim);
- (b) all payments to third parties arising from any Proceedings continued by or against the Transferor, to the extent that such Proceedings relate to policies, property or liabilities allocated to the German WP Fund, pursuant to paragraph 13 of this Scheme;
- (c) all charges (if any) for guarantees as provided for in paragraph 8 of Part B of Schedule 2;

- (d) all annual management charges relating to the German WP Policies;
- (e) any per Policy expense charges as agreed by the Transferor Board, having consulted with the With-Profits Actuary of the Transferor;
- (f) all premiums and other amounts paid under reinsurance arrangements in respect of Policies from time to time allocated or reinsured to the German WP Fund which are reinsured;
- (g) all liabilities, costs, expenditure, losses and declines in value arising from the property or business allocated to the German WP Fund;
- (h) all amounts in respect of taxation which are debited or charged to the German WP Fund;
- (i) any amounts to be debited from the German WP Fund in accordance with the Inter-Fund Reinsurance Arrangement as described in Schedule 3;
- (j) such property as is transferred from the German WP Fund in respect of any transfer, exchange or reallocation of property or other transaction pursuant to paragraph 15;
- (k) the amount of any payments for property purchased for the German WP Fund; and
- (l) any other amounts which are required by this Scheme to be debited or charged to the German WP Fund which are determined by the Transferor Actuary and the Transferor With-Profits Actuary, in accordance with the PPFM applicable to the UK Style German WP Policies and the Transferor's usual practice, to be properly charged to the German WP Fund.

## **18. Rights and obligations in relation to Partially Transferring Contracts**

### **18.1 From the Implementation Date, in respect of any Partially Transferring Contract:**

- (a) that part of the Partially Transferring Contract that relates to the Transferring Business, subject to paragraph 18.1(c), shall transfer to the Transferee in accordance with paragraph 3;
- (b) that part of the Partially Transferring Contract that relates to the Excluded Business, subject to paragraph 18.1(c), shall continue in force with the Transferor on its original terms; and
- (c) both the transferred part of the Partially Transferring Contract and the retained part of the Partially Transferring Contract shall be deemed to be amended to the extent necessary to ensure that each of the transferred part and the retained part shall behave as a single contract and any references to the contracting party shall be construed as referring to both the Transferor and the Transferee taken together, and as between

the Transferor and the Transferee the benefit and/or burden of such Partially Transferring Contract (including, where applicable, any limits or sub-limits, deductions or retentions and any other policy provisions of similar effect) shall be apportioned in aggregate across both the Transferor and the Transferee so that no party (including the contractual counterparty) is better or worse off in respect of such contract as a result of this Scheme.

## **19. Data Protection**

- 19.1 On and with effect from the Implementation Date, the Business Records, which may include personal data protected under Applicable Privacy Laws, shall be transferred to the Transferee and may be used by the Transferee for, and disclosed by the Transferee to, and used by, any agent or contractor of the Transferee to the same extent that they were used by the Transferor and its agents or contractors prior to the Implementation Date for all purposes in connection with the Transferring Policies including, in particular, administration thereof and all matters relevant or incidental thereto, and no consent from the individual policyholders in respect of such disclosure, transfer of records and use shall be required.
- 19.2 To the extent that an authority has been given to the Transferor in connection with a Transferring Policy by the policyholder thereof or by any other relevant person, whether pursuant to Applicable Privacy Laws or otherwise, such authority shall, on and after the Implementation Date, be deemed to have been given to the Transferee.

## **20. The Implementation Date**

- 20.1 This Scheme will not become effective on the Implementation Date unless:
- (a) the Court has made an Order under section 111 of FSMA sanctioning this Scheme;
  - (b) all Tax Clearances have been obtained in form and content satisfactory to both parties (unless the parties otherwise agree in writing); and
  - (c) the Part 26 Scheme has been implemented in accordance with paragraph 1.5 of the Part 26 Scheme,
- on or before the Implementation Date.
- 20.2 Subject to paragraph 20.1, this Scheme shall become effective on the Implementation Date immediately after the Part 26 Scheme has been implemented in accordance with paragraph 1.5 of the Part 26 Scheme.

## **21. Modification or Additions to this Scheme**

21.1 The Transferor and the Transferee may at any time before the Implementation Date consent for and on behalf of the persons bound by this Scheme and all other persons concerned (other than the PRA and the FCA) to any modification or addition to this Scheme or to any further condition or provision affecting the same which, prior to its sanction of this Scheme, the Court may approve or impose, provided that where such amendment results in a significant change to the Scheme:

- (a) the PRA and FCA shall be notified in advance and as soon as reasonably practicable, and shall each have the right to request further information and comment on the proposed amendment; and
- (b) such amendment shall be accompanied by a certificate from the Independent Expert to the effect that the proposed amendment will not materially adversely affect the benefit expectations of holders of the Transferring Policies or existing policyholders of the Transferee.

21.2 Subject to paragraph 21.3, any amendment to this Scheme after the Implementation Date must be:

- (a) approved, if applicable, by the Court;
- (b) notified in advance, and not less than six weeks prior to the proposed Court hearing, to the PRA and FCA, who shall each have the right to attend and be heard at any hearing of the Court (if applicable) at which such application is considered; and
- (c) accompanied by a certificate from an independent expert, approved for the purpose by the PRA, having consulted with the FCA, to the effect that in his opinion (having considered the proposed amendments in the round), the proposed amendments to the Scheme will not have a material adverse effect on the policyholders in the Transferee, including by reference to:
  - (i) the effect of the proposed amendments to the Scheme on the security of those policyholders' contractual rights, including the likelihood and potential effects of the insolvency of the Transferee; and
  - (ii) the cost and tax effects of the proposed amendments to the Scheme, including in so far as they may affect the security of those policyholders' contractual rights or their reasonable benefit expectations.



21.3 Any amendment to this Scheme will not require Court approval where:

- (a) such amendment is:
  - (i) considered by the Transferee to be minor and/or technical; or
  - (ii) to correct manifest errors; or
  - (iii) required to reflect any change in Applicable Law or in the interpretation or application of Applicable Law which has or will have any implications for the Transferor or Transferee; or
  - (iv) necessary to reflect any changes in the actuarial practices relating to, or techniques for the management of, the Transferring Policies; or
  - (v) required to protect the rights and reasonable expectations of the policyholders of the Transferring Policies; and
- (b) the relevant department of each of the PRA and the FCA has been notified of such amendment and either:
  - (i) the PRA and the FCA have respectively indicated that they do not object to such amendment; or
  - (ii) in respect of the PRA and the FCA, a period of 28 days has passed commencing on the date of receipt of the relevant notification by both regulators without either regulator indicating any objections thereto.

## **22. Costs and Expenses**

22.1 The Transferor and Transferee will bear their own costs and expenses in relation to preparing and carrying out this Scheme.

22.2 Notwithstanding paragraph 22.1, the Transferee will bear all stamp duty, stamp duty reserve tax, notarisational fees or other documentary transfer or transaction duties including in each case any related penalties arising as a result of this Scheme.

## **23. Continuity of the RMIS Scheme**

The RMIS Scheme shall, notwithstanding the terms of this Scheme, continue in full force and effect in accordance with its terms and the terms of the RMIS Order, including any rights, powers, options or liabilities which the Transferee has under or pursuant to the RMIS Scheme and/or the RMIS Order. If there is any conflict between the terms of this Scheme and the RMIS Scheme, this Scheme shall prevail in relation to the Transferring Policies (and as between the Transferor and the Transferee and as between any Transferor Group company and any Transferee Group company).

## **24. Successor and Assigns**

This Scheme will bind and enure to the benefit of the successors and assigns of the Transferor and the Transferee.

## **25. VAT**

- 25.1 All sums payable under or pursuant to this Scheme are exclusive of any applicable VAT.
- 25.2 Where, under or pursuant to this Scheme, any party (the **Supplier**) makes a supply to any other party (the **Recipient**) for VAT purposes and VAT is or becomes chargeable on that supply, subject to paragraph 25.4 the Recipient shall, subject to the receipt of a valid VAT invoice, pay to the Supplier (in addition to, and at the same time as, any other consideration for that supply) an amount equal to such VAT.
- 25.3 The Transferor and the Transferee each consider that the transfer of the Transferring Business will constitute the transfer of a going concern and each intend that the transfer of the Transferring Business should therefore accordingly fall within article 5 of the Value Added Tax (Special Provisions) Order 1995 so as to be treated as neither a supply of goods nor a supply of services for the purposes of VAT.
- 25.4 If HMRC determines that the transfer of the Transferring Business is a supply on which VAT is chargeable, the Transferee shall pay to the Transferor on the Implementation Date or, if later, five (5) Business Days after receipt of notice from the Transferor and against delivery of a valid VAT invoice, the amount of any VAT which is chargeable in respect of the relevant supply.
- 25.5 This paragraph 25 is without prejudice to any other provision in relation to VAT that may be agreed between the Transferor and Transferee.
- 25.6 In this paragraph 25, references to the Transferor and the Transferee include, where applicable, references to the representative member of any group of which such entity is a member for VAT purposes.

## **26. Evidence of Transfer**

The production of a copy of the Order (and, where applicable, the order of the Royal Court of Jersey in respect of the sanctioning of the Jersey Scheme and the Royal Court of Guernsey in respect of the sanctioning of the Guernsey Scheme) with any modifications, amendments and/or additions made under paragraph 21 (and the equivalent provisions of the Jersey Scheme and the Guernsey Scheme), shall for all purposes be evidence of the transfer to and vesting in the Transferee of (i) the Transferring Business, the Transferring Assets, the Transferring Liabilities and the Transferring Policies, on and from the Implementation Date; and (ii) the Residual



Assets, Residual Liabilities and Excluded Policies, on and from the relevant Subsequent Transfer Date.

**27. Third Parties**

Third parties may not enforce any term of this Scheme pursuant to the Contracts (Rights of Third Parties) Act 1999.

**28. Governing Law**

This Scheme is governed by, and shall be construed in accordance with, English law.

## SCHEDULE 1

### REINSURANCE AGREEMENTS

No.	Contract	Split
1.	Reinsurance Agreement commencing on 1 August 1993 covering critical illness risks entered into between The Equitable Life Assurance Society and the Mercantile and General Reinsurance Company plc (as amended and restated on 1 January 1996). Novated to Swiss Re Life & Health (1997) Limited on 1 January 1998.	
2.	Reinsurance Agreement commencing on 31 December 1995 covering critical illness risks entered into between The Equitable Life Assurance Society and Permanent Insurance Company Ltd.	
3.	Reinsurance Agreement commencing on 1 December 1993 covering medical expenses risks entered into between The Equitable Life Assurance Society and the Mercantile and General Reinsurance Company plc (as amended and restated on 1 January 1996). Novated to Swiss Re Life & Health (1997) Limited on 1 January 1998.	*
4.	Reinsurance Agreement commencing on 31 December 1995 covering medical expenses risks entered into between The Equitable Life Assurance Society and Permanent Insurance Company Ltd.	*
5.	Reinsurance Agreement commencing on 1 November 2016 covering mortality risks entered into between The Equitable Life Assurance Society and Swiss Re Europe SA.	*
6.	Reinsurance Agreement commencing on 1 May 1982 covering mortality risks entered into between The Equitable Life Assurance Society and the Victory Reinsurance Company Limited.	
7.	Reinsurance Agreement commencing on 23 March 2001 covering investment links to unitised funds (unitised with-profit investments) entered into between The Equitable Life Assurance Society and Clerical Medical Investment Group Limited (as amended and restated on 24 January	

	2011).	
8.	Reinsurance Agreement commencing on 1 March 2001 covering mortality and longevity risks (all business other than unitised with-profit investments) entered into between The Equitable Life Assurance Society and Halifax Life Limited (as amended and restated on 24 January 2011).	*
9.	Reinsurance Agreement commencing on 16 February 1993 covering mortality risks for the Flexible Protection Plans entered into between The Equitable Life Assurance Society and the Mercantile and General Reinsurance Company plc (as amended and restated on 2 February 1998). Novated to Swiss Re Life & Health (1997) Limited on 1 January 1998.	*
10.	Reinsurance Agreement commencing on 1 January 1996 covering mortality risks for the Equitable Life Assurance Society staff pension scheme life cover entered into between The Equitable Life Assurance Society and the Mercantile and General Reinsurance Company plc. Novated to Swiss Re Life & Health (1997) Limited on 1 January 1998. Note: this cover is no longer offered but the treaty has not been cancelled.	
11.	Reinsurance Agreement commencing on 1 January 1981 covering mortality risks for the group scheme life cover entered into between The Equitable Life Assurance Society and the Mercantile and General Reinsurance Company plc (as amended and restated on 1 April 1996). Novated to Swiss Re Life & Health (1997) Limited on 1 January 1998.	*
12.	Reinsurance Agreement commencing on 6 June 1988 covering mortality risks for individual assurances entered into between The Equitable Life Assurance Society and the Mercantile and General Reinsurance Company plc. Novated to Swiss Re Life & Health (1997) Limited on 1 January 1998.	*



## SCHEDULE 2

### PART A- TRANSFEREE UNDERTAKINGS AND COVENANTS

#### ***Administration of Transferring Business***

1. In the Twelve Month Period, the Transferee:
  - (a) shall use all reasonable endeavours to administer, or procure the administration of, the Transferring Business such that the Transferring Policies are administered in accordance with: (i) Applicable Law; and (ii) to an equivalent standard as was applied to unit linked and annuity policies during the 12 months immediately prior to the Implementation Date (including in respect of the fair treatment of customers); and
  - (b) undertakes not to make any material amendments to the terms and conditions of the Transferring Policies (as a whole), other than those required by changes in Applicable Law, or take any action that would adversely impact the reasonable expectations of the policyholder in respect of a Transferring Policy.
2. Following the expiry of the Twelve Month Period, the Transferee shall use its reasonable endeavours to administer, or procure the administration of, the Transferring Business such that the Transferring Policies are administered in accordance with Good Industry Practice and Applicable Law and to a standard that is at least equivalent to the level of administration provided by the Transferee in its business generally (including in respect of the fair treatment of customers).

#### ***Annual management charges***

3. The Transferee agrees that for the Twelve Month Period:
  - (a) the annual management charge to be paid by the Transferee's policyholders who hold their assets in respect of their investments in the Secure Cash Investment shall not exceed 50 basis points; and
  - (b) regardless of the level of the annual management charge in respect of the Secure Cash Investment, the unit price of the Secure Cash Investment for such policyholder shall not fall below its level at the Implementation Date,  
  
provided that the Transferee shall work in good faith to procure that the discharge of the provisions in this paragraph 3 of Part A do not adversely affect the tax position of the Transferee's policyholders.
4. Without prejudice to paragraph 3 above of this Part A, the Transferee agrees that the annual management charges to be paid by a Transferring Policyholder under its Transferring Policy, in respect of



the Linked Funds in which they are invested following the Implementation Date shall not exceed 75 basis points, except in circumstances where either:

- (a) the annual management charges paid by a Transferring Policyholder under its Transferring Policy, in respect of the Linked Funds in which they are invested prior to the Implementation Date exceed 75 basis points at the Implementation Date; or
- (b) there has been a material increase in the Transferee's costs resulting from regulatory action that also results in other life companies increasing their annual management charges; or
- (c) there has been an increase in third party investment management, custody, trading or unit-pricing costs where such costs are higher than the costs in respect of the unit-linked business of the Transferor and related funds as at 14 June 2018,

and that in no circumstances will the annual management charges paid by a Transferring Policyholder under its Transferring Policy, in respect of the Linked Funds in which they are invested after the Implementation Date, exceed 100 basis points.

5. The Transferee agrees that the only charges applied by the Transferee that will be borne by a Transferring Policyholder under its Transferring Policy, in respect of the Linked Funds in which they are invested following the Implementation Date are:

- (a) the annual management charges set-out in paragraphs 3 and 4 of this Part A;
- (b) explicit deductions from units as set out in Schedule 4 of the Part 26 Scheme or policy terms, to cover additional insurance benefits on some policies; and
- (c) any other charges allowed for in the terms and conditions of such Transferring Policy.

6. For the avoidance of doubt:

- (a) no charges other than the annual management charges set out in paragraphs 3, 4 and 5 of this Part A will be applied by the Transferee in respect of investment management, administration or asset management costs, including fund management charges and custody charges; however for the Property Fund only, a portion of the property asset management related expenses will also be reflected in the price of units of the relevant Transferring Policy;

- (b) costs incurred in buying, selling, lending or borrowing assets, for example broker fees, stamp duty and taxes will be reflected in the price of units of the Transferring Policy; and
- (c) ongoing charges incurred by the underlying OEIC shall be rebated by the Transferee so that the Transferring Policyholder is exposed to annual management charges and not additional ongoing charges.

#### ***Default Allocation Mechanism***

7. The Transferee shall:
  - (a) comply with paragraphs 24 to 25 of Schedule 2 of the Part 26 Scheme in respect of the Automatic Allocation Mechanism in relation to the Secure Cash Investment and/or the Automatic Allocation Asset Mix Funds maintained by the Transferee following the Implementation Date; and
  - (b) communicate with those Transferee policyholders whose assets in respect of their New Unit-linked Policy are held in the Secure Cash Investment and/or the Automatic Allocation Asset Mix Funds at least two (2) times in aggregate during the Twelve Month Period (which shall include any communication included in the annual statement), to ensure that such policyholders are provided with sufficient information in respect of alternative funds to allow them to elect an alternative fund at any time.

### **PART B- TRANSFEROR UNDERTAKINGS AND COVENANTS**

#### ***Administration of Excluded Policies***

1. In the Twelve Month Period, the Transferor shall:
  - (a) use all reasonable endeavours to administer, or procure the administration of, the Excluded Policies in accordance with: (i) Applicable Law; and (ii) to an equivalent standard as was applied during the 12 months immediately prior to the Implementation Date (including in respect of the fair treatment of customers); and
  - (b) undertake not to make any material amendments to the terms and conditions of the Excluded Policies (as a whole), other than those required by changes in Applicable Law, or take any action that would adversely impact the reasonable expectations of the policyholder in respect of an Excluded Policy.
2. Following the expiry of the Twelve Month Period, the Transferor shall use its reasonable endeavours to administer, or procure the administration of the Excluded Policies in accordance with Good Industry Practice and Applicable Law and to a standard that is at least equivalent to the level of administration provided by the Transferee in

its business generally (including in respect of the fair treatment of customers).

***Annual management charges on Linked Policies***

3. The Transferor agrees that for the Twelve Month Period:
  - (a) the annual management charge to be paid by the Transferor's policyholders who hold their assets in respect of their investments in the Secure Cash Investment shall not exceed 50 basis points; and
  - (b) regardless of the level of the annual management charge in respect of the Secure Cash Investment, the unit price of the Secure Cash Investment for such policyholder shall not fall below its level at the Implementation Date;  
  
provided that the Transferor shall work in good faith to procure that the discharge of the provisions in this paragraph 3 of Part B do not adversely affect the tax position of the Transferor's policyholders.
4. Without prejudice to paragraph 3 of this Part B, the Transferor agrees that the annual management charges to be paid by a Transferor policyholder under its Excluded Policy that is a Linked Policy, in respect of the Transferor Linked Fund in which they are invested following the Implementation Date shall not exceed 75 basis points, except in circumstances where either:
  - (a) the annual management charges paid by a Transferor policyholder under its Excluded Policy that is a Linked Policy, in respect of the Transferor Linked Fund in which they are invested prior to the Implementation Date exceed 75 basis points at the Implementation Date; or
  - (b) there has been a material increase in the Transferor's costs resulting from regulatory action that also results in other life companies increasing their annual management charges; or
  - (c) there has been an increase in third party investment management, custody, trading or unit-pricing costs where such costs are higher than the costs in respect of the unit-linked business of the Transferor and related funds as at 14 June 2018,  
  
and that in no circumstances will the annual management charges paid by a Transferor policyholder under its Excluded Policy that is a Linked Policy, in respect of the Transferor Linked Fund in which they are invested after the Implementation Date, exceed 100 basis points.
5. The Transferor agrees that the only charges applied by the Transferor that will be borne by a policyholder under its Excluded Policy that is a Linked Policy, in respect of the Linked Funds in which they are invested following the Implementation Date are:

- (a) the annual management charge set out in paragraphs 3 and 4 above of this Part B;
  - (b) explicit deductions from units as set out in Schedule 4 of the Part 26 Scheme or policy terms, to cover additional insurance benefits on some policies; and
  - (c) any other charges allowed for in the terms and conditions of such Excluded Policy.
6. For the avoidance of doubt:
- (a) no charges other than the annual management charges set out in paragraphs 3, 4 and 5 above of this Part B will be applied by the Transferor in respect of investment management, administration or asset management costs, including fund management charges and custody charges; however for the Property Fund only, a portion of the property asset management related expenses will also be reflected in the price of units of the relevant Excluded Policy;
  - (b) costs incurred in buying, selling, lending or borrowing assets, for example broker fees, stamp duty and taxes will be reflected in the price of units of the Excluded Policy; and
  - (c) ongoing charges incurred by the underlying OEIC shall be rebated by the Transferor so that the policyholder of an Excluded Policy is exposed to annual management charges and not additional ongoing charges.

*Annual management charges and guarantee charges on UK Style German WP Policies*

7. The Transferor agrees that the annual management charges to be paid by a policyholder through deductions to the Asset Share allocated to its UK Style German WP Policy, shall not exceed 75 basis points, except in circumstances where either:
- (a) there has been a material increase in the Transferor's costs resulting from regulatory action that also results in other life companies increasing their annual management charges; or
  - (b) there has been an increase in third party investment management, custody or trading costs where such costs are higher than the costs in respect of the Linked Funds as at 14 June 2018,
- and that in no circumstances will the annual management charges paid by a policyholder under its UK Style German WP Policy exceed 100 basis points.

8. The Transferor agrees that the guarantee charges to be paid by a policyholder through deductions to the Asset Share under its UK Style German WP Policy shall be determined by the Transferor Actuary and With-Profits Actuary in accordance with the Transferor's PPFM, and that in no circumstances will such charges exceed 50-basis points.
9. The Transferor agrees that the only charges applied by the Transferor that will be borne by a holder of a UK Style German WP Policy and applied to its Asset Share are:
  - (a) the annual management charge set out in paragraphs 7 and 8 of this Part B;
  - (b) explicit deductions from the Asset Share as set out in their policy terms, to cover additional insurance benefits on some policies; and
  - (c) any other charges allowed for in the terms and conditions of such UK Style German WP Policy.
10. For the avoidance of doubt:
  - (a) no charges other than the annual management charges set out in paragraphs 7, 8 and 9 above of this Part B will be applied to a UK Style German WP Policy by the Transferor in respect of investment, administration or asset management costs, including fund management charges and custody charges;
  - (b) however, costs incurred in buying, selling, lending or borrowing assets, for example broker fees, stamp duty and taxes will be reflected in the value of the assets backing the Asset Share of a UK Style German WP Policy; and
  - (c) ongoing charges incurred by the underlying OEIC shall be rebated by the Transferor so that the holder of a UK Style German WP Policy is exposed to annual management charges and not additional ongoing charges.
11. For the avoidance of doubt, no charge will be applied by the Transferor in respect of the Inter-Fund Reinsurance Arrangement to the German WP Fund or the Asset Shares allocated to the UK Style German WP Policies.

***Automatic Allocation Mechanism***

12. The Transferor shall:
  - (a) comply with paragraphs 24 to 25 of Schedule 2 of the Part 26 Scheme in respect of the Automatic Allocation Mechanism in relation to the Secure Cash Investment and/or the Automatic Allocation Asset Mix Funds maintained by the Transferor following the Implementation Date; and
  - (b) communicate with those policyholders of Excluded Policies (other than the German WP Policies) whose assets in respect of



their New Unit-linked Policy are held in the Secure Cash Investment and/or the Automatic Allocation Asset Mix Funds at least two (2) times in aggregate during the Twelve Month Period (which shall include any communication included in the annual statement), to ensure that such policyholders are provided with sufficient information in respect of alternative funds to allow them to elect an alternative fund at any time.

### SCHEDULE 3 ASSET SHARE AND INTER-FUND REINSURANCE ARRANGEMENT

#### Maintenance of Asset Share

1. An Asset Share shall be maintained at all times in respect of each UK Style German WP Policy in the German WP Fund.
2. At the Implementation Date, the Asset Share for each UK Style German WP Policy shall be equal to the Initial Asset Share for such policy.
3. From the Implementation Date:
  - (a) immediately with effect from a withdrawal being made in relation to a UK Style German WP Policy (a **Withdrawal Event**), the Asset Share for such policy shall be equal to the Asset Share immediately prior to the Withdrawal Event multiplied by the proportion of the UK style German WP Policy that has not been withdrawn under the Withdrawal Event; and
  - (b) immediately with effect from a payment of a premium by a holder of a UK Style German WP Policy (a **Premium Payment Event**), the Asset Share for such policy shall be equal to the Asset Share immediately prior to the Premium Payment Event, *plus* the premium received under the Premium Payment Event *less* any charges applied in line with the terms of the policy and this Scheme.
4. The Transferor shall calculate the Asset Share in respect of a UK Style German WP Policy:
  - (a) as soon as reasonably practicable after the occurrence of a Withdrawal Event or a Premium Payment Event;
  - (b) each time the German WP Fund Liabilities are calculated in accordance with paragraph 5 below; and
  - (c) otherwise as required from time to time,

(each such date being an **Asset Share Calculation Date**),

in accordance with the following provisions:

- (i) at any given time an Asset Share in respect of a UK Style German WP Policy shall be equal to:
  - (A) the Asset Share for such policy calculated by the Transferor at the previous Asset Share Calculation Date,  
  
*Plus* a share of the investment return earned on the assets backing the Asset Shares in respect of all UK Style German WP Policies, shared across all

Asset Shares in proportion to the total Asset Shares on all UK Style German WP Policies;

*Less* charges applied to the UK Style German WP Policies in accordance with Part B of Schedule 2 and the terms of the UK Style-German WP Policy;

*Plus or Less (as applicable)* any amount of smoothing to be attributed to the Asset Share in accordance with the PPFM,

or otherwise in accordance with such other approach as may be agreed from time to time by the Transferor Board having consulted with the With-Profits Actuary of the Transferor.

*Inter-Fund Reinsurance Arrangement*

5. The arrangement referred to in paragraphs 7 and 8 below shall be the ***Inter-Fund Reinsurance Arrangement***. The Inter-Fund Reinsurance Arrangement is intended to put into effect the position as agreed between the Transferor and Transferee so that the funds other than the German WP Fund within the Transferor bear the risk of a shortfall of assets in the German WP Fund, including in relation to the cost of guarantees relating to German WP Policies (and vice-versa, the benefit, if there is an excess of assets within the German WP Fund).
6. The Transferor shall monitor and calculate the value of the assets in the German WP Fund and the German WP Fund Liabilities in accordance with Applicable Law.
7. From the Implementation Date:
  - (a) the amount by which the total German WP Fund Liabilities exceeds the total value of the assets in the German WP Fund (including the Asset Shares) (the ***Excess Liability Amount***) shall, at all times, be a liability of the Transferor's Main Fund; and
  - (b) the amount by which the total value of the assets in the German WP Fund (including the Asset Shares) exceeds the total German WP Fund Liabilities (the ***Excess Assets Amount***) shall, at all times, be a liability to the Transferor's Main Fund.
8. The Transferor shall, from time to time and in any event within the 2 month period following the date of each re-calculation by the Transferor of the German WP Fund Liabilities in accordance with paragraph 5, transfer assets in an amount equal to (as at such re-calculation date):
  - (a) the Excess Liability Amount (if any) from the Transferor's Main Fund to the German WP Fund; or

- (b) the Excess Assets Amount (if any) from the German WP Fund to the Transferor's Main Fund.





**Schedule 2**  
**Part 26 Scheme**



CR-2019-004715

IN THE HIGH COURT OF JUSTICE  
BUSINESS AND PROPERTY  
COURTS OF ENGLAND AND  
WALES COMPANIES COURT  
(ChD)

IN THE MATTER OF THE EQUITABLE LIFE ASSURANCE  
SOCIETY

AND

IN THE MATTER OF THE COMPANIES ACT 2006

# **Scheme of Arrangement**

under Part 26 of the Companies Act 2006

between

**The Equitable Life Assurance  
Society**

and

**the “Scheme Policyholders”**  
(as defined in this Scheme of Arrangement)

## DEFINITIONS AND INTERPRETATION

(A) In this Scheme the following expressions mean the following things:

**Articles** means the articles of association of the Equitable in force as at the date on which the Court makes the Order;

**Automatic Allocation Age-Related Policy** means a Scheme Policy which:

- (a) is a With-Profits Policy;
- (b) has the primary purpose of providing retirement benefits for a specified individual named in the policy;
- (c) is denominated in sterling; and
- (d) whose Policy Value is accumulated with returns gross of tax;

**Automatic Allocation Asset Mix Funds** means, together, the USD Global Equity Fund, the Irish Managed Fund, the Multi-Asset Cautious Fund, the Multi-Asset Moderate Fund and the Money Market Fund;

**Automatic Allocation Mechanism** means the mechanism described in paragraphs 24 to 25 of Part B of Schedule 2;

**Automatic Allocation Scheme Policy** means a Scheme Policy which is subject to the Automatic Allocation Mechanism in accordance with paragraph 21 of Part B of Schedule 2;

**Board** means the board of directors of the Equitable or any duly constituted committee thereof;

**Business Day** means a day, other than a Saturday or a Sunday, on which banks are open for general business in London;

**Calculation Date** means the date of the last day of the quarter-year which ends before the Implementation Date, provided that that date is no fewer than 50 Business Days before the Implementation Date, in which case, the date of the last day of the previous quarter-year;

**Capital Distribution Amount** means the amount defined by and due in accordance with the Principles and Practices of Financial Management;

**Capitalisation Requirement** means the Purchaser has Eligible Own Funds equal to the higher of its Regulatory MCR or 150 per cent. of its Regulatory SCR as it will be immediately

after the provisions of Clause 1.5 and the Transfer have taken effect;

**Capitalisation Requirement Certificate** means a certificate to be displayed on the Equitable's website, <https://www.equitable.co.uk>, confirming that the Board is satisfied, in its discretion and in such manner as it considers fair and reasonable (which decision shall be final and binding on the Equitable, Scheme Policyholders and Legacy Scheme Policyholders), that the Capitalisation Requirement has been satisfied;

**Change in Control Approval** means the PRA having given notice in writing in accordance with either section 189(4)(a) or section 189(7) FSMA that it approves, whether conditionally or unconditionally, the Purchaser and, where relevant, any of its controllers acquiring control (within the meaning of section 181 FSMA) of the Equitable, or in the absence of such notice, the PRA being treated, under section 189(6) of FSMA, as having approved the acquisition of control of the Equitable by those persons;

**Court** means the High Court of Justice in England and Wales;

**Court Hearing** means the Court's hearing of the Equitable's application that the Scheme be sanctioned;

**Distributable Assets Amount** means the amount calculated in accordance with paragraph 6 of Schedule 1;

**Eligible Own Funds** has the meaning given to it in the PRA Rulebook's glossary;

**Eligible Sub-Policy Value** means:

- (a) in relation to Scheme Policies and Legacy Scheme Policies which are Recurrent Single Premium Policies, that part of a Sub-Policy Value which is derived from premiums paid, or contributions made by exercise of With-Profits Switching Rights, on or before 31 December 2017 (taking account of any partial withdrawals); and
- (b) in relation to Scheme Policies and Legacy Scheme Policies which are not Recurrent Single Premium Policies, their Sub-Policy Value;

**Endowment Policy** means a With-Profits Policy with a fixed term and fixed premiums which provides a guaranteed sum assured on death or maturity that may be increased by the addition of bonuses;



**Equitable (the)** means The Equitable Life Assurance Society, a company registered in England and Wales with number 00037038, with its registered office at Walton Street, Aylesbury, England HP21 7QW;

**Estimated Primary Uplift Amount** means, for each Sub-Policy or Legacy Sub-Policy, the amount calculated in accordance with paragraph 4 of Schedule 1;

**Expense Release Amount** means an amount, to be agreed between the Equitable and the Purchaser taking into account the methodology and assumptions used by the Equitable in determining its Own Funds and the Investment Guarantee Amount, which reflects the amount of expected cost savings arising from the implementation of the Scheme and the Transfer which is able to be allocated to Scheme Policyholders and which is not less than zero;

**Flexible Savings Plan** means a Whole of Life Policy, called a 'Flexible Savings Plan', which has specified levels of premiums and which provides enhanced benefits on the payment of those premiums after the 10<sup>th</sup> anniversary of the policy's inception;

**FSAVC Scheme** means the Equitable's free-standing additional voluntary contribution scheme;

**FSMA** means the Financial Services and Markets Act 2000 (as amended from time to time);

**GAR** means guaranteed annuity rate;

**German Policies Amount** means the amount calculated in accordance with paragraph 5 of Schedule 1;

**German Policy** means a German-Style German Policy or a UK-Style German Policy;

**German-Style German Policy** means a With-Profits Policy which is governed by German law and is listed in the CD marked 'GSGWPP' for identification purposes by the Equitable and the Purchaser;

**GMP** means:

- (a) the guaranteed minimum pension (or accrued rights to one) under Part III of the Pension Schemes Act 1993, which a UK occupational pension scheme is required to provide in respect of pension scheme members who were contracted out of the UK's state earnings-related pension scheme between 6 April 1978 and 5 April 1997;

- (b) any contracted-out salary-related benefits resulting from contracting out of the state second pension; and
- (c) any contractual arrangement which has the same or similar effect;

**Group Policy** means a Scheme Policy of which the policyholder is a Group Scheme Trustee acting in that capacity;

**Group Scheme Trustee** means the trustee or trustees (whether corporate or individual) from time to time of a group pension scheme;

**Implementation Date** means:

- (a) 1 January 2020, provided that before that date:
  - (i) the Board has given a Capitalisation Requirement Certificate;
  - (ii) the PRA has given the Change in Control Approval; and
  - (iii) the Court has made the Transfer Order; and
- (b) if any of the three conditions in (a) has not been satisfied before 1 January 2020, the first day of the quarter-year following the day on which all of those conditions are satisfied;

**Initial Six-Month Period** means the period of six months starting on the Implementation Date;

**Insurance Event Benefits** means benefits, including GARs and GMPs, arising under the Scheme Policies listed in Schedule 4 which are payable only on the occurrence of specified life events (such as the death or survival of the life assured, or the life assured being diagnosed with a particular medical condition, or the life assured undergoing specified hospital surgery);

**Investment Choice Form** means the form on which Scheme Policyholders can provide instructions for the manner in which the assets represented by their Uplifted Policy Value shall be invested, to be provided to Scheme Policyholders by the Equitable;

**Investment Guarantee** means any contractual promise (whether express or implied but not including Insurance Event Benefits) in a Scheme Policy that the Equitable shall pay benefits under that Policy at a level which is determined by or calculable by reference to:

- (a) amounts which have been paid in premiums;
- (b) an interest rate fixed at the outset of the policy;  
and
- (c) the period of time for which the premium, or premiums, have been invested;

**Investment Guarantee Amount** means the total sum required by the Equitable to meet its liabilities, in excess of the aggregate of the Policy Values of Scheme Policies, resulting from Investment Guarantees, calculated in accordance with Solvency II as at the Implementation Date (but before the provisions of Clause 1.5 take effect);

**Investment Guarantee Value** means the actuarially calculated expected value, if any, of the excess of:

- (a) in relation to Scheme Policies and Legacy Scheme Policies which are Recurrent Single Premium Policies:
  - (i) a Sub-Policy's Investment Guarantee, based on premiums paid, and contributions made by exercise of With-Profits Switching Rights, on or before 31 December 2017 and assuming future premium payments and contributions which are consistent with payments and contributions before that date, and taking into account any partial withdrawals;
  - (ii) above that Sub-Policy's Eligible Sub-Policy Value plus Estimated Primary Uplift Amount; and
- (b) in relation to Scheme Policies and Legacy Scheme Policies which are not Recurrent Single Premium Policies:
  - (i) a Sub-Policy's Investment Guarantee assuming payment of future contractual premiums;
  - (ii) above that Sub-Policy's Eligible Sub-Policy Value plus Estimated Primary Uplift Amount;

**Irish Managed Fund** means the Unit-Linked Fund of that name;

**Legacy Scheme Policy** means:

- (a) any With-Profits Policy which is not a German Policy and which subsisted on the date on which the Court makes the Order;
- (b) in relation to any person who was a member of the FSAVC Scheme that confers an entitlement to participate in the Equitable's profits on the date on which the Court makes the Order, that person's legal rights against and obligations to the Equitable as a result of their membership of the FSAVC Scheme; and
- (c) in relation to any Group Policy, which is not a German Policy, each Member Policy Component which subsisted on the date on which the Court makes the Order;

but where, to the Equitable's knowledge, the relevant With-Profits Policy or Member Policy Component ceases to subsist or the relevant individual ceases to be a member of the FSAVC Scheme between the date on which the Court makes the Order and the Implementation Date, in each case because the relevant life assured dies and the Equitable receives notice of this before the Implementation Date or the relevant policy has otherwise matured or expired other than at the election of the policyholder or relevant individual;

**Legacy Scheme Policy Exit Date** means the date on which a Policy becomes a Legacy Scheme Policy;

**Legacy Scheme Policy Uplift Amount** means, in relation to a Legacy Scheme Policy, the sum of the Legacy Uplift Amounts of each of that Legacy Scheme Policy's Legacy Sub-Policies;

**Legacy Scheme Policy Value** means, in relation to a Legacy Scheme Policy, the sum of all of the Sub-Policy Values of its Legacy Sub-Policies at the Legacy Scheme Policy Exit Date;

**Legacy Scheme Policyholder** means a holder of a Legacy Scheme Policy, except where the Legacy Scheme Policy relates to the Member Policy Component of a Group Policy in which case it means the Group Scheme Trustee;

**Legacy Sub-Policy** means:

- (a) a component part of the financial rights and obligations relating to a Legacy Scheme Policy that conferred an entitlement to participate in the Equitable's profits, as reflected in separate values all relating to that Legacy Scheme Policy and held on the Equitable's policy administration systems; and



- (b) in relation to any Legacy Scheme Policy which does not have such component parts, that Legacy Scheme Policy;

**Legacy Uplift Amount** means, in relation to a Legacy Sub-Policy, the amount calculated in accordance with paragraph 1 of Schedule 1 and as detailed in the following paragraphs of that Schedule;

**Member** means a member of the Equitable as defined in the Articles;

**Member Policy Component** means, in relation to a Group Policy, the separate data held in the Equitable's policy administration systems in relation to each individual member of the group pension scheme to which the Group Policy relates;

**Money Market Fund** means the Unit-Linked Fund of that name;

**Multi-Asset Cautious Fund** means the Unit-Linked Fund of that name;

**Multi-Asset Moderate Fund** means the Unit-Linked Fund of that name;

**Order** means the order of the Court sanctioning this Scheme;

**Own Funds** has the meaning given to it in the PRA Rulebook's glossary, calculated as at the Implementation Date (but before the provisions of Clause 1.5 take effect) and on a consolidated group basis;

**Policy** means a contract of life insurance, or a contract effected to provide retirement income, written by Equitable and as amended from time to time;

**Policyholders' Meeting** means the meeting of people who are expected to be Scheme Policyholders (and any adjournment thereof) convened in compliance with an order of the Court under Part 26 of the Companies Act 2006 to consider and, if thought fit, approve this Scheme (with or without amendment);

**Policy Uplift Amount** means, in relation to a Scheme Policy, the sum of the Uplift Amounts of each of that Scheme Policy's Sub-Policies;

**Policy Value** means, in relation to a Scheme Policy, the sum of all of that Scheme Policy's Sub-Policy Values as at the Implementation Date (but before the provisions of Clauses 1.5 take effect);



**PRA** means the Prudential Regulation Authority of the United Kingdom, or such other authority as shall from time to time carry out the functions carried out by it in the United Kingdom;

**PRA Rulebook** means the book of rules and guidance published by the PRA as amended from time to time;

**Primary Uplift Amount** means, for each Sub-Policy, the amount calculated in accordance with paragraph 3 of Schedule 1;

**Principles and Practices of Financial Management** means the Equitable's 'Principles and Practices of Financial Management' (April 2019) which is available at <https://www.equitable.co.uk/media/60831/ppfm-april-2019-website.pdf>;

**Purchaser** means Utmost Life and Pensions Limited, a company incorporated in England and Wales, with registered number 10559664 and its registered address at Utmost House, 6 Vale Avenue, Tunbridge Wells, Kent, United Kingdom, TN1 1RG;

**Recent Policy Increase Amount** means, in relation to a Scheme Policy which is a Recurrent Single Premium Policy, that part of the benefits (excluding any Insurance Event Benefits) payable on exit on contractual terms immediately prior to the Implementation Date, which results from premiums paid, or contributions made by exercise of With-Profits Switching Rights, on or after 1 January 2018 but before the Implementation Date;

**Recurrent Single Premium Policy** means a With-Profits Policy (not including Flexible Savings Plans) under which each premium secures an increase, equal to the amount of the premium, after the deduction of any charges, to the Investment Guarantee applicable to that policy;

**Regulatory MCR** means the absolute floor amount of MCR as specified in rule 3.2 of the Minimum Capital Requirement Part of the PRA Rulebook;

**Regulatory SCR** means the 'SCR' as defined in the PRA Rulebook on a consolidated group basis;

**Scheme** means this scheme of arrangement, made in accordance with Part 26 of the Companies Act 2006, in its present form or with or subject to any modification, addition or condition approved or imposed by the Court and agreed by the Equitable in accordance with Clause 3;

**Scheme Effective Date** means the date on which the Order is delivered to the Registrar of Companies in England and Wales for registration;

**Scheme Policy** means:

- (a) any With-Profits Policy which is not a German Policy and which subsists on the Implementation Date;
- (b) in relation to any person who is a member of the FSAVC Scheme on the Implementation Date that confers an entitlement to participate in the Equitable's profits, that person's legal rights against and obligations to the Equitable as a result of their membership of the FSAVC Scheme;
- (c) any Switching Policy which is not a German Policy and which subsists on the Implementation Date; and
- (d) any With-Profits Policy which is not a German Policy and in respect of which the relevant life assured dies between the date on which the Court makes the Order and the Implementation Date, but the Equitable is not notified of this until after the Implementation Date.

**Scheme Policyholder** means a person who is a creditor of the Equitable in respect of a Scheme Policy;

**Second Six-Month Period** means six months following the expiry of the Initial Six-Month Period, ending on the date which is twelve months after the Implementation Date;

**Secondary Uplift Amount** means, for each Sub-Policy, the amount calculated in accordance with paragraphs 2, 7 and 8 of Schedule 1;

**Secure Cash Investment** means one of five Unit-Linked Funds denominated in (as appropriate) sterling, euros and US dollars;

**Solvency II** means Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance, or such other legislation as shall from time to time enact the equivalent provisions in the United Kingdom;

**Sub-Policy** means:

- (a) a component part of the financial rights and obligations relating to a Scheme Policy (or, in relation to a Scheme Policy which is a Group

Policy, relating to each relevant Member Policy Component) that confers an entitlement to participate in the Equitable's profits, as reflected in separate values all relating to that Scheme Policy or Member Policy Component and held on the Equitable's policy administration systems; and

- (b) in relation to any Scheme Policy or Member Policy Component which does not have such component parts, that Scheme Policy or Member Policy Component;

**Sub-Policy Value** means, in relation to any Sub-Policy or Legacy Sub-Policy, the value, which can be derived from the "policy value" (for Recurrent Single Premium Policies) or the "surrender value" (for Scheme Policies and Legacy Scheme Policies which are not Recurrent Single Premium Policies) on the Equitable's policy administration systems and which (save that it shall not include any Capital Distribution Amount) is determined in accordance with the Principles and Practices of Financial Management, the principal components of which value are:

- (a) the premiums paid and any contributions made by exercise of With-Profits Switching Rights (taking account of any partial withdrawals); and
- (b) in relation to those premiums or contributions:
  - (i) any deductions in accordance with relevant policy terms for expenses and charges; and
  - (ii) an adjustment, determined by the Equitable, which reflects smoothed investment returns during the period that the relevant Sub-Policy or Legacy Sub-Policy has been held;

**Switching Policy** means any Policy which, immediately before the Implementation Date, conferred Switching Rights on its holder;

**Switching Rights** means rights conferred by a policy which is not wholly or at all a With-Profits Policy to gain an entitlement to participate in the Equitable's profits by paying new premiums or transferring assets from a Unit-Linked Fund;

**Transfer** means the proposed insurance business transfer from the Equitable to the Purchaser pursuant to Part VII of FSMA;

**Transfer Order** means the order of the Court sanctioning the Transfer;



**UK-Style German Policy** means a With-Profits Policy which is governed by German law and is listed in the CD marked 'UKSGWPP' for identification purposes by the Equitable and the Purchaser;

**Unit** means a notional share of a Unit-Linked Fund;

**Unit-Linked Fund** means a notional fund maintained or to be maintained in the Equitable's records for the purpose of calculating the benefits payable under a Unit-Linked Policy;

**Unit-Linked Policy** means a Policy which is not a With-Profits Policy and under which amounts that are or may be required to be paid to the relevant policyholder (other than benefits equivalent to the Insurance Event Benefits on Scheme Policies) are determined by reference to the price of Units;

**Unit Price** means the value of a Unit as determined at the discretion of the Equitable with regard to the prices at which the Units in the related Unit-Linked Fund might be purchased or sold by the policyholder;

**Uplift Amount** means, in relation to a Sub-Policy, the amount calculated in accordance with paragraph 1 of Schedule 1 and as detailed in the following paragraphs of that Schedule;

**Uplift Calculations** means the calculations in Schedule-1;

**Uplift Notification** means, in relation to each Scheme Policy, a notification that the Scheme has been implemented and of the Uplift Amount, to be sent to each Scheme Policyholder in accordance with Clause 2.1;

**Uplifted Policy Value** means:

- (a) in relation to each Scheme Policy which is a Recurrent Single Premium Policy, the sum of its Eligible Sub-Policy Values plus:
  - (i) its Policy Uplift Amount; and
  - (ii) its Recent Policy Increase Amount; and
- (b) in relation to each Scheme Policy which is not a Recurrent Single Premium Policy, the sum of its Eligible Sub-Policy Values plus its Policy Uplift Amount;

**USD Global Bond Fund** means the Unit-Linked Fund of that name;

**USD Global Equity Fund** means the Unit-Linked Fund of that name;

**Whole of Life Policy** means a Policy that remains in effect for the lifetime of the life assured provided that a defined series of premiums are paid and which requires the Equitable to pay a specified sum of money on the death of the life assured that may be increased by the addition of bonuses; and

**With-Profits Policy** means a Policy which entitles the holder to participate in the Equitable's profits, including any part of a Switching Policy to the extent that Switching Rights have been exercised such that the policy confers on its holder an entitlement to participate in the Equitable's profits.

- (B) Clause and Schedule headings in this document are included for convenience only and shall be ignored in the interpretation of this Scheme.
- (C) In this Scheme, unless the context otherwise requires:
- i. references to Clauses, Parts and Schedules are to be construed as references to Clauses, Parts and Schedules respectively of and to this Scheme;
  - ii. references to (or to any specified provision of) this Scheme shall be construed as references to this Scheme (or that provision) as in force for the time being and as modified in accordance with the terms of this Scheme;
  - iii. periods of time specified from a given day or date, or from the day or date of an actual event, shall not include that day or date;
  - iv. periods of time specified to a given day or date, or to the day or date of an actual event, shall include that day or date;
  - v. times are times according to Greenwich Mean Time or (if applicable) British Summer Time;
  - vi. words incorporating the plural shall include the singular and vice versa and words incorporating one gender shall include all genders;
  - vii. references to any enactment shall be deemed to include references to such enactment as amended, re-enacted or consolidated; and
  - viii. references to a Scheme Policyholder shall be deemed to include reference to joint Scheme Policyholders.



## **1. The Compromise**

- 1.1 This Scheme shall be binding on the Equitable, the Purchaser, all Scheme Policyholders, and all Legacy Scheme Policyholders, from the Scheme Effective Date.
- 1.2 Legacy Scheme Policyholders:
  - (a) shall be entitled to have the Legacy Scheme Policy Uplift Amount added to their Legacy Scheme Policy Value at the Legacy Scheme Policy Exit Date in relation to each of their Legacy Scheme Policies, in place of any Capital Distribution Amount. The Legacy Scheme Policy Value, inclusive of the Legacy Scheme Policy Uplift Amount, will be paid as soon as practicable after the Legacy Scheme Policy Exit Date and, if such payment does not occur before the Implementation Date, an amount equivalent to their Legacy Scheme Policy Value, inclusive of the Legacy Scheme Policy Uplift Amount, will be reflected in the Equitable's current liabilities prior to the implementation of Clause 1.4; and
  - (b) shall have no entitlement to enter into any further contract which confers any entitlement to participate in the Equitable's profits.
- 1.3 The Purchaser shall ensure that the Capitalisation Requirement is satisfied in good time for the Board to be able to provide a Capitalisation Requirement Certificate before the Implementation Date.
- 1.4 As soon as practicable after the Implementation Date, the Equitable shall:
  - (a) display a notice on its website, <https://www.equitable.co.uk>, confirming that the Implementation Date has occurred and stating what that date was; and
  - (b) complete the Uplift Calculations.
- 1.5 With effect from 00.01 on the Implementation Date, Scheme Policies shall be amended such that:
  - (a) no Scheme Policy shall henceforth confer any entitlement to Investment Guarantees;
  - (b) no Scheme Policy shall henceforth confer any entitlement to participate in the profits of the Equitable or to enter into any further contract which confers any entitlement to participate in the Equitable's profits;
  - (c) all Scheme Policies shall henceforth be Unit-Linked Policies, and:

- (i) their terms shall henceforth include the provisions in Part A of Schedule 2;
  - (ii) the allocation of assets and liabilities to Unit-Linked Funds in relation to all Scheme Policies and, where applicable, Member Policy Components shall happen in accordance with Part B of Schedule 2; and
  - (iii) where a Scheme Policy had multiple Sub-Policies, such components will continue to be reflected in separately identifiable values in the Equitable's policy administration systems where this is essential.
- (d) all Insurance Event Benefits shall be treated in accordance with Schedule 4;
  - (e) no Scheme Policy shall henceforth confer any Switching Rights and no Scheme Policy shall confer any rights to participate in the Purchaser's profits; and
  - (f) the Policy Value of each Scheme Policy shall be increased to its Uplifted Policy Value.
- 1.6 If the sum of any Scheme Policyholder's Policy Uplift Amounts is less than £1, the Scheme Policyholder will be entitled, on request to the Equitable, to a single amount of £1.

## **2. Uplift Notifications**

- 2.1 As soon as reasonably practicable after the Uplift Calculations have been completed, the Equitable shall send Uplift Notifications to Scheme Policyholders. The Purchaser may do this instead of the Equitable.
- 2.2 Uplift Notifications are for information purposes only. The effectiveness of the Scheme shall not depend upon or be conditional upon their sending or receipt. If there is any difference (inadvertent or otherwise) between information included in Uplift Notifications and the amounts calculated in accordance with Clause 1.4(b), the amounts calculated in accordance with Clause 1.4(b) shall prevail.

## **3. Modification of this Scheme**

The Equitable may, on behalf of all creditors who would be affected by the Scheme, consent to any modification, addition or condition to this Scheme which the Court may at the Court Hearing approve or impose.

#### **4. Notices**

- 4.1 Except where otherwise provided in this Scheme, all deliveries of notices or other documents to be made under this Scheme shall be effected by posting the same in pre-paid envelopes addressed to the person entitled thereto at their address appearing in the Equitable's electronic records (or, in the case of Scheme Policyholders who appear to Equitable to be joint policyholders, to the address of the first named person in the said records of Equitable in respect of the joint holding) at the latest practicable date before the date of their dispatch.
- 4.2 Equitable shall not be responsible for any loss or delay in the transmission of any notices, other documents or payments posted by or to any Scheme Policyholder or Legacy Scheme Policyholder which shall be posted at the risk of such Scheme Policyholder or Legacy Scheme Policyholder.

#### **5. Governing Law and Jurisdiction**

- 5.1 This Scheme shall be governed by, and construed and take effect in accordance with, English law.
- 5.2 The Equitable, the Purchaser, Scheme Policyholders and Legacy Scheme Policyholders hereby submit to the exclusive jurisdiction of the Court and agree that the Court shall have exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any claim, dispute or matter of difference which may arise out of the provisions of this Scheme, or out of any action taken or omitted to be taken under this Scheme or in connection with the administration of this Scheme.
- 5.3 Clause 5.2 above shall not affect any rights which any person may have to refer any complaint to the Financial Ombudsman Service or any jurisdiction which the Financial Ombudsman Service may have to consider and determine any such complaint.

## SCHEDULE 1: UPLIFT CALCULATIONS

1. For each Sub-Policy:

Uplift Amount = Primary Uplift Amount + Secondary Uplift Amount;

and for each Legacy Sub-Policy:

Legacy Uplift Amount = Estimated Primary Uplift Amount + Secondary Uplift Amount

where

The Primary Uplift Amount, the Estimated Primary Uplift Amount, and the Secondary Uplift Amount are calculated in accordance with this Schedule 1.

2. The Secondary Uplift Amount shall be determined at the Calculation Date (in accordance with paragraphs 7 and 8 of this Schedule) using generally accepted actuarial techniques including an iterative stochastic actuarial process, so that the sum of all Estimated Primary Uplift Amounts is equal to the Distributable Assets Amount at the Calculation Date.
3. The Primary Uplift Amount shall be determined as at the Implementation Date (but before the provisions of Clause 1.5 take effect) by allocating the same percentage increase to all Eligible Sub-Policy Values (calculated as at the Implementation Date) so that the sum of all Primary Uplift Amounts is equal to the Distributable Assets Amount at the Implementation Date (but before the provisions of Clause 1.5 take effect).
4. The Estimated Primary Uplift Amount shall be the value of the Primary Uplift Amount calculated as at the Calculation Date as if that were the Implementation Date (but before the provisions of Clause 1.5 take effect).
5. The German Policies Amount shall be the sum of the Primary Uplift Amounts for all UK-Style German Policies, and for the purpose of this calculation only, UK-Style German Policies will be treated as Scheme Policies.
6. The Distributable Assets Amount shall be determined as follows:

The Equitable's Own Funds

*plus* the Investment Guarantee Amount

*plus* the Expense Release Amount

*less* any amount paid to the Equitable to satisfy the Capitalisation Requirement

*less* the German Policies Amount

*less* the sum of all Secondary Uplift Amounts for all Scheme Policies

*equals* the Distributable Assets Amount.

7. For the purposes of calculating the Estimated Primary Uplift Amounts and the Secondary Uplift Amounts (only):

- (a) the value of the Distributable Assets Amount and all amounts included in the calculation thereof in paragraph 6 above shall be calculated as though references to the Implementation Date were references to the Calculation Date; and
- (b) references to a Sub-Policy's Sub-Policy Value and its Investment Guarantee Value means those values calculated as at the Calculation Date.

8. The Secondary Uplift Amount, in respect of a Sub-Policy, is the sum of its Investment Guarantee Value

*plus* any further amount which is required to ensure that all three statements in Schedule 3 are true in relation to that Sub-Policy

*plus* any further amount which is required to ensure that, where the Sub-Policy relates to a Scheme Policy which provides retirement benefits, the sum of the Eligible Sub-Policy Value and, as the case may be, the Uplift Amount is not less than it would be if the policyholder were one year older.



## **SCHEDULE 2: CONVERSION TO UNIT-LINKED POLICIES**

### **PART A: UNIT-LINKED PROVISIONS**

1. When Scheme Policies become Unit-Linked Policies in accordance with Clause 1.5(c), the following shall apply to those policies and only those policies.

#### **Unit-Linked Policies**

2. The value of the liability of the Equitable to each Scheme Policyholder shall be directly linked to the value of the Units. This link shall be notional and Scheme Policyholders shall not own any part of a particular Unit-Linked Fund or its related accounts.
3. The value of each Unit-Linked Fund may change and therefore the value of the liability of the Equitable to a Scheme Policyholder may change.
4. The Equitable shall have the right to collect certain charges from Scheme Policyholders to cover its management expenses and other investment costs relating to the Unit-Linked Funds.

#### **Unit-Linked Funds**

5. The Equitable shall offer a number of different Unit-Linked Funds to Scheme Policyholders. The Equitable shall be entitled to close Unit-Linked Funds and replace Units in them with Units of equivalent value in appropriate similar Unit-Linked Funds.
6. Each Unit-Linked Fund shall be divided into Units of equal value. The Equitable shall have the right to consolidate or subdivide Units where appropriate.
7. Units may be allocated, cancelled or surrendered whole or in fractions.

#### **Valuing Units**

8. The Equitable shall calculate the Unit Price at its discretion taking into account any charges to cover its management expenses and other investment costs described in paragraph 4 of this Part A.
9. The total value of all Units in a Scheme Policy's account shall represent the total amount available from time to time to pay the Scheme Policyholder's entitlements under the Scheme Policy. This amount shall not include any Insurance Event Benefits which shall be treated in accordance with Schedule 4.
10. On exit, the Scheme Policyholder will receive at least the total value of all Units in their Scheme Policy's account.

### **Allocating Units**

11. Scheme Policyholders' premiums shall be used to purchase Units in accordance with any relevant terms of the relevant policy.
12. The Equitable shall maintain a separate account in its records for each Scheme Policy. Each such account shall record the number of Units allocated to that Scheme Policy.
13. Scheme Policyholders may request that the Equitable change the Unit-Linked Funds to which Units in their Scheme Policy account are allocated. Subject to any restrictions or charges contained in the relevant Scheme Policy, Scheme Policyholders shall be able to request:
  - (a) to be allocated Units in a particular Unit-Linked Fund in return for payment of premiums, which Units will then be added to the Scheme Policy's account; and/or
  - (b) to cancel some or all of their allocated Units in a particular Unit-Linked Fund and be allocated Units of equal total value in a different Unit-Linked Fund. The change shall be reflected in the Scheme Policy's account.

### **Payment of Insurance Event Benefits**

14. Where a Scheme Policy contains an Insurance Event Benefit, the payments which Scheme Policyholders must make for this benefit, as determined by Schedule 4, will be effected either by the cancellation of a corresponding number of Units or by the deduction from premiums paid.

### **Surrender of Units and transfer of Unit-Linked Policy**

15. A Scheme Policyholder shall be able to surrender all, or part, of the Units in the Scheme Policy account, subject to the specific terms of their policy.
16. Upon full or partial surrender, the Scheme Policyholder shall be paid an amount equal to the Unit Price of the surrendered Units. The number of Units contained in the Scheme Policy's account shall be reduced by an amount equal to the total number of Units surrendered.
17. A Scheme Policyholder shall be able to transfer the total value of all Units in their Scheme Policy's account to another provider.

### **PART B: ALLOCATION TO UNIT-LINKED FUNDS**

18. When Scheme Policies become Unit-Linked Policies in accordance with Clause 1.5(c) of the Scheme, they shall be

allocated to Unit-Linked Funds in accordance with the following provisions.

19. The Uplifted Policy Value of each Scheme Policy shall as soon as reasonably practicable be applied to purchase Units in the Secure Cash Investment. The Unit Price of Units in the Secure Cash Investment shall not fall below their level at the Implementation Date during the twelve months following the Implementation Date.
20. The Units relating to Scheme Policies for which the Equitable has received an Investment Choice Form no later than 10 Business Days before the Implementation Date shall thereafter be allocated in accordance with the instructions in those Investment Choice Forms. This will happen as soon as reasonably practicable.
21. Units relating to Scheme Policies:
  - (a) in respect of which the Equitable has not received an Investment Choice Form no later than 10 Business Days before the Implementation Date; or
  - (b) in respect of which the Equitable has received an Investment Choice Form no later than 10 Business Days before the Implementation Date but that Investment Choice Form is illegible or the instructions on it are unclear,

shall enter the Automatic Allocation Mechanism.

#### **Exit from the Automatic Allocation Mechanism**

22. Scheme Policyholders with Automatic Allocation Scheme Policies can at any time submit an Investment Choice Form or such form as the Equitable may from time to time make available for these purposes, after which the affected Units shall as soon as reasonably practicable be removed from the Automatic Allocation Mechanism and allocated in accordance with the instructions in those forms.
23. For Group Policies, Investment Choice Forms in relation to Member Policy Components (or such form as the Equitable may from time to time make available for these purposes) may be submitted at any time by the relevant Group Scheme Trustee or, where it has previously been the practice for the Equitable to take instructions from the relevant individual member of a Group Policy, by that individual member. If that happens, the affected Units shall as soon as reasonably practicable be removed from the Automatic Allocation Mechanism and allocated in accordance with the instructions in those forms.

### **Automatic Allocation Mechanism**

24. Subject to paragraph 22 above, Automatic Allocation Scheme Policies shall remain allocated to the Secure Cash Investment for the Initial Six-Month Period.
25. During the Second Six-Month Period, each Automatic Allocation Scheme Policy's Units shall be cancelled gradually and the value of the cancelled Units shall be applied to purchase Units in Automatic Allocation Asset Mix Funds in accordance with paragraph 26 below. This shall be done with the objective that, by the end of the Second Six-Month Period, all Units in the Secure Cash Investment shall have been cancelled and replaced with Units in the relevant Automatic Allocation Asset Mix Funds.

### **Automatic Allocation Asset Mix Funds**

26. The Automatic Allocation Asset Mix Fund to which the Units relating to each Automatic Allocation Scheme Policy (or, in relation to a Group Policy, each Member Policy Component) is allocated shall be as follows.
  - (a) For Automatic Allocation Scheme Policies which are not Automatic Allocation Age-Related Policies:
    - (i) If the policy is denominated in sterling, the Units shall be allocated to the Multi-Asset Moderate Fund;
    - (ii) If the policy is denominated in US dollars, Units representing 60% of the value of that Scheme Policy's account shall be allocated to the USD Global Equity Fund and Units representing 40% of that value shall be allocated to the USD Global Bond Fund; and
    - (iii) If the policy is denominated in euro, the Units shall be allocated to the Irish Managed Fund.
  - (b) Units relating to Automatic Allocation Scheme Policies which are Automatic Allocation Age-Related Policies (and, in relation to a Group Policy, each Member Policy Component) shall be allocated to Automatic Allocation Asset Mix Funds at the discretion of the Equitable which, in exercising that discretion, shall seek to achieve the general objectives set out at paragraph (i) to (v) below. The general objectives shall be that:
    - Aged under 55 years
      - (i) If a person is aged under 55 years, Units shall be purchased with the objective that all Units



allocated to a person of this age shall be in the Multi-Asset Moderate Fund.

Aged 55 years to 65 years

- (ii) The general objective shall be that:
  - (A) a person aged 55 would have all their Units in the Multi-Asset Moderate Fund;
  - (B) a person aged 65 would have all their Units in the Multi-Asset Cautious Fund; and
  - (C) between those ages the proportionate allocation of Units between those two funds shall change so that the allocation moves from the Multi-Asset Moderate Fund to the Multi-Asset Cautious Fund gradually.

Aged 65 years to 75 years

- (iii) While a person is aged between 65 and 75, Units shall be purchased with the objective that all Units allocated to a person between these ages shall be in the Multi-Asset Cautious Fund.

Aged 75 years to 85 years

- (iv) The general objective shall be that:
  - (A) a person aged 75 would have all their Units in the Multi-Asset Cautious Fund;
  - (B) a person aged 85 would have all their Units in the Money Market Fund; and
  - (C) between those ages the proportionate allocation of Units between those two funds shall change so that the allocation moves from the Multi-Asset Cautious Fund to the Money Market Fund gradually.

Aged over 85 years

- (v) While a person is aged over 85 years, Units shall be purchased with the objective that all Units allocated to a person of this age shall be in the Money Market Fund.
- (c) The Equitable will continue to assess the appropriateness of the Automatic Allocation Asset Mix Funds for relevant Automatic Allocation Scheme Policies (and, in relation to Group Policies, relevant Member Policy Components) and may change the Automatic Allocation Asset Mix Funds or the mix of assets within



them, having regard to, among other things, market conditions from time to time.

27. Reference to any Unit-Linked Fund in paragraph 26 shall be to the appropriate variant of that Unit-Linked Fund, where there is more than one, taking into account differing tax treatment.

### **SCHEDULE 3: FAIRNESS INDICATORS**

In this Schedule 3, where the Scheme Policyholder is a Group Scheme Trustee, references to Scheme Policyholder are to be understood as references to an individual member of a group pension scheme to which the Group Policy relates. In calculations in this Schedule 3, for Recurrent Single Premium Policies no allowance is made for premiums paid, or contributions made by exercise of With-Profits Switching Rights on the Scheme Policy, on or after 1 January 2018.

The three statements referred to in paragraph 8 of Schedule 1 are:

1. Scheme Policyholders who invest their Eligible Sub-Policy Value plus associated Uplift Amount, as calculated at the Calculation Date, in a notional medium risk managed fund from the Calculation Date would be better off on a best estimate basis if benefits were taken at the following future dates:
  - (a) For Recurrent Single Premium Policies which are designed to provide retirement benefits:
    - (i) Where the life assured is aged 30 or younger at the Calculation Date, the date 30 years after the Calculation Date;
    - (ii) Where the life assured is aged between 31 and 64, the date the Scheme Policyholder reaches ages 60, 65 and 70, providing, in each case, that policyholders reach these ages within 30 years from the Calculation Date;
    - (iii) Where the life assured is aged 65 or older at the Calculation Date, the date 5 years after the Calculation Date;
  - (b) For Recurrent Single Premium Policies which are not designed to provide retirement benefits, the date of the next policy anniversary on which the policy is reviewed or renewed or on which a contractual surrender may be taken;
  - (c) For Endowment Policies, at the maturity date; and
  - (d) For Whole of Life Policies and Flexible Savings Plans, the expected date of death.
2. If Scheme Policyholders' Eligible Sub-Policy Value plus associated Uplift Amount, as calculated at the Calculation Date, were invested in a manner which earns a return of 0% per annum after charges, the projected Unit-Linked Fund

value will exceed their projected Investment Guarantee 5 years after the Calculation Date or at the following future dates if earlier:

- (a) For Recurrent Single Premium Policies which are not designed to provide retirement benefits, the date of the next policy anniversary on which the policy is reviewed or renewed or on which a contractual surrender may be taken;
- (b) For Endowment Policies, at the maturity date; and
- (c) For Whole of Life Policies and Flexible Savings Plans, the expected date of death.

3. If Scheme Policyholders' Eligible Sub-Policy Value plus associated Uplift Amount, as calculated at the Calculation Date, were invested in a manner which earns 1.5% per annum after charges, the projected Unit-Linked Fund will exceed their projected Investment Guarantee 10 years after the Calculation Date or at the following future dates if earlier:

- (a) For Recurrent Single Premium Policies which are not designed to provide retirement benefits, the date of the next policy anniversary on which the policy is reviewed or renewed or on which a contractual surrender may be taken;
- (b) For Endowment Policies, at the maturity date; and
- (c) For Whole of Life Policies and Flexible Savings Plans, the expected date of death.

## **SCHEDULE 4: INSURANCE EVENT BENEFITS**

Insurance Event Benefits are to be treated in accordance with this Schedule 4:

### **Death Benefits**

1. For the following types of Scheme Policies, the benefit paid on death will be no less than the benefit that would have been paid on death on the day before the Implementation Date. The payments which Scheme Policyholders must make for this benefit will be calculated monthly by reference to the difference between the benefit and the total value of the Units at the time of calculation, and a corresponding number of Units will be cancelled in accordance with paragraph 14 of Schedule 2.
  - (a) 'Low Cost Mortgage Endowment'
  - (b) 'Endowments'
  - (c) 'Whole of Life'
  - (d) 'Deferred Annuities'
  - (e) 'Flexible Savings Plans'
2. For the following types of Scheme Policies, the minimum guaranteed benefit paid on death will be no less than the benefit calculated in accordance with the terms of the Scheme Policy. The payments which Scheme Policyholders must make for this benefit will be calculated monthly by reference to the difference between the benefit and the total value of the Units at the time of calculation, and a corresponding number of Units will be cancelled in accordance with paragraph 14 of Schedule 2.
  - (a) 'Flexible Protection Plan'
  - (b) 'Maximum Investment Plan'
  - (c) 'Flexible Mortgage Plan'
3. For the following types of Scheme Policies, the minimum guaranteed benefit paid on death will be no less than the benefit calculated in accordance with the terms of the policy.
  - (a) 'UK Bond' sold before 01/01/1995
  - (b) 'Irish Bond'
  - (c) 'Personal Investment Plan'
  - (d) 'Regular Savings Plan'

4. For a Scheme Policy which is a 'UK Bond' sold after 01/01/1995, the benefit paid on death will be the higher of the minimum guaranteed benefit that that would have been paid on death on the day before the Implementation Date and the following percentage of the total value of the Units, based on the age next birthday at date of death:
  - (a) under 65, 110% of the total value of the Units
  - (b) between 65 and 75, 105% of the total value of the Units
  - (c) over 75, 100% of the total value of the Units

### **Health benefits**

5. For Critical Illness Plans, the benefit paid on incidence of an illness specified in the Scheme Policy will be no less than the minimum guaranteed benefit set in-line with the terms of the Scheme Policy. The payments which Scheme Policyholders must make for this benefit will be calculated monthly by reference to the difference between the benefit and the value of the Units at the time of calculation, and a corresponding number of Units will be cancelled in accordance with paragraph 14 of Schedule 2.
6. For Major Medical Cash Plans, the benefit paid on incidence of medical procedures will be the amount specified in the Scheme Policy. The payments which Scheme Policyholders must make for this benefit will be determined by the Scheme Policy, and a corresponding number of Units will be cancelled in accordance with paragraph 14 of Schedule 2 on a monthly basis.
7. For the following types of Scheme Policies which include waiver of premium payments under certain conditions, those conditions will continue to apply in accordance with the terms of the Scheme Policy. The payments which Scheme Policyholders must make for this benefit will be determined by the Scheme Policy, and a corresponding number of Units will be cancelled in accordance with paragraph 14 of Schedule 2 on a monthly basis.
  - (a) 'Personal Pension Plan'
  - (b) 'Retirement Annuity'

### **Annuity benefits**

8. For the following types of Scheme Policies, where a GMP benefit would have applied on the day before the Implementation Date, that GMP benefit will continue to apply.
  - (a) 'Wind Up Plan'



(b)- 'Transfer Plan'

9. For the following types of Scheme Policies, where a GAR would have applied to the benefit on exit on the day before the Implementation Date subject to specified conditions, that GAR will continue to apply on exit if the specified conditions are met at the date of exit.
  - (a) Endowments and deferred annuities sold under the terms of the Federated Superannuation System for Universities
10. For 'Managed Annuity Policies', which provide a guaranteed annuity to the specified life upon reaching age 100, that benefit will continue to apply.



**Schedule 3**  
**Guernsey Scheme**



**IN THE ROYAL COURT OF GUERNSEY**  
**ORDINARY DIVISION**

**IN THE MATTER OF**  
**THE EQUITABLE LIFE ASSURANCE SOCIETY**

**- and -**

**UTMOST LIFE AND PENSIONS LIMITED**

**- and -**

**IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 44 OF THE INSURANCE  
BUSINESS (BAILIWICK OF GUERNSEY) LAW, 2002**

---

**GUERNSEY SCHEME**

**for the transfer of part of the long term insurance business of The Equitable Life  
Assurance Society to Utmost Life and Pensions Limited pursuant to section 44 of the  
Insurance Business (Bailiwick of Guernsey) Law, 2002**

---



## 1. Interpretation

### Definitions

- 1.1 In this scheme (the **Guernsey Scheme**), unless inconsistent with the subject or context, the following expressions bear the meanings respectively set opposite them, and other words and expressions used as defined terms in this Guernsey Scheme shall bear the meanings given to them in the UK Scheme:

**Excluded Guernsey Policies** means any Guernsey Policies that:

- (a) are Excluded Policies; or
- (b) are not capable of being transferred pursuant to section 44 of the Guernsey Law at the Guernsey Implementation Date to the extent that and for so long as it is not capable of being transferred; or
- (c) are Jersey Policies, to the extent that and for so long only as the Jersey Scheme has not yet received the requisite court approval and become effective in accordance with its terms;

**Excluded Policies Reinsurance Agreement** means the reinsurance agreement to be entered into between the Transferor and the Transferee in respect of any Excluded Policies other than the German Policies and the Irish Policies on terms agreed between the Transferor and the Transferee;

**GFSC** means the Guernsey Financial Services Commission;

**Guernsey Business Records** means any Business Records relating to the Transferring Guernsey Business;

**Guernsey Law** means the Insurance Business (Bailiwick of Guernsey) Law, 2002;

**Guernsey Order** means an order made by the Royal Court pursuant to section 44 of the Guernsey Law sanctioning this Guernsey Scheme and any order (including without limitation any subsequent order, which is ancillary thereto) in relation to this Guernsey Scheme made by the Royal Court pursuant to section 44 of the Guernsey Law;

**Guernsey Implementation Date** means the date on which this Guernsey Scheme will become effective in accordance with its terms in relation to the Guernsey Policies.

**Guernsey Policy** means a Transferring Policy which was:

- (a) effected or carried out as part of insurance business carried on in or from within Guernsey; or
- (b) written under Guernsey law; or
- (c) issued to a person resident in the Bailiwick of Guernsey,

and in respect of which any liability remains unsatisfied or outstanding at the Guernsey Implementation Date and which the Royal Court of Guernsey has jurisdiction to transfer pursuant to the Guernsey Law;

**Jersey Implementation Date** means the date on which the Jersey Scheme will become effective in accordance with its terms in relation to the Jersey Policies;

**Jersey Policy** means a Guernsey Policy which was effected or carried out as part of insurance business carried on in, or from within, Jersey and in respect of which any liability remains unsatisfied or outstanding on the Jersey Implementation Date and which the

Royal Court of Jersey has jurisdiction to transfer pursuant to the Insurance Business (Jersey) Law 1996;

**Jersey Scheme** means the scheme for the transfer of insurance business under the Insurance Business (Jersey) Law 1996;

**Part 26 Scheme** means the scheme of arrangement, attached as Schedule 2 to this Guernsey Scheme, proposed to be undertaken between the Transferor and its Scheme Policyholders and Legacy Scheme Policyholders (each as defined in the Part 26 Scheme) pursuant to Part 26 of the Companies Act 2006;

**Residual Guernsey Liabilities** means any liability under or in connection with the Transferring Guernsey Policies:

- (a) the transfer of which liability to the Transferee pursuant to this Guernsey Scheme requires, on the Guernsey Implementation Date, the consent or waiver of any person (other than the Transferee, the Transferor or the Royal Court) and which the Royal Court either does not have jurisdiction to transfer to the Transferee pursuant to section 44 of the Guernsey Law or which (despite having such jurisdiction) the Royal Court determines, notwithstanding such provision, not so to transfer but in any case only to the extent of that part of the Transferee interest in such liability in respect of which the transfer requires such consent and/or waiver or would result in such a right; or
- (b) which cannot be transferred to or vested to the Transferee pursuant to this Guernsey Scheme for any other reason; or
- (c) which the Transferor and the Transferee shall agree in writing prior to the Guernsey Implementation Date should not be transferred pursuant to this Guernsey Scheme;

**Royal Court** means the Royal Court of Guernsey;

**Subsequent Guernsey Transfer Date** means, in relation to any Residual Guernsey Liability or Excluded Guernsey Policy, the date after the Guernsey Implementation Date on which such Residual Guernsey Liability or Excluded Guernsey Policy is to be transferred to the Transferee namely:

- (a) in respect of any Residual Guernsey Liability falling within paragraph (a) of the definition thereof, the date on which the requisite consent, waiver or order to enable the same to be transferred to the Transferee upon the terms of this Guernsey Scheme is:
  - (i) obtained;
  - (ii) no longer required; or
  - (iii) dispensed with by Order of the Royal Court;
- (b) in respect of any Residual Guernsey Liability falling within paragraph (b) of the definition thereof, the date upon which the impediments to the transfer pursuant to the terms of this Guernsey Scheme have been removed;
- (c) in respect of any Residual Guernsey Liability falling within paragraph (c) of the definition thereof, the date on which the parties agree that the transfer of the relevant Residual Liability shall take effect;
- (d) in respect of any Excluded Guernsey Policy falling within paragraphs (a) of the definition thereof, the date of which the transfer of all rights, title interest in and obligations under such policy are fully effective in the Guernsey and under the law of any other country or territory to which it is subject; and

- (e) in respect of any Excluded Guernsey Policy falling within paragraphs (b) of the definition thereof, the Jersey Implementation Date;

**Transferring Guernsey Business** means all of the Transferring Business attributable to or in connection with the Guernsey Policies, to be transferred pursuant to this Guernsey Scheme, comprising the Transferring Guernsey Policies, the Transferring Guernsey Liabilities and the Residual Guernsey Liabilities;

**Transferring Guernsey Liabilities** means any and all Transferring Liabilities (other than those liabilities listed in limbs c) and d) of the definition thereof) (including present or future, actual or contingent and prospective liabilities) whatsoever and wheresoever arising, attributable to or in connection with the Transferring Guernsey Business, including all or any liabilities of the Transferor arising as a result of any act or omission of any appointed representative or intermediary for which the Transferor had assumed responsibility, in each case whether before, on or after the Guernsey Implementation Date but excluding, prior to the applicable Subsequent Guernsey Transfer Date the Residual Guernsey Liabilities;

**Transferring Guernsey Policies** means all insurance and reinsurance policies of the Transferor where the Transferor is insurer or reinsurer (as applicable) that are Guernsey Policies (including any expired, surrendered, lapsed, matured or reinstated policies) other than the Excluded Guernsey Policies, including the rights, benefits and powers (whether actual or contingent) of the Transferor whatsoever under or by virtue of such policies;

**UK Scheme** means the insurance business transfer scheme pursuant to Part VII of the Financial Services and Markets Act 2000 for, *inter alia*, the transfer of the long term insurance business of the Transferor to the Transferee, a copy of which is contained in Schedule 1 to this Guernsey Scheme, as it may be varied or amended from time to time in accordance with its terms.

- 1.2 Subject to paragraph 1.1 above and except where the context requires otherwise, words and expressions used in the Guernsey Law or in any regulations made under it shall have the same meanings in this Guernsey Scheme.

#### **Headings**

- 1.3 Headings in this Guernsey Scheme are inserted for convenience only and shall not affect its construction.

#### **References**

- 1.4 Any reference in this Guernsey Scheme to an enactment, statutory provision or regulations shall be deemed to include a reference to the enactment or statutory provision or those regulations as from time to time amended, consolidated, modified, replaced or re-enacted by any statute or statutory provision.
- 1.5 Any reference to the singular includes a reference to the plural and vice versa. Any reference to he, she or it includes the others.
- 1.6 Any reference to a time of day is a reference, unless otherwise expressly specified, to London time.
- 1.7 Any reference to this Guernsey Scheme shall include the Schedules hereto.

## **2. Introduction**

### **The Transferor**

- 2.1 The Transferor is an authorised person under section 31 and Part 4A of FSMA and its Part 4A permission includes (amongst others) permission to effect and carry out contracts of long-term insurance in the UK falling within classes of business I to IV and VI to VII



(inclusive), as set out in Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/554).

- 2.2 The Transferor is authorised by the Prudential Regulation Authority (**PRA**) and regulated by the Financial Conduct Authority (**FCA**) and the PRA and is registered on The Financial Services Register with firm reference number 110340. As the Transferor is incorporated in the UK, it is a "UK authorised person" for the purposes of Part VII FSMA.
- 2.3 The Transferor is permitted to effect and carry out contracts of long-term insurance in Guernsey by the GFSC. In Guernsey, the Transferor is licensed under Section 7 of the Guernsey Law to carry on long-term domestic insurance business.
- 2.4 Additionally, as an unlimited company without share capital under the Companies Acts 1862 to 1892, the Transferor is a "company" for the purposes of section 895 of the Companies Act 2006 and able to undertake the Part 26 Scheme.

### **The Transferee**

- 2.5 The Transferee is an authorised person under section 31 and Part 4A of FSMA and its Part 4A permission includes (amongst others) permission to effect and carry out contracts of long-term insurance in the UK falling within classes of business I to IV and VI to VII (inclusive), as set out in Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/554).
- 2.6 The Transferee is authorised by the PRA and regulated by the FCA and the PRA and is registered on The Financial Services Register with firm reference number 775704. As the Transferor is incorporated in the UK, it is a "UK authorised person" for the purposes of Part VII FSMA.
- 2.7 The Transferee is not a licensed insurer in Guernsey but is permitted as a recognised insurer (as defined in Schedule 5 of the Guernsey Law) to conduct long term business in Guernsey of the type for which it is authorised in the UK.

### **The Guernsey Scheme**

- 2.8 It is proposed that, by Order of the Royal Court in accordance with section 44 of the Guernsey Law (subject to the approval of the Jersey Court in respect of the transfer of the Jersey Policies) the Transferring Guernsey Business shall be transferred to the Transferee on the Guernsey Implementation Date on substantially the same terms as the terms of the UK Scheme governing the transfer of the Transferring Business to the Transferee and as if the Transferring Guernsey Business were part of the Transferring Business as defined in the UK Scheme.

### **Operation of the UK Scheme, Guernsey Scheme and Jersey Scheme**

- 2.9 If the transfer of any Guernsey Policies is sanctioned by the Royal Court pursuant to this Guernsey Scheme, with effect from the Guernsey Implementation Date:
- (a) the Transferring Guernsey Policies shall (subject to paragraph (b) below) be treated for all purposes of the UK Scheme as if they were Transferring Policies of the Transferor and, to the extent necessary to comply with Part VII of FSMA, shall also be transferred pursuant to the terms of the UK Scheme; and
- (b) to the extent that and for so long as the Jersey Scheme has not yet received the requisite court approval and become effective in accordance with its terms, the Jersey Policies shall be treated for the purposes of the Guernsey Scheme as Excluded Guernsey Policies and for the purposes of the UK Scheme as Excluded Policies.

- 2.10 If, as is anticipated, the transfer of any Jersey Policies is subsequently sanctioned by the Jersey Court pursuant to the Jersey Scheme, with effect from the Jersey Implementation Date, such policies shall be treated:
- (a) for all purposes of the UK Scheme as if they were Transferring Policies of the Transferor, and to the extent necessary to comply with Part VII of FSMA, shall also be transferred pursuant to the terms of the UK Scheme; and
  - (b) for all purposes of the Guernsey Scheme as if they were Guernsey Transferring Policies of the Transferor, and to the extent necessary to comply with section 44 of the Guernsey Scheme, shall also be transferred pursuant to the terms of the Guernsey Scheme.
- 2.11 If the Royal Court does not sanction the Guernsey Scheme, despite having the jurisdiction to do so, prior to the Implementation Date, the Guernsey Policies (including the Jersey Policies, irrespective of whether the Jersey Scheme is sanctioned by the Jersey Court) shall, with effect from the Implementation Date, be deemed to be Excluded Policies under the UK Scheme and will remain with the Transferor (save as provided in the UK Scheme) and be reinsured by the Transferee pursuant to the Excluded Policies Reinsurance Agreement.
- 2.12 If the Jersey Court does not sanction the Jersey Scheme, despite having the jurisdiction to do so, prior to the Implementation Date, the Jersey Policies shall be deemed to be Excluded Guernsey Policies under the Guernsey Scheme, and be deemed to be Excluded Policies under the UK Scheme and will remain with the Transferor (save as provided in the UK Scheme and Guernsey Scheme) and be reinsured by the Transferee pursuant to the Excluded Policies Reinsurance Agreement.
- 2.13 Each of the Transferor and the Transferee has agreed to appear by Counsel at the hearing of the application to sanction this Guernsey Scheme and undertake to be bound thereby and to execute all such documents and to do all such acts and things as may be necessary or expedient to be executed or done by it for the purposes of giving effect to this Guernsey Scheme.

### **3. Incorporation of the UK Scheme**

- 3.1 Save as otherwise set out in this Guernsey Scheme, the terms of:
- (a) paragraph 3 (Transfer of the Transferring Business to the Transferee);
  - (b) paragraph 4 (Continuity of Proceedings);
  - (c) paragraph 5 (Premiums and Mandates);
  - (d) paragraph 6 (Rights and Obligations under Transferring Policies);
  - (e) paragraph 8 (Indemnities);
  - (f) paragraph 9 (Allocations in respect of Transferring Business);
  - (g) paragraph 10 (Linked Funds);
  - (h) paragraph 11 (Maintenance of Transferee sub-funds);
  - (i) paragraph 12 (Undertakings and covenants);
  - (j) paragraph 22 (Costs and Expenses); and
  - (k) paragraph 24 (Successors and Assigns),



of the UK Scheme shall be deemed to be part of this Guernsey Scheme as if reproduced herein *mutatis mutandis*. For this purpose, the following definitions of the UK Scheme shall be read and construed as follows:

- (i) Court shall be read as Royal Court;
- (ii) Excluded Policies shall be read as Excluded Guernsey Policies;
- (iii) Implementation Date shall be read as Guernsey Implementation Date;
- (iv) Order shall be read as Guernsey Order;
- (v) Residual Liabilities shall be read as Residual Guernsey Liabilities;
- (vi) Scheme shall be read as Guernsey Scheme;
- (vii) Subsequent Transfer Date shall be read as Subsequent Guernsey Transfer Date;
- (viii) Transferring Policies shall be read as Transferring Guernsey Policies;
- (ix) Transferring Liabilities shall be read as Transferring Guernsey Liabilities; and
- (x) Transferring Business shall be read as Transferring Guernsey Business.

3.2 Without limiting paragraph 3.1 above, the Transferring Guernsey Policies will be transferred to the Transferee on terms that incorporate the amendment to the Transferring Guernsey Policies set out in the Part 26 Scheme.

3.3 In the UK Scheme deemed to be part of this Guernsey Scheme as if reproduced herein *mutatis mutandis*:

- (a) in the first line of paragraph 3.1, the words "and Transferring Assets," shall be deleted;
- (b) paragraph 3.2, shall be deleted;
- (c) in the fifth and sixth lines of paragraph 3.6, the words ", the Transferring Assets, the Residual Assets," shall be deleted;
- (d) in the third and fourth lines of paragraph 3.7, the words "or any Transferring Assets, the Residual Assets," shall be deleted;
- (e) in the second line of paragraph 4.1, the words, ", the Transferring Assets" shall be deleted;
- (f) in paragraph 4.2, the words "Residual Asset or the relevant Residual Liability which relate to a Transferring Asset or a Residual Asset which is to be transferred on such Subsequent Transfer Date" shall be deleted;
- (g) in the fifth line of paragraph 5.2, the words "or Transferring Asset" shall be deleted;
- (h) paragraphs 9.2(a) and (c) shall be deleted;
- (i) paragraph 9.3 shall be deleted;
- (j) paragraphs 9.4 (a)(ii) shall be deleted;

- (k) in the second line of paragraph 9.6, the words "Transferring Asset," and ", Residual Asset" shall be deleted;
- (l) in the second line of paragraph 10.1(a), the words "Transferring Assets" shall be deleted;
- (m) in the last line of paragraph 10.1(c), the word "and" shall be deleted;
- (n) paragraph 10.1(d) shall be deleted; and
- (o) paragraphs 10.2 and 10.3 shall be deleted.

3.4 This Guernsey Scheme is ancillary to the UK Scheme and is intended to transfer business carried on in or from within Guernsey and relating to such business that would not otherwise transfer under the UK Scheme. Nothing in this Guernsey Scheme shall operate so as to prevent or conflict with any transfer provided for by the UK Scheme.

#### **4. Guernsey Implementation Date**

4.1 This Guernsey Scheme shall become effective and the Guernsey Implementation Date shall occur simultaneously with the last of the following conditions being met, namely:

- (a) the Guernsey Order by the Royal Court sanctioning this Guernsey Scheme being made; and
- (b) the UK Scheme becoming effective on the Implementation Date in accordance with its terms.

#### **5. Modification of this Guernsey Scheme**

5.1 The Transferor and the Transferee may at any time before the Guernsey Implementation Date consent for and on behalf of the persons bound by this Guernsey Scheme and all other persons concerned (other than the GFSC) to any modification or addition to this Guernsey Scheme or to any further condition or provision affecting the same which, prior to its sanction of this Guernsey Scheme, the Royal Court may approve or impose, provided that where such amendment results in a significant change to this Guernsey Scheme:

- (a) the GFSC shall be notified in advance and as soon as reasonably practicable, and shall have the right to request further information and comment on the proposed amendment; and
- (b) such amendment shall be accompanied by a certificate from an independent actuary to the effect that the proposed amendment will not materially or adversely affect the benefit expectations of the holders of Transferring Guernsey Policies or existing policyholders of the Transferee.

5.2 Subject to paragraph 5.3, any amendment to this Guernsey Scheme (except the UK Scheme at Schedule 1 to this Guernsey Scheme, amendments to which shall be governed by the terms of the UK Scheme) after the Guernsey Implementation Date must be:

- (a) approved, if applicable, by the Royal Court;
- (b) notified to the GFSC, who shall have the right to attend and be heard at any hearing of the Royal Court (if applicable) at which such application is considered; and
- (c) accompanied by a certificate from an independent actuary to the effect that in his opinion (having considered the proposed amendments in the round), the proposed amendments to the Guernsey Scheme will not have a material adverse effect on the policyholders in the Transferee, including by reference to:

- (i) the effect of the proposed amendments to the Guernsey Scheme on the security of those policyholders' contractual rights, including the likelihood and potential effects of the insolvency of the Transferee; and
- (ii) the cost and tax effects of the proposed amendments to the Guernsey Scheme, including in so far as they may affect the security of those policyholders' contractual rights or their reasonable benefit expectations.

5.3 Any amendment to this Guernsey Scheme (excluding the UK Scheme at Schedule 1 and the Part 26 Scheme at Schedule 2 to this Guernsey Scheme, amendments to which shall be governed by the terms of the UK Scheme and the Part 26 Scheme respectively) will not require Royal Court approval where:

- (a) such amendment is:
  - (i) considered by the Transferee to be minor and/or technical; or
  - (ii) to correct manifest errors; or
  - (iii) required to reflect any change in any Applicable Law or in the interpretation or application of any Applicable Law which has or will have any implications for the Transferor or Transferee; or
  - (iv) necessary to reflect any changes in the actuarial practices relating to, or techniques for the management of, the Transferring Guernsey Policies; or
  - (v) required to protect the rights and reasonable expectations of the policyholders of the Transferring Guernsey Policies: and
- (b) the GFSC has been notified of such amendment and either:
  - (i) has indicated that it does not object to such amendment; or
  - (ii) a period of 28 days has passed commencing on the date of receipt of the relevant notification by the GFSC without it indicating any objections thereto.

## **6. Evidence of Transfer**

The production of a copy of the Guernsey Order (and, where applicable, the order of the Royal Court of Jersey in respect of the sanctioning of the Jersey Scheme) with any modifications, amendments and/or additions made under paragraph 5 (and the equivalent provisions of the UK and Jersey Schemes), shall for all purposes be evidence of the transfer to and vesting in the Transferee of (i) the Transferring Guernsey Business, the Transferring Guernsey Liabilities and the Transferring Guernsey Policies, on and from the Guernsey Implementation Date; and (ii) the Residual Guernsey Liabilities and Excluded Guernsey Policies, on and from the relevant Subsequent Guernsey Transfer Date.

## **7. Business Records**

The Transferee hereby irrevocably grants to the Transferor access to the Guernsey Business Records that are transferred pursuant to the UK Scheme, to the extent necessary and until the Transferring Guernsey Business to which those records relate transfer pursuant to this Guernsey Scheme.

## **8. Governing Law**

This Guernsey Scheme shall be governed by and construed in accordance with the laws of the Island of Guernsey.

**SCHEDULE 1**

**UK Scheme**

**Schedule 2**  
**Part 26 Scheme**



