

Equitable Life

About the Equitable's Proposal

Explanatory Booklet

PART B



Securing your future together



About the Equitable's Proposal (Part B)



This booklet contains detailed explanations of each aspect of the *Proposal*. For a full understanding of the *Proposal*, you should read both Part A and Part B of this booklet. The key points about the *Proposal* are set out in Part A. This Part B contains more detailed information about the *Proposal* and what to consider before deciding how to vote.

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A The Proposal



Words and phrases which begin with capital letters and are in bold italics have specific meanings in this booklet. You can find those meanings in Appendix I.

1. What is the *Equitable* proposing?

- 1.1 There are two main parts to the *Equitable's Proposal to Policyholders*:
 - (a) First, we would increase the value of *With-Profits Policies* by allocating all available assets from the *With-Profits Fund* to individual *With-Profits Policies*. This would involve removing *Investment Guarantees* and *With-Profits Switching Rights* and converting *With-Profits Policies* to *Unit-Linked Policies*.
 - (b) Second, we would transfer to *Utmost* (formerly known as Reliance Life) all of the business of the *Equitable* except for certain excluded *Policies* which include *German Policies* and *Irish Policies* (we refer to the business to be transferred as the *Transferring Business*).
- 1.2 The *Proposal* involves three legal processes:
 - (a) the *Scheme*, which is the legal process which would make the changes to *With-Profits Policies* which are mentioned above (explained in Section B);
 - (b) the *Change to the Articles*, which would make *Utmost* the *Equitable's* only *Member* (explained in Section C); and
 - (c) the *Transfer*, which is the legal process which would transfer the *Transferring Business* to *Utmost* (explained in Section E).
- 1.3 The *Proposal* will only go ahead if the *Scheme* is implemented, the *Change to the Articles* is approved by the *Equitable's Eligible Members* and the *High Court* approves the *Transfer*.
- 1.4 We can make this *Proposal* because we have reached an agreement with another life insurance company, *Utmost*, which is explained in more detail at paragraph 20.27. That agreement would involve sharing anticipated cost savings with *Utmost*, and *Utmost* making money available to support the business when the *Proposal* is implemented. As a result of this, and the removal of *Investment Guarantees* allowing the capital that has to be held to meet those guarantees to be distributed, the amount of money that can be allocated to *With-Profits Policies* from the *With-Profits Fund* under the *Scheme* can be increased.

2. Who is involved?

- 2.1 The *Proposal* would affect all *Policyholders*, but it will affect them differently.

- 2.2 Because not all aspects of the *Proposal* apply to everyone, some parts of this Part B of the Explanatory Booklet may not be directly relevant to you. Part A of the Explanatory Booklet contains a table which will let you know what parts are relevant to you.
- 2.3 The whole of this booklet applies to *Policyholders* who have *With-Profits Policies* or any *Policies* that have *With-Profits Switching Rights* (unless those *Policies* are *German Policies*), and to all *Policyholders* who are *With-Profits FSAVC Scheme Members*. These people, who are called *Scheme Policyholders*, will be affected by and need to take action in relation to the *Scheme*, the *Change to the Articles*, and the *Transfer*.
- 2.4 Sections B, C and D of this booklet are not directly relevant to *Policyholders* who have *Unit-Linked Policies* or non-profit *Policies* but do not have any *With-Profits Policies* or *With-Profits Switching Rights*. That is because those *Policyholders* are not affected directly by the *Scheme* or the *Change to the Articles* and they will not have a vote on either of those things.
- 2.5 In this booklet, when we say '*Policyholder*' we are referring to people in a number of different positions. Some hold *Policies* for themselves, some are trustees of group pension schemes, and some are members of the *Equitable's FSAVC Scheme*. With a very small number of exceptions, individual members of group pension schemes are not *Policyholders* for the purpose of the *Proposal*. In certain regulatory contexts, "policyholder" has a wider meaning than we are giving it here.
- 2.6 Not all aspects of the *Proposal* would apply to *German Policies* or *Irish Policies*. The implications of this are explained in greater detail below where necessary.

3. What do you need to do?

- 3.1 You should:
 - (a) read the parts of this booklet that apply to you;
 - (b) consider whether or not you want the *Proposal* to go ahead;
 - (c) if you are entitled to vote on the *Scheme* or the *Change to the Articles*, decide how you want to vote and then vote; and
 - (d) consider whether you want to object to the *Proposal*.

- 3.2 The things you need to consider about the **Proposal** are set out in detail in this booklet and in the Decision Pack which this booklet is part of. There is support available to help you understand this information and make your decision. You can find more information about that support at paragraph 10 below.
- 3.3 You should share this booklet with any other interested parties. Please see paragraph 9 below for examples of who this might be.
- 4. About the Equitable**
- 4.1 The **Equitable** is a mutual life assurance company, owned by its **Members**. In December 2000, the **Equitable** closed to new business and has been operating in **Run-Off** since then.
- 4.2 The **Equitable** has written business for **Policyholders** residing in the UK and overseas, and has three types of policy:
- (a) "With-profits" policies consisting of UK and international individual and group pension products and individual life products;
 - (b) "Unit-linked" policies consisting of UK and international individual and group pension products and individual life products, where a range of in-house investment funds are offered to policyholders; and
 - (c) "Non-profit" policies consisting of UK and international mostly reinsured annuity and protection products.
- 4.3 Between 1993 and 2000, the **Equitable** wrote long term insurance contracts for **Policyholders** having their permanent residence in Germany. This business was written from a distribution office in Cologne. In 2002, the Cologne distribution office was closed. All **German Policies** are excluded from the **Scheme** and the **Transfer**.
- 4.4 Between 1993 and 2000, the **Equitable** wrote long term insurance contracts for **Policyholders** having their permanent residence in the Republic of Ireland. This business was written from a distribution office in Dublin. In 2002, the Dublin distribution office was closed. All **Irish Policies** are excluded from the **Transfer**.
- 5. Background to the Proposal**
- 5.1 The **Equitable** aims to deliver value to its **With-Profits Policyholders** by allocating all of its available assets to them as fairly and as soon as possible. The **Proposal** is intended to do that.
- 5.2 Running the **Equitable** involves risks, just like any other business. The **Equitable** has to maintain a financial buffer in case those risks materialise. This buffer is 'capital'. Capital is essentially money which the **Equitable** must retain and cannot, for the time being, distribute to **With-Profits Policyholders**. Because we have to hold the capital, it cannot be paid to **With-Profits Policyholders** when they take their benefits.
- 5.3 This means that those who take their benefits at the moment or in the near future receive a smaller proportion of the **With-Profits Fund** than the **Board** would prefer to pay them.
- 5.4 Over the past few years we have reduced risks in the business which means we can currently pay a 35% **Capital Distribution** on top of **Policy Values** when **With-Profits Policyholders** take their benefits.
- 5.5 However, some risks remain. An example is that if **Scheme Policyholders** take their benefits later than expected, and interest rates remain low, the cost of **Investment Guarantees** in the future is increased, and we have to hold capital to cover that risk. For example, if all **Scheme Policyholders** took their benefits five years later than currently expected and interest rates remain low, we expect that there would be little or no capital available to distribute to the remaining **Scheme Policyholders**. In extreme circumstances, if **Scheme Policyholders** took their benefits much later than expected, and interest rates remained low, we may even have to cut **Policy Values** payable in order to cover the cost of **Investment Guarantees**.
- 5.6 The **Equitable** has been in **Run-Off** since it closed to new business in 2000. That means that the **Equitable** is serving its policyholders under policies which already exist, but not entering into new policies.
- 5.7 In **Run-Off**, the **Equitable** has enough money to continue to pay the benefits it owes under its policies. However, the amount of capital available to give to **With-Profits Policyholders** when they take their benefits is likely to vary significantly as time goes on. For example, there could be a time in the future when, because of holding back capital to cover risks, there is a substantial amount of capital that remains to distribute to only a few remaining **With-Profits Policyholders**. Those few might receive a higher **Capital Distribution** percentage than those **With-Profits Policyholders** who had taken benefits earlier. The **Board** does not think that would be fair, and one of the aims of the **Scheme** is to prevent it from happening. If the **Scheme** was implemented, it would give all **Scheme Policyholders** their share of the available assets on the **Implementation Date**.
- 5.8 As the **Equitable** becomes smaller, the risks it faces, and the challenges of continuing to function efficiently and cost effectively become greater. The **Transfer** to **Utmost**, a financially stable company, addresses these challenges. It enables assets available for distribution to be distributed. This is achieved in part by the capital support **Utmost** would provide by taking on the **Transferring Business**.
- 5.9 The **Equitable** has entered into financial agreements which effectively fix the value of some of the **Equitable's** assets and therefore preserve the **Equitable's** ability to implement the **Scheme** for the time being. If the **Scheme** doesn't happen, the **Equitable** may not be able to make an equally attractive proposal in the future.

5.10 Taking all of the above into account, the **Board** is proposing the **Scheme** and the **Transfer** because it believes this is in the best interests of **Policyholders** as a whole. The **Board** has considered carefully how to allocate to **Scheme Policyholders** their share of the assets available and has concluded the best way to do this is to implement the **Scheme**. It is important that you make your own decision about the **Proposal** based on your own personal circumstances and preferences, and we strongly encourage **Scheme Policyholders** to exercise their right to vote and have their say in the future of the **Equitable**. You can find information about support which is available to help you with that decision at paragraph 10 below.

6. What would the three legal processes do?

6.1 As explained at 1.1 above, the **Proposal** would involve an increase to the values of **With-Profits Policies** (other than **German Style German With-Profits Policies**) and the transfer of the **Transferring Business** to **Utmost**, and this would happen through three separate legal processes: the **Scheme**, the **Change to the Articles**, and the **Transfer**. These processes are explained in high level terms at paragraphs 6.2 to 6.14 below, and in greater detail at Sections B, C and E of this booklet.

The Scheme

6.2 The **Scheme** would do the following:

- (a) give **Scheme Policyholders** their share of all available assets in the **With-Profits Fund**;
- (b) remove **Investment Guarantees** from **Scheme Policies**, along with any future guaranteed increases and **With-Profits Switching Rights**; and
- (c) convert **With-Profits Policies** (other than **German With-Profits Policies**) to **Unit-Linked Policies**, which would mean that **Scheme Policyholders** would no longer be **Members** of the **Equitable**.

6.3 The **Scheme** is an arrangement between the **Equitable** and **Scheme Policyholders** which would affect **Scheme Policyholders'** rights. It is a legal process, supervised by the **High Court**, which can only go ahead if it is approved by a vote of the **Scheme Policyholders** and the **High Court**.

6.4 **Scheme Policyholders** can't choose to opt out of the **Scheme**. It would not have been possible to reach the agreement with **Utmost** which is mentioned in paragraph 1.4 above if an opt-out had been part of the **Proposal**. If the vote on the **Scheme** is approved by the **Statutory Majorities** and the **High Court** approves the **Scheme**, all **Scheme Policyholders** will be bound by it. However, if the **Change to the Articles** (described in Section C below) is not supported by **Eligible Members**, or if the **High Court** does not approve the **Transfer**, the **Scheme** will not happen.

6.5 The **Board** believes the **Scheme** is in the best interests of **Scheme Policyholders** as a whole, allowing the **Equitable** to allocate **With-Profits Policyholders** their share of all available assets in the **With-Profits Fund** as quickly as possible. The **Scheme** would also give **Scheme Policyholders** their share of the cost savings which **Utmost** is expecting to be able to make as a consequence of the **Scheme** and the **Transfer** (see paragraph 20.28 below).

6.6 If you are a **Scheme Policyholder**, what do you have to do?

- (a) Understand what the **Scheme** is about and what it means for you;
- (b) Consider what help and support is available to help you make a decision;
- (c) Vote;
- (d) Consider the **Investment Choice Pack**, which will be sent to you shortly, and make an investment choice to take effect if the **Scheme** goes ahead; and
- (e) Consider whether you need financial advice.

6.7 You can find out more about the **Scheme** in Section B.

The Change to the Articles

6.8 The **Change to the Articles** would mean that **Utmost** becomes the sole member of the **Equitable**, along with certain other consequential changes to the **Articles**. This is an essential part of the agreement the **Equitable** has made with **Utmost**, as a result of which **Utmost** would take on transferred business risks and provide capital to implement the **Proposal**. We are asking current **Eligible Members** to vote on the **Change to the Articles** at an **Extraordinary General Meeting (EGM)**.

6.9 If the **Scheme** is implemented, **Scheme Policyholders** would no longer be **Members** of the **Equitable** anyway. In any case, the commercial deal with **Utmost** mentioned in paragraph 1.4 above involves transferring the **Equitable's** business to **Utmost**. Consequently, under the **Change to the Articles**, **Utmost** would become the sole member of the **Equitable** and the **Equitable** would become a subsidiary of **Utmost**. If **Eligible Members** do not vote for the **Change to the Articles** in sufficient numbers then the **Scheme** will not go ahead. Therefore if you are a **Scheme Policyholder** and also an **Eligible Member**, and you want the **Scheme** to go ahead, then you should vote for the **Change to the Articles** as well as for the **Scheme**.

6.10 You can find out more about the **Change to the Articles** in Section C.

The Transfer

- 6.11 The **Transfer** would result in the **Transferring Business** being transferred to **Utmost**
- 6.12 The **Transfer** is a separate legal process to the **Scheme** which would also need approval from the **High Court** before it can go ahead. The **Transfer** would not go ahead unless the **Scheme** and **EGM** votes are passed and the **Scheme** is sanctioned by the **High Court**. You should also bear in mind that the **Scheme** will not go ahead if the **High Court** does not approve the **Transfer**.
- 6.13 From the **Implementation Date**, the fund structure of the **Equitable** will be amended by establishing a new with-profits fund (the "**German With-Profits Fund**") for the **German With-Profits Policies**. More details on this are contained in paragraphs 57.3 to 57.7.
- 6.14 You can find more about the **Transfer** in Section E.

7. What would happen to German Policies and Irish Policies?

- 7.1 If the **Transfer** goes ahead then the **German Policies** and the **Irish Policies** will remain **Policies** of the **Equitable**. They will be the only **Policies** of the **Equitable** and the **Equitable** will become a subsidiary of **Utmost**.
- 7.2 People who hold **German Policies** or **Irish Policies** are entitled to object to the **Scheme** or the **Transfer** if they think they will be adversely affected. Please see paragraph 66 below for further details on how any policyholder may object to the **Transfer**.
- 7.3 There are two types of **German With-Profits Policies**: **UK Style German With-Profits Policies** and **German Style German With-Profits Policies**.
- 7.4 There are 319 **UK Style German With-Profits Policies**, and 150 **German Style German With-Profits Policies**, which will all be excluded from the **Scheme**, and their holders will not have a vote on the **Scheme**. The **UK Style German With-Profits Policies** will continue to be **With-Profits Policies**, with **Investment Guarantees**. They will participate in the **German With-Profits Fund**, which will contain only assets which reflect the value of the **German With-Profits Policies**. **UK Style German With-Profits Policies** will also increase in value, because the same efficiencies and benefits which make the **Uplift** possible under the **Scheme** can be used to provide **UK Style German With-Profits Policies** with an increase in value. **German Style German With-Profits Policies** will not increase in value. You can find more detail about this at paragraphs 36 to 38 below.
- 7.5 Holders of **German With-Profits Policies** will have a vote on the **Change to the Articles** at the **EGM** if they are **Eligible Members**. If they want the **Proposal** to go ahead then they should vote for the **Change to the Articles**. Holders of **German Policies** can find information about the support which is available to them at paragraph 10.4 below.

- 7.6 Part A and Part B of this booklet have been translated into German and copies of the translated documents are being sent to holders of **German Policies**. This is in line with the **Equitable's** usual practice of communicating with holders of **German Policies** in German (i.e. policyholders who purchased policies governed by German law from a distribution office in Germany). The **Equitable** has sought to ensure that the content of the German translations matches the content of the relevant English language documents as closely as possible. However, there may be differences in meaning between the two versions of a document. Where this is the case, the English language versions of all documents are the definitive versions.

- 7.7 **Irish With-Profits Policies** will be included in the **Scheme** and so their policyholders will have a vote on the **Scheme** and if the **Scheme** goes ahead they will receive the **Uplift**, have their **Investment Guarantees** and **With-Profits Switching Rights** (if any) removed, and their **Policies** will be converted to **Unit-Linked Policies** with the **Equitable**.
- 7.8 **Irish Policies** other than **Irish With-Profits Policies** will not be affected by the **Scheme** and their policyholders will not have a vote on the **Scheme**.
- 7.9 Holders of **Irish With-Profits Policies** will have a vote on the **Change to the Articles** at the **EGM** if they are **Eligible Members**. Like all other **Scheme Policyholders** who are **Eligible Members**, if they want the **Proposal** to go ahead then they should vote for the **Change to the Articles** as well as voting for the **Scheme**.

8. Frequently Asked Questions

- 8.1 Section F contains a range of specific questions and answers which you may wish to refer to as you read this booklet. For example:
 - (a) Why is the **Board** making the **Proposal**?
 - (b) How do I know if I will be better off now and in the future?
 - (c) What needs to happen for the **Scheme** to become effective?
 - (d) Why is the **EGM** necessary?
 - (e) Do I need to do anything about the **Transfer**?
 - (f) What will happen to my existing unit-linked holdings if the **Transfer** goes ahead?

9. Other interested parties

- 9.1 Please share this information with anyone who has an interest in your **Policy**. For example:
 - (a) joint holders of your **Policy**,
 - (b) anyone to whom the right to receive payment of any relevant insurance benefit has been transferred;
 - (c) a beneficiary – someone who might get a payment from the policy other than the **Policyholder** (e.g. a dependant after your death);

- (d) a beneficial owner – someone who has a beneficial interest in the **Policy** under a nominee/trustee arrangement;
- (e) where you hold the **Policy** as the trustee of a pension scheme, the members of the pension scheme; and
- (f) someone who holds a power of attorney for a **Policyholder**.

10. Guidance and Advice

10.1 The most important thing we ask you to do before you vote is to make sure that you think about your personal circumstances and preferences to see whether or not you wish to support the **Proposal**. See also Section G.

10.2 If you hold a **German Policy**, paragraph 10.3 does not apply to you. You should read paragraph 10.4 which provides a description of the guidance and advice that is available to holders of **German Policies**.

10.3 We suggest you:

- (a) Read both Part A and Part B of this booklet. Part A provides you with a summary of the **Proposal** and Part B contains more detailed information. Together they give you all the information about the **Proposal**, including the effect of removing the **Investment Guarantees** from **Scheme Policies**, and what to consider ahead of voting.
- (b) If you are a **Scheme Policyholder**, read your **Personal Illustration(s)** and the **Investment Choice Pack**. Your **Personal Illustration** provides you with an indication of what you may receive if the **Proposal** goes ahead, and what this might look like at a point in the future. It also allows you to compare this with the projected position at a future date in the event that the **Proposal** does not go ahead. This will help you understand the current value of your **Policy**, the amount that this might be increased by and the **Investment Guarantee** that would be removed if the **Proposal** goes ahead.
- (c) After reading Part A and Part B of this booklet, any **Personal Illustration**, and the other information in your Decision Pack, if you still have any questions about the **Proposal**, the **Equitable** has arranged for a dedicated team to provide you with further support.
- (d) This team is provided by **JLT**, who are experienced in guiding policyholders through processes such as this. They will guide you through all parts of the **Proposal** and will point out what key areas you should think about when making your decision. You can reach **JLT** on our helpline by calling the appropriate number between 9.00 a.m. and 5.00 p.m.:

- (i) Individual **Policyholders**:
 - (A) From the UK: 0330 159 1530
 - (B) From outside the UK: +44 1296 386 242
- (ii) **Group Scheme Trustees**:
 - (A) From the UK: 0330 159 1531
 - (B) From outside the UK: +44 1296 385 225

(e) If you do wish to speak to **JLT**, we would recommend reading the material first in order to gain as much of an understanding about the **Proposal** as you can. Additionally, having your documentation to hand will help you to get the most out of the call. We also recommend that you talk to **JLT** first before deciding whether you would like any further support.

(f) If you are a UK resident and need further assistance in understanding the **Proposal** after calling the helpline, **JLT** can also provide you with advice, including a recommendation of how to cast your vote but excluding any recommendations regarding your future investment options. The cost of this **JLT** advice is £95, which has been subsidised by the **Equitable**.

(g) If you are an individual **Scheme Policyholder** resident in the UK, the **Equitable** is providing you with access to subsidised financial advice. More details about the costs of these services and how to access this advice can be found in your **Investment Choice Pack** being sent to you shortly.

(h) You can ask a financial adviser to give you advice. They may charge you for this service, and the amount they charge may depend on whether you want advice about your policy with the **Equitable**, or a wider review of your finances. If you are a **Scheme Policyholder**, the **Equitable** will subsidise up to a maximum of £355 for you to receive advice from your existing financial adviser. If the financial adviser charges more than that, you will need to pay the rest. If you seek to engage in a new relationship with a financial adviser, the **Equitable** will not contribute towards the cost of their advice.

10.4 If you hold a **German Policy**:

- (a) Read both Part A and Part B of this booklet. Part A provides you with a summary of the **Proposal** and Part B contains more detailed information. See also Section G.
- (b) If after reading Part A and Part B of this booklet you still have any questions about the **Proposal**, the **Equitable** has arranged for a dedicated German-speaking team to provide you with further support. You can reach the German-speaking team by calling them on 01803 234 630 between 9.00 a.m. and 5.00 p.m., or by emailing them at info@equitable-int.com.

- (c) You can ask a financial adviser to give you advice. They may charge you for this service, and the amount they charge may depend on whether you want advice about your policy with the **Equitable**, or a wider review of your finances. The **Equitable** will not contribute towards the cost of their advice.
- 10.5 Let us know if your personal circumstances mean you might benefit from additional assistance. This may be the case if you are faced with particularly complex issues or identify yourself as being 'vulnerable', for example as a result of disability (either mental or physical), terminal illness, or having problems reading or understanding written materials.
- 10.6 The **Equitable** and **Utmost** are committed to supporting policyholders with additional needs, and together we can arrange the appropriate support to help you through this process.

How to contact us:

- 10.7 We recognise that we have provided you with a lot of information and making a decision may not be straightforward. We have set up a dedicated helpline to provide support and guidance on the **Proposal** and the vote. We have also updated our **Website** to provide you with a range of information that may help you and which includes links to key documents in relation to the **Scheme** and the **Transfer**.
- 10.8 You can contact us in the following ways:
- (a) Calling our helpline on the appropriate number:
- (i) Individual **Policyholders**:
- (A) From the UK: 0330 159 1530
- (B) From outside the UK: +44 1296 386 242
- (ii) **Group Scheme Trustees**:
- (A) From the UK: 0330 159 1531
- (B) From outside the UK: +44 1296 385 225
- (iii) Holders of **German Policies**:
01803 234 630
- (b) Writing to us by letter: The Equitable Life Assurance Society, Walton Street, Aylesbury, Bucks, HP21 7QW
- (c) Writing to us by email to the appropriate email address:
- (i) Individual **Policyholders**:
- (A) From the UK: enquiries@equitable.co.uk
- (B) From outside the UK:
info@equitable-int.com
- (ii) **Group Scheme Trustees**:
- (A) From the UK: gps@equitable.co.uk
- (B) From outside the UK:
gpi_unit@equitable.com

(iii) Holders of **German Policies**:
info@equitable-int.com

(d) Website: www.equitable.co.uk.

11. Scams & Fraud


Look out for scams and fraud

- 11.1 Fraudsters may see the **Proposal** as an opportunity to get you to part with your savings, for example, by contacting you unexpectedly and offering too-good-to-be-true promises of cash and/or interest rates.
- 11.2 There is more information about scams and fraud in the enclosed leaflet, but remember that the **Equitable** will not:
- (a) Recommend or advise you to cash in your policy.
- (b) Send text messages.
- (c) Contact you by email asking for your bank details.
- 11.3 A scam or fraud could cost you all your savings, so be aware and never give any personal or financial details if you have been unexpectedly contacted, even if the company or person who contacts you seems legitimate.
- 11.4 If you seek to engage your own financial adviser, ensure they are a bona-fide firm by checking them out on the **FCA** register at register.fca.org.uk.

12. What is the timetable?

EVENT	TIME AND DATE	
Scheme Voting Value Date	1 April 2019	The date on which the values of <i>Scheme Policies</i> are calculated for the purpose of voting at the <i>Policyholders' Meeting</i> .
The Introduction to the <i>Scheme</i> booklet sent to <i>Scheme Policyholders</i>	Week commencing 27 May 2019	This introduced <i>Scheme Policyholders</i> to the <i>Proposal</i> , the <i>Scheme</i> and ways in which it affects them.
First Court Hearing	22 July 2019	The hearing at which the <i>Equitable</i> obtained the <i>High Court's</i> permission to: (i) hold the <i>Policyholders' Meeting</i> for the <i>Scheme</i> ; and (ii) notify policyholders of the <i>Transfer</i> in accordance with the proposed communication strategy.
This Decision Pack, which includes the <i>Explanatory Booklet</i> and <i>Voting Forms</i> is being sent to all policyholders of the <i>Equitable</i> (including <i>Scheme Policyholders</i>) by post	This is what you are receiving now.	This provides you with details of the <i>Proposal</i> so that you can decide how to exercise any votes you may have and whether you wish to object.
Investment Choice Pack sent to <i>Scheme Policyholders</i>	By mid-August 2019. If you have not received this already, it will arrive soon, as it will be posted to you shortly after this Decision Pack.	This information will explain the <i>Unit-Linked Funds</i> that would be available for <i>Scheme Policies</i> , if the <i>Scheme</i> were to become effective. <i>Scheme Policyholders</i> should decide on a <i>Unit-Linked Fund</i> , seeking any advice they need.
Calculation Date	30 September 2019	The date at which certain values which form part of the <i>Secondary Uplift</i> calculation will be calculated.
EGM votes calculated	14 October 2019	The date on which the number of votes that <i>Members</i> have at the <i>EGM</i> will be calculated, as required by the <i>Articles</i> .
Deadline for receipt of hard copy <i>Voting Forms</i> for the <i>Extraordinary General Meeting</i>	10.00 a.m. on 30 October 2019	The date by which postal votes on the <i>Change to the Articles</i> need to be received.
Deadline for online voting for the <i>Extraordinary General Meeting</i>	10.00 a.m. on 30 October 2019	The last date for online voting on the <i>Change to the Articles</i> .
Deadline for receipt of hard copy <i>Voting Forms</i> for the <i>Policyholders' Meeting</i>	10.00 a.m. on 30 October 2019	The date by which postal votes on the <i>Scheme</i> need to be received.
Deadline for online voting for the <i>Policyholders' Meeting</i>	10.00 a.m. on 30 October 2019	The last date for online voting on the <i>Scheme</i> .
Policyholders' Meeting on the <i>Scheme</i>	10.00 a.m. on 1 November 2019	The meeting of <i>Scheme Policyholders</i> to vote on the <i>Scheme</i> .
Extraordinary General Meeting for the <i>Change to the Articles</i> .	1 November 2019, held immediately after the <i>Policyholders' Meeting</i> that starts at 10.00 a.m.	If <i>Scheme Policyholders</i> vote in favour of the <i>Scheme</i> in the required majorities, there would be a meeting of the <i>Equitable's Members</i> to vote on the <i>Change to the Articles</i> .
Second Court Hearing to sanction the <i>Scheme</i> and the <i>Transfer</i>	10.30 a.m. on 22 November 2019	If <i>Scheme Policyholders</i> vote for the <i>Scheme</i> in the required majorities, and the <i>Change to the Articles</i> is approved at the <i>EGM</i> , this would be the <i>High Court</i> hearing at which the <i>Equitable</i> would seek the <i>High Court's</i> approval of the <i>Scheme</i> and the <i>Transfer</i> .
Post-Sanction Notice	After the Second Court Hearing (in accordance with Court order)	If the <i>High Court</i> approves the <i>Transfer</i> , the parties must publish a <i>Post-Sanction Notice</i> in relevant EEA states specifying such period as the <i>High Court</i> may direct during which the <i>Policyholders</i> of such EEA states may exercise any local law rights they have to cancel their policies.
Confirmation on the <i>Equitable's</i> and <i>Utmost's</i> websites that the <i>Scheme</i> and <i>Transfer</i> have been approved	Approximately 25 November 2019	If the <i>High Court</i> approves the <i>Scheme</i> and the <i>Transfer</i> , we would publish confirmation of this on our <i>Website</i> .
Scheme Effective Date	Approximately 25 November 2019	This is the date on which the <i>High Court's</i> order made at the Second Court Hearing would become effective
The deadline for receipt of <i>Investment Choice Forms</i> to process your investment choice at the Implementation Date	13 December 2019	If the <i>High Court</i> approves the <i>Scheme</i> and the <i>Transfer</i> , this would be the last date for implementing investment choices at the Implementation Date . You would still be able to make a choice later.
Implementation Date	1 January 2020	If the <i>High Court</i> approves the <i>Scheme</i> and the <i>Transfer</i> , on this date: (i) the <i>Scheme</i> would be implemented in full (<i>Scheme Policies</i> would be uplifted and would become unit-linked, while any <i>Investment Guarantees</i> would be removed); (ii) <i>Transfer</i> would be implemented in full (the <i>Transferring Business</i> would transfer to <i>Utmost</i>); and (iii) <i>Change to the Articles</i> would take effect on this date, making <i>Utmost</i> the sole member of the <i>Equitable</i> .

B The scheme of Arrangement



13. Who would be affected by the Scheme?

- 13.1 The *Scheme* would affect *Scheme Policyholders*. As explained above, they are *Policyholders* who have *With-Profits Policies*, any *Policies* that have *With-Profits Switching Rights*, or are *With-Profits FSAVC Scheme Members* (in each case other than holders of *German Policies*). In fact, people will only ultimately be *Scheme Policyholders*, and therefore affected by the *Scheme*, if they still hold those *Policies* on the *Implementation Date*. Your covering letter will say whether you are expected to be a *Scheme Policyholder*. A small number of *Policyholders* whose *Policies* terminate before the *Implementation Date* would still be affected by the *Scheme* to some extent because they would be *Legacy Scheme Policyholders*. See paragraph 20.35.
- 13.2 *Scheme Policyholders* include trustees of *Group Pension Policies*.
- 13.3 *Scheme Policyholders* are entitled to vote on the *Scheme* at the *Policyholders' Meeting*. This part of the booklet provides detailed information to help them decide whether to vote for or against the *Scheme*.
- 13.4 *Scheme Policyholders* cannot choose to opt out of the *Scheme*. All *Scheme Policyholders* will be bound by the *Scheme* if:
- enough of them vote in favour of it at the *Policyholders' Meeting*;
 - the *High Court* approves it;
 - the *Change to the Articles* goes ahead (see Section C of this booklet);
 - the *High Court* approves the *Transfer*, and
 - the *PRA* approves *Utmost* taking control of the *Equitable*.
- 13.5 If those things do not happen, then the *Scheme* will not take effect for any *Scheme Policyholders*.
- 13.6 If you are not a *Scheme Policyholder*, the information in this section does not apply to you directly, and you will not have a vote on the *Scheme*.
- 13.7 With this booklet, all individual *Scheme Policyholders* who have with-profits investments have received a *Personal Illustration*, and all trustees of *Group Pension Policies* have received equivalent member illustration data. The *Personal Illustrations* provide *Scheme Policyholders* with an indication of what they may receive if the *Proposal* goes ahead, and what this might look like at a point in the future. They also allow *Scheme Policyholders* to compare this with the projected position at a future date in the event that the *Proposal* does not go ahead. This will help *Scheme Policyholders* to understand the current value of their *Policies*, the amount by which this might be increased and the *Investment Guarantee* that would be removed if the *Proposal* goes ahead. They set out for each *Scheme Policy* and *Member Policy Component*:
- the type of *Investment Guarantee*;
 - the *Policy Value* as at 1 April 2019 (or the maturity or death benefits for *Conventional With-Profits Policies*);
 - the value of the *Guaranteed Fund* as at 1 April 2019; and
 - an indication of the *Uplift* which might be applied to the *Scheme Policy* if the *Scheme* goes ahead.
- 13.8 *Scheme Policyholders* include *Policyholders* who hold *Irish With-Profits Policies*, even though they would not transfer to *Utmost* if the *Transfer* goes ahead.
- 13.9 As explained at paragraph 7.3 above, the *German Policies*, including the *German With-Profits Policies*, will all be excluded from the *Scheme*, and their holders will not have a vote on the *Scheme* although *UK Style German With-Profits Policies* will increase in value if the *Scheme* goes ahead. *UK Style German With-Profits Policies* will also be managed in line with their new *Asset Share* as further described in paragraphs 57.5 to 57.8. If they are *Eligible Members*, holders of *German With-Profits Policies* will have a vote on the *Change to the Articles*. Their *Policies* will remain as *With-Profits Policies* with the *Equitable*, but will be protected from bearing all of the risks of the *Equitable*. This is explained further at paragraphs 36 to 38 below.

13.10 The table below summarises in high level terms what *Scheme Policyholders* would give up under the *Scheme* and what they would gain.

What would <i>Scheme Policyholders</i> give up if the <i>Scheme</i> is implemented?	What would <i>Scheme Policyholders</i> gain if the <i>Scheme</i> is Implemented?
<ul style="list-style-type: none"> Any <i>Investment Guarantees</i>, including any guaranteed annual increases. Any <i>Capital Distribution</i> when they take their benefits, which is currently 35% of the <i>Policy Value</i> as at the <i>Implementation Date</i> in respect of premiums paid on or before 31 December 2014 although that level is not guaranteed to continue. Membership of the <i>Equitable</i>. Any future share in the <i>Equitable's</i> profits and losses. Any <i>With-Profits Switching Rights</i>. 'Smoothed' investment returns (see the explanation of this feature of with-profits investments at paragraph 20.23 below). 	<ul style="list-style-type: none"> Most <i>Scheme Policyholders</i> who had investments in the <i>With-Profits Fund</i> at 31 December 2017 are expected to receive an immediate increase of at least 60% to 70% of their <i>Policy Value</i> at the time the <i>Scheme</i> is implemented, instead of an uncertain <i>Capital Distribution</i> later. The <i>Equitable's</i> current best estimate is that <i>Scheme Policyholders</i> would receive an <i>Uplift</i> of approximately 68% of their <i>Policy Value</i> at the <i>Implementation Date</i>. In each case this would be based on premiums paid and contributions made by exercise of <i>With-Profits Switching Rights</i> on or before 31 December 2017, taking into account any withdrawals. <i>Scheme Policyholders</i> would receive a continuing <i>Unit-Linked Policy</i> managed by <i>Utmost</i>, a financially stable company with an ongoing business. <i>Scheme Policyholders</i> would have a choice of unit-linked investment options which cater for a range of risk appetites. The value of <i>Unit-Linked Funds</i> is not guaranteed and can go down as well as up.

13.11 In this booklet we use the term *Policy Value* in several places in relation to all *Scheme Policies*. '*Policy Value*' is a term which usually only applies in relation to *Recurrent Single Premium Policies*. The comparable term for *Conventional With-Profits Policies* is 'surrender value'. However, in this booklet when we refer to *Policy Value* we also mean, in relation to *Conventional With-Profits Policies*, surrender value (although not including any *Capital Distribution*).

14. Important dates for the *Scheme*

Event	Date
<i>Policyholders' Meeting</i> : where <i>Scheme Policyholders</i> vote on the <i>Scheme</i> .	1 November 2019
<i>Second Court Hearing</i> : where the <i>High Court</i> decides whether to approve the <i>Scheme</i> .	22 November 2019
<i>Scheme Effective Date</i> : when the <i>Scheme</i> becomes effective formally.	Approximately 25 November 2019
<i>Implementation Date: Scheme Policyholders'</i> <ul style="list-style-type: none"> <i>Policy Values</i> are uplifted <i>With-Profits Policies</i> become unit-linked <i>Investment Guarantees</i> and <i>With-Profits Switching Rights</i> are removed 	1 January 2020

The *Implementation Date* is also the date on which the *Change to the Articles* and the *Transfer* to *Utmost* would happen.

15. What are *Scheme Policies*?

- 15.1 The following policies are *Scheme Policies*:
- (a) *With-Profits Policies* (other than *German With-Profits Policies*) which are in force on the *Implementation Date*; and
 - (b) any policy of the *Equitable* which is in force on the *Implementation Date* and confers *With-Profits Switching Rights*.
- 15.2 In addition, any person who is a *With-Profits FSAVC Scheme Member* on the *Implementation Date* is deemed to have a *Scheme Policy*.
- 15.3 For more information on why *German With-Profits Policies* are not *Scheme Policies*, see paragraph 36 below.
- 15.4 If the *Equitable* has an obligation to make payments to you under a *Scheme Policy*, you are a *Scheme Policyholder*. Your covering letter to this booklet will say whether you are expected to be a *Scheme Policyholder*.

16. What if a *Scheme Policyholder* takes their benefits before the *Implementation Date*?

- 16.1 If you are a *Scheme Policyholder* and you choose to take your benefits under your *Scheme Policy* before the *Implementation Date*, you will not be able to participate in the *Scheme*.
- 16.2 If your policy expires either by reaching its contractual maturity date (i.e. it expires without you having a choice about it) or because of death, between the date that the *High Court* makes the order sanctioning the *Scheme* and the *Implementation Date*, you will be a *Legacy Scheme Policyholder*. For *Group Pension Policies*, where an individual pension scheme member has to take their benefits because of death, the relevant *Member Policy Component* will be treated as if that individual is a *Legacy Scheme Policyholder*.
- 16.3 As a *Legacy Scheme Policyholder*, you would get essentially the *Uplift* that we would expect to apply to your *Policy* if you were a *Scheme Policyholder*. We think it would be unfair for you, or your dependants, to miss out on the benefits of the *Uplift*, when you were in the same position as a *Scheme Policyholder* when it became certain that the *Uplift* would be paid and you did not choose to stop being a *With-Profits Policyholder*.
- 16.4 Your *Personal Illustration* provides you with an indication of what you may receive if the *Proposal* goes ahead and what this might look like at a point in the future. It also allows you to compare this with the projected position at a future date in the event that the *Proposal* does not go ahead. Appendix II of this booklet sets out how the *Scheme* would affect each type of *Scheme Policy*. You can look in that Appendix to see how the *Scheme* would affect the value and operation of your *Policy*.

17. *Group Pension Policies* and the *Scheme*

- 17.1 *Group Pension Policies* are *Scheme Policies* which provide benefits for individual members of group pension schemes. For *Group Pension Policies*, the *Scheme Policyholder* is the trustee or administering authority of the relevant group pension scheme. This could be an individual, a group of individuals or a company, and the identity of that person (or members of that group of people) may change over time. We refer to those people as *Group Scheme Trustees*.
- 17.2 Even though the *Scheme Policyholder* for a *Group Pension Policy* is the relevant *Group Scheme Trustee*, in practice the *Equitable* calculates its obligations to these *Scheme Policyholders* by considering the benefits for individual *members*. To reflect this, when making calculations for the purposes of the *Scheme*, the *Equitable* would calculate *Uplifts* for the separate benefits held under *Group Pension Policies* which reflect individual group scheme members' benefits under their group pension scheme. We call these individualised benefits *Member Policy Components*.
- 17.3 The rest of this Section B is a detailed explanation of the *Scheme*.

18. Detailed Explanation of the *Scheme*

- 18.1 In high-level terms, if approved, the *Scheme's* key features would be:
- (a) The *Uplift*, which will be an increase to the part of *With-Profits Policies' Policy Values* relating to premiums paid prior to 1 January 2018. Premiums paid between 1 January 2018 and the *Implementation Date* will not form part of the *Uplift Calculation*. The *Uplift* is explained in detail at paragraphs 20.24 to 20.52 below. Where *Policy Value* is used to describe the operation of the *Proposal*, this includes the surrender value for *Conventional With-Profits Policies* (but does not include any *Capital Distribution*).
 - (b) Removal of *Investment Guarantees* (including any guaranteed annual increases) and removal of any *With-Profits Switching Rights*. This is explained in detail at paragraph 21.2 below.
 - (c) *With-Profits Policies* (other than *German With-Profits Policies*) will become *Unit-Linked Policies*. You would have a choice of *Unit-Linked Funds* to invest in after that. This is explained in detail at paragraph 22.8 and Appendix IV below.
- 18.2 The *Scheme* will only go ahead if the *High Court* approves the *Transfer*. It is important to note that the *Transfer* is a separate legal process and requires its own court approval. If both the *Scheme* and the *Transfer* go ahead, your *Scheme Policy* would be converted to a *Unit-Linked Policy* (under the *Scheme*) and then that *Unit-Linked Policy* would transfer to *Utmost* (under the *Transfer*) so you would no longer have a policy with the *Equitable*

(unless you have an *Irish Policy*, which will remain with the *Equitable*). As *Scheme Policyholders* would no longer have *With-Profits Policies*, they would no longer be *Members* of the *Equitable*.

19. What if the Scheme is not implemented?

- 19.1 Neither the *Scheme* nor the *Transfer* would proceed. This means that you would not receive the *Uplift*, you would retain any *Investment Guarantee* you have, your *With-Profits Policy* would not be converted to a *Unit-Linked Policy*, you would remain a *Member*, and the *Equitable's* business would not be transferred to *Utmost*. We would continue to run the *Equitable* as currently and try to find a different solution to the challenges mentioned in paragraph 5.8 above.
- 19.2 Whilst we have been able to increase your *Policy Value* steadily over the last few years, and currently pay 35% of *Policy Value* in respect of premiums paid on or before 31 December 2014 as a *Capital Distribution* when you take your benefits, we cannot promise this will always be the case. The current 35% *Capital Distribution* and *Policy Value* (including any annual increase) are not guaranteed and could be higher, reduced or removed in future.

20. What is a scheme of arrangement?

- 20.1 A scheme of arrangement is a legal compromise or arrangement between a company and its creditors. In this case, the *Scheme Policyholders* are the creditors, and the *Equitable* is the company. "Compromise" refers to the fact that there is give and take in a scheme of arrangement. For more information on what *Scheme Policyholders* give up if the *Proposal* is approved, see the table at paragraph 13.10 above.
- 20.2 The process is supervised by the *High Court*, and the *Scheme* cannot become effective unless *Scheme Policyholders* vote in favour of it at the *Policyholders' Meeting* by the *Statutory Majorities* required by law and the *High Court* approves it. It is supervised by the *High Court* because all scheme creditors are bound by a scheme of arrangement if successful, not just those who vote in favour of the scheme. Therefore, the *High Court* must be satisfied that, among other things, the *Scheme* is a fair compromise to all *Scheme Policyholders*. The *High Court* will see a report prepared by the *Policyholder Independent Expert* whom we have appointed to consider whether the *Scheme* is in *Scheme Policyholders'* interests. A summary of this report is in Appendix VI and the full report is available on the *Website*. The *Policyholder Independent Expert Terms of Reference* i.e. the things he considered in preparing his report, are available for inspection (see Appendix XI) and were agreed by the *FCA*.

20.3 There is more information on how to vote in Section D of this booklet, and on the details and mechanics of voting in Section F.

20.4 There are three important legal steps in the *Scheme* process. This process applies to all schemes of arrangement.

(a) Step 1 – First Court Hearing (22 July 2019)

We sent the "Introduction to the Scheme" booklet to *Scheme Policyholders* in May. On 22 July 2019 the *High Court* gave us permission to call the *Policyholders' Meeting*. That is what we are doing by sending you this pack of information.

(b) Step 2 – Policyholders' Meeting (10.00 a.m. on 1 November 2019)

At the *Policyholders' Meeting*, which is being held at Central Hall Westminster, Storey's Gate, London SW1H 9NH on 1 November 2019 at 10.00 a.m., *Scheme Policyholders* will be invited to vote for or against the *Scheme*. Details of how you can vote (including voting online and by post) can be found in Section D below.

Whatever happens at the *Policyholders' Meeting*, the *Scheme* will only take effect if the *Change to the Articles* is passed by *Eligible Members* voting at the *EGM* (see Section C below).

(c) Step 3 – Second Court Hearing (22 November 2019)

If enough *Scheme Policyholders* vote for the *Scheme* at the *Policyholders' Meeting*, and the *Change to the Articles* is passed at the *EGM*, we intend to return to the *High Court* to ask it to approve (or "sanction") the *Scheme*. This hearing is likely to take place on 22 November 2019. If this date changes we will put a notice on our *Website*. If the *High Court* sanctions the *Scheme*, then it will take effect formally on the *Scheme Effective Date*, which will be very shortly after the *Second Court Hearing*. The main changes that the *Scheme* would make would happen at the *Implementation Date*, which we expect would be 1 January 2020.

The *Policies* the *Scheme* would affect and the guarantees it would remove

What are *Scheme Policies*?

- 20.5 The *Scheme* affects *Scheme Policies*. *Scheme Policies* include the vast majority of the *Equitable's With-Profits Policies*. Some of those *Scheme Policies* are *Recurrent Single Premium Policies* and some of them are *Conventional With-Profits Policies*. In some respects these two types of policies work differently.
- 20.6 *Scheme Policies* also include benefits under the *Equitable's FSAVC Scheme*, and any policies which are not *With-Profits Policies* but which include *With-Profits Switching Rights*.

What are *Investment Guarantees*?

- 20.7 Most *Scheme Policies* include a promise that when a *Scheme Policy* pays out benefits at a time and in circumstances described in the policy, the *Equitable* will pay a minimum amount and that amount is based on the amount that the *Scheme Policyholder* has paid in premiums. These promises are *Investment Guarantees*. *GARs* and *GMPs* are not *Investment Guarantees* and would not be affected by the *Scheme*.
- 20.8 *Conventional With-Profits Policies* do not have *Policy Values* in the same way that *Recurrent Single Premium Policies* do. The "surrender value" is the amount the *Equitable* would pay to a *Policyholder* who surrendered their *Policy*. These values are calculated to give an equivalent return as *Recurrent Single Premium Policies* receive from *Policy Values* plus *Capital Distribution*.
- 20.9 Where *Policy Value* is used to describe the operation of the *Proposal, Conventional With-Profits Policies* use their surrender value (not including any *Capital Distribution*).
- 20.10 All *Investment Guarantees* would be removed by the *Scheme*, along with any guaranteed annual increases and *With-Profits Switching Rights*. There are other types of guarantee and these will not be removed by the *Scheme*. See paragraphs 20.20 and 21.4.

What are *Recurrent Single Premium Policies*?

- 20.11 For *Recurrent Single Premium Policies*, the amount that the *Equitable* has to pay under an *Investment Guarantee* is the *Guaranteed Fund*. At the very least, *Recurrent Single Premium Policies* provide that *Scheme Policies* will not be paid less (subject to charges and any withdrawals) than they have paid in premiums. For many *Recurrent Single Premium Policies*, the *Investment Guarantees* include a promise that the *Guaranteed Fund* will increase by a specified amount each year. This is usually 3.5% per year but there are also

some at 2.5% per year. In these cases, *Scheme Policyholders* might have seen specific references to their *Guaranteed Fund* in communications they have received from the *Equitable* or in their *Policy* documents, and may have seen phrases like "guaranteed investment return" or "GIR".

Policy Value

- 20.12 The *Policy Value* reflects the investment return which the *Equitable* applies over time to premiums which have been paid, which is "smoothed" (smoothing is explained at 20.23 below). If the *Policy Value* plus *Capital Distribution* is greater than the *Guaranteed Fund* (see below), then the *Policy Value* plus *Capital Distribution* is what the *Equitable* currently pays a *Scheme Policyholder* when they take their benefits. If the *Policy Value* plus *Capital Distribution* is less than the *Guaranteed Fund*, then the *Scheme Policyholder* receives the *Guaranteed Fund* (if they take their benefits when the guarantee applies).
- 20.13 *Recurrent Single Premium Policies' Policy Values* are calculated in accordance with the *Principles and Practices of Financial Management (PPFM)*. The main features are:
- the premiums paid in relation to that *Scheme Policy*,
 - any deductions in accordance with relevant policy terms for expenses and charges;
 - an adjustment, determined by the *Equitable*, which reflects smoothed investment returns during the period that the relevant *Scheme Policy* has been held; and
 - adjustments for any withdrawals that *Scheme Policyholders* have made from their investments.

Guaranteed Fund

- 20.14 *Recurrent Single Premium Policies' Guaranteed Funds* are the minimum amount which the *Equitable* must pay beneficiaries under the *Scheme Policy* (if they take their benefits when the guarantee applies). The amount of the *Guaranteed Fund* depends on the terms of the *Investment Guarantee* (including any guaranteed annual increase).
- 20.15 The *Guaranteed Fund* is calculated as follows:
- the premiums paid in relation to a particular *Scheme Policy*,
 - minus any deductions in accordance with relevant policy terms for expenses and charges;
 - plus any bonuses which have already been allotted to the relevant *Scheme Policy*,
 - plus any guaranteed annual increase which is included in the relevant policy terms.

20.16 If you are a *Scheme Policyholder* who has a *Recurrent Single Premium Policy*, the *Personal Illustration* states your *Guaranteed Fund* as at 1 April 2019.

Conventional With-Profits Policies

20.17 For *Conventional With-Profits Policies*, there is no minimum fund that increases at a particular rate every year. A guaranteed minimum benefit applies at a fixed maturity date. The *Investment Guarantee* for these *Scheme Policies* is the minimum amount that a *Policyholder* is entitled to be paid at the maturity date if they have paid the agreed premiums. These *Scheme Policies* also have an insurance benefit which is a specified amount that a *Policyholder* is entitled to be paid if the life assured dies before the maturity date if all premiums had been paid. *Policyholders'* entitlement to that insurance benefit would not be removed if the *Scheme* goes ahead.

20.18 "Whole of Life" policies are also *Conventional With-Profits Policies* and they do not have an *Investment Guarantee*. The minimum benefit on these policies is payable at an unknown future date when a named individual dies. These are also *Scheme Policies*.

20.19 For *Scheme Policyholders* who have *Conventional With-Profits Policies*, the *Personal Illustration* either states the guaranteed benefits at a future date or on a future event.

Other guaranteed benefits

20.20 Some benefits which the *Equitable* has to pay under *Scheme Policies* would only arise if a particular life event happens to the person whose life is insured, such as their death or their diagnosis of a particular medical condition. We call these *Insurance Event Benefits* and they are:

- (a) death benefits;
- (b) health benefits; and
- (c) annuity benefits.

Further information on *Insurance Event Benefits* is contained in Schedule 4 to the *Scheme Document* and in paragraph 21.4 below.

20.21 *Insurance Event Benefits* are not *Investment Guarantees* and they will not be removed by the *Scheme*.

20.22 *GARs* and *GMPs* are part of annuity benefits, and they will not be removed by the *Scheme*.

What is "smoothing"?

20.23 The *Equitable* manages its investments to meet its current and future obligations to pay *Investment Guarantees*. The returns on these investments are included in *Policy Values* gradually, so that short term market movements do not distort *Policy Values*. This is "smoothing".

The Uplift

20.24 If the *Scheme* is implemented *Scheme Policyholders* will be allocated their share of the *Equitable's With-Profits Fund*. This will happen through an increase to *Policy Values* (or surrender values for *Conventional With-Profits Policies*) on the *Implementation Date*. That increase will be greater than the value of any *Investment Guarantee* on a set of assumptions. For these purposes, *Investment Guarantees* will be valued as at the *Calculation Date*, but this will take into account their expected value in the future. This increase to *Policy Values* is the *Uplift*.

20.25 The *Uplift* is an increase in *Policy Values*. The purpose of the *Uplift* is to ensure that all *Scheme Policyholders* receive:

- (a) their share of all available assets in the *With-Profits Fund* that the *Equitable* is distributing under the *Scheme* as at the *Implementation Date*. This is the *Primary Uplift Amount* that will eventually apply to a *Scheme Policy*; and also
- (b) at least the value as at the *Calculation Date* of their *Investment Guarantee*, having taken the *Estimated Primary Uplift Amount* into account. This is the *Secondary Uplift Amount* that will eventually apply to a *Scheme Policy*.

20.26 The *Capital Distribution* is an amount that is currently added to the *Policy Value* when a *Policyholder* leaves. The *Capital Distribution* is currently 35% of *Policy Value* on 31 December 2014. The *Uplift* would replace the *Capital Distribution*. The *Primary Uplift* is expected to be at least 60% to 70% of *Policy Value* at the *Implementation Date*. The *Equitable's* current best estimate is that it would be approximately 68% of *Policy Value* at the *Implementation Date*. In each case, this would be based on premiums paid and contributions made by exercise of *With-Profits Switching Rights* on or before 31 December 2017. If the *Proposal* goes ahead, any withdrawals taken from your with-profits savings before the *Implementation Date* would reduce the amount of your *Uplift*. If you were to take these savings in full, you would lose the opportunity for an increase to the current 35% *Capital Distribution*. You can see the indicative level of *Uplift* applied to your *Policy* in the enclosed *Personal Illustration* or group scheme data.

How is the Uplift possible?

20.27 We can make the *Proposal* in this way because we have reached a commercially negotiated agreement with *Utmost*. It enables the return of value to *With-Profits Policyholders* and the movement of the *Transferring Business* to *Utmost* by the *Transfer*. In order for the agreement with *Utmost* to work and the *Proposal* to go ahead, certain changes have to be made to the *Equitable's* business. Those changes include *Utmost* becoming the sole member of the *Equitable*, and the changes to *With-Profits Policies* under the *Scheme*, particularly removing *Investment Guarantees*, removing the ability to make with-profits investments, the *Equitable* being capitalised by *Utmost* in accordance with the *Scheme* and converting with-profits savings to unit-linked.

20.28 These changes make the *Uplift* possible because each of the following things mean that more of the assets which are currently in the *With-Profits Fund* will be available to allocate to *Scheme Policyholders*.

- (a) Removing *Investment Guarantees* will mean that the *Equitable* no longer has to reserve capital to pay those guarantees;
- (b) Running the *Equitable* as part of *Utmost's* business rather than on a standalone basis is expected to release expense savings; and
- (c) *Utmost* will ensure that the *Equitable's* business has more capital than required under the applicable regulations. Specifically, *Utmost* will ensure that, whether or not the *Transferring Business* is located in *Utmost*, the *Equitable's* business will have the greater of the "minimum capital requirement" or 150% of its "solvency capital requirement", as defined under the European Union's Solvency II Directive.

Who would receive the Uplift?

20.29 *Scheme Policyholders* would receive the *Uplift* if the *Scheme* is implemented. *Legacy Scheme Policyholders* would receive a best estimate of the *Uplift* if it is paid prior to the *Implementation Date*. *Policyholders* who are not *Scheme Policyholders* or *Legacy Scheme Policyholders* will not receive the *Uplift*.

The Uplift and Scheme Policyholders

20.30 The *Uplift* would apply to *Scheme Policies* which have investments in the *With-Profits Fund* at the *Implementation Date*. *Scheme Policyholders* who have these policies will receive the *Uplift* based on that part of their investment that was accrued by premiums paid in the *With-Profits Fund*, or exercises of *With-Profits Switching Rights*,

on or before 31 December 2017 (subject to any withdrawals).

20.31 Some *Scheme Policyholders* may not have any investments in the *With-Profits Fund*. This could be the case, for example, if they are *Scheme Policyholders* only because they have *With-Profits Switching Rights*. While the *Uplift* will apply to all *Scheme Policyholders* in the same way, the *Uplift* which would be applicable to *Scheme Policyholders* in this position would be zero, because there would be no relevant *Policy Value* to which the *Uplift* could apply.

20.32 If any *Scheme Policyholder's* total *Uplift* amounts are less than £1 then the *Equitable* will pay them £1 if they ask for it. The only reason anyone would be in that position is that they have zero or nearly zero invested in the *With-Profits Fund* or that was the position on 31 December 2017. The law requires that the *Scheme* provides something for all *Scheme Policyholders*, even if it is a token amount, which is why people in that position can request £1 if they want to.

20.33 In relation to *Group Pension Policies*, the *Uplift* will be calculated at the level of each *Member Policy Component*. In other words, the *Uplift* will apply in relation to each individual member of the relevant group pension scheme.

20.34 For *Recurrent Single Premium Policies*, the *Uplift* is applied to the *Policy Value*. For *Conventional With-Profits Policies* the *Uplift* is applied to the "surrender value", i.e. the amount which the *Equitable* would calculate as payable to the relevant *Scheme Policyholder* if they surrendered their *Policy*, with no allowance for *Capital Distribution*.

The Uplift and Legacy Scheme Policyholders:

20.35 The *Estimated Uplift* will apply to certain policies that are not in force at the *Implementation Date* as a result of specific circumstances between the date when the *High Court* sanctions the *Scheme* (which would likely be the day of the *Second Court Hearing*) and the *Implementation Date*. The specific circumstances are either that the person whose life is insured died or that the policies matured without the policyholders having any choice. Policies in that position are referred to as *Legacy Scheme Policies* and the people who hold them are *Legacy Scheme Policyholders*.

20.36 Individual members of group pension schemes which have *Group Pension Policies* may die between the date when the *High Court* sanctions the *Scheme* (which is likely to be the day of the *Second Court Hearing*) and the *Implementation Date*. Where that happens, the relevant *Scheme Policyholder* (i.e. the *Group Scheme Trustee*) will be entitled to receive the *Uplift* on the relevant individual member's *Member Policy Component*.

20.37 As explained above, **Legacy Scheme Policyholders** are people who would have been **Scheme Policyholders** but their **Policy** reaches its maturity date other than through the **Policyholder's** choice, or the person whose life is insured dies, between the date that the **High Court** makes an order sanctioning the **Scheme** and the **Implementation Date**. If this happens and the **Equitable** becomes aware of that in sufficient time to make the required payment before the **Implementation Date**, then the **Equitable** will pay the **Legacy Scheme Policyholder** an amount which includes the **Estimated Uplift** amount for the relevant **Legacy Scheme Policy**. If the relevant **Policy** matures other than through the **Policyholder's** choice during this time or the person whose life is insured dies, and the **Equitable** does not have sufficient time to make the required payment before the **Implementation Date**, then an amount which includes the actual **Uplift** amount for the relevant **Legacy Scheme Policy** will become payable after the **Implementation Date**.

How will the Uplift be calculated?

- 20.38 The **Uplift Calculation** is complicated, but it would be wrong to simplify it so much that we are not really explaining it. We want to help you to understand fully what we are proposing and how the **Proposal** works.
- 20.39 Each **Scheme Policy** held on the **Implementation Date** will receive an **Uplift**. This is made up of the **Primary Uplift** and the **Secondary Uplift**.
- 20.40 The essential structure of the **Uplift** is that **Policy Values** will be increased by a fixed percentage (this is the **Primary Uplift**) and then adjustments will be made, i.e. additional increases to **Policy Value** will be made, where necessary, to reflect the 'residual value' of **Investment Guarantees** (this is the **Secondary Uplift**).
- 20.41 The **Policyholder Independent Expert** considered this structure for the **Uplift** and also potential alternative structures. As explained in his report, he concluded that the structure which is proposed is the fairest of the different possible approaches, because it is expected to lead to the smallest difference between the extents to which different **Scheme Policyholders** are better off under the **Scheme**.

What does the Primary Uplift do?

20.42 The **Primary Uplift** is how the **Equitable** proposes to allocate all **Scheme Policyholders** their share of the **With-Profits Fund**. The **Primary Uplift** would be calculated so that all **Scheme Policyholders** get the same percentage increase in their **Policy Value**. That is, **Scheme Policyholders** would receive different amounts of **Primary Uplift** but they would all receive an **Uplift** which would be the same

percentage increase to their existing **Policy Value**. Before calculating the **Primary Uplift**, we would need to work out how much money would be needed for the **Secondary Uplift** and set that aside so that it is available for the **Secondary Uplift**.

- 20.43 For calculating **Primary Uplifts**, a **Policy Value** as at the **Implementation Date** is used (again, for the **Conventional With-Profits Policies** it is the surrender value, not including any **Capital Distribution**). That **Policy Value** does not include any amounts in respect of premiums paid or contributions made by exercising **With-Profits Switching Rights** after 31 December 2017 and it takes into account any withdrawals. Using that cut-off date prevents **Policyholders** from benefiting by making payments into the **With-Profits Fund** specifically to take advantage of the **Scheme**. 31 December 2017 was chosen in part because the **Equitable's** annual report and accounts for the year ended 31 December 2017 explained that the **Equitable** was considering a form of the **Proposal** and the **Equitable** wrote to **With-Profits Policyholders** to tell them about the **Proposal** in July 2018.
- 20.44 This approach is consistent with how the **With-Profits Fund** has worked to date: the current **Capital Distribution** is based on **Policy Values** as at 31 December 2014 (i.e. before the current 35% **Capital Distribution** was announced). Premiums paid or contributions made by exercising **With-Profits Switching Rights** after 31 December 2017 will not be uplifted but will still be allocated to **Unit-Linked Funds** on the **Implementation Date**.

What does the Secondary Uplift do?

- 20.45 For some **Scheme Policies**, the **Primary Uplift** alone will mean that they are allocated an amount which is more than their **Investment Guarantee's** value as at the **Calculation Date**. **Scheme Policies** in that position will not attract any **Secondary Uplift**. **Scheme Policies** which, at the **Implementation Date**, have **Investment Guarantees** that are still potentially valuable after allowing for the **Primary Uplift** will additionally receive the **Secondary Uplift**. The **Secondary Uplift** is an amount equal to the value of those **Investment Guarantees** after taking into account the **Primary Uplift**. The **Secondary Uplift** also tops up the **Uplift** to any extent required to meet the **Fairness Indicators** (see paragraph 20.48 below) and to ensure that **Scheme Policyholders** with **Policies** providing retirement benefits do not receive less than if they were a year older.
- 20.46 The **Uplift Calculation** is explained in greater detail in Appendix II and in Schedule I to the **Scheme Document**, which is included at Appendix V. However, it can be summarised as follows.

Step 1: Calculate the Secondary Uplift

20.47 The **Uplift Calculation** begins by calculating the **Secondary Uplift Amounts**. We have to do that first because we need to know the total cost of the **Secondary Uplift** in order to know what assets are available for distribution through the **Primary Uplift**. Therefore, the **Secondary Uplift** would be calculated as at the **Calculation Date**, which is expected to be 30 September 2019, i.e. 3 months before the expected **Implementation Date**. Deducting the **Secondary Uplift** from the amount to be allocated to all **Scheme Policies** under the **Primary Uplift** is consistent with how the **With-Profits Fund** usually operates: if a **With-Profits Policyholder's Policy Value** is less than their **Guaranteed Fund**, then the money to top up their payment comes from the **With-Profits Fund** – i.e. it comes from the money otherwise available for all **With-Profits Policyholders**. Similarly, the cost of paying the **Secondary Uplift** would come from the pool of assets which are to be distributed to **Scheme Policyholders**. The calculation of the **Secondary Uplift** is explained further in Appendix II.

Step 2: Calculate the Primary Uplift

Once we know what the **Secondary Uplift Amounts** will be, we will be able to calculate the total assets which are available to be allocated through the **Primary Uplift** (this is the **Distributable Assets Amount**). The calculation of the **Primary Uplift** is explained further in Appendix II.

The Fairness Indicators

20.48 Before developing the precise terms of the **Scheme**, the **Board** considered what the **Scheme** would mean for **Scheme Policyholders** and if the changes being proposed were, in the **Board's** view, fair. The **Board** identified six specific points which it considered would have to be true if the **Scheme** was to be fair: these are the **Fairness Indicators**. The **Fairness Indicators**, which all assume that the **Scheme** goes ahead, are:

- (a) Following the **Uplift**, on the **Implementation Date**, all **Scheme Policies** would have a current value that is higher than both the previous **Policy Value**, including the current 35% **Capital Distribution**, and the **Investment Guarantee** (if taken today).
- (b) **Uplifted Policy Values** on the **Implementation Date** would be at least as high as the value of the **Investment Guarantee** contained in with-profits contracts, taking account of future increases until benefits are expected to be taken. This indicator has been assessed using a set of assumptions reviewed by the **Policyholder Independent Expert**.
- (c) All **Scheme Policyholders** are projected to be better off at key dates, when benefits could

reasonably be taken. The dates depend on a **Scheme Policyholder's** age and the type of **Scheme Policy** they hold. The projections used for this test are our best estimate of the future, and assume that **Unit-Linked Funds** are invested in a medium risk fund. Passing this indicator does not necessarily mean you will be better off at any point in the future under any economic scenario – it is our best estimate of the future.

- (d) If the new **Unit-Linked Funds** do not increase or fall in value, **Scheme Policies** would still have a higher value after five years than the **Investment Guarantee** of the previous **With-Profits Policy** at that point. Whilst an assumption has been made that **Unit-Linked Funds** remain level or increase each year by 1.5%, it should be noted that there are no **Unit-Linked Funds** available from **Utmost** that can guarantee these rates of return. Further details of the available **Unit-Linked Funds** will be provided in the **Investment Choice Pack** which will be issued shortly.
- (e) If the new **Unit-Linked Funds** enjoyed growth after charges of only 1.5% every year, **Scheme Policies** would still have a value in excess of the **Investment Guarantee** of the previous **With-Profits Policy**:
 - (i) after ten years from the **Implementation Date**; or
 - (ii) the date that benefits are expected to be taken, if earlier.
- (f) For **Scheme Policyholders** who do not select a **Unit-Linked Fund**, the value of the **Unit-Linked Policy** would be guaranteed not to fall for six months after the **Implementation Date**.

20.49 The **Fairness Indicators** are incorporated into the design of the **Proposal** and in particular the way the **Secondary Uplift** will be calculated. They have also been reviewed by the **Policyholder Independent Expert**.

20.50 Although we consider the **Proposal** to be a fair one, that does not necessarily mean that you will be better off as a result. Your personal circumstances will be different to other peoples', so we encourage you to review all of the information available to you so that you can make your own informed decision on whether the **Proposal** is attractive to you.

20.51 For a limited number of **Scheme Policies**, it is likely that some money would need to be added to a **Scheme Policy's Secondary Uplift** so that it meets **Fairness Indicators** (c), (d) and (e). The total amount needed to pay these amounts for all **Scheme Policyholders** is estimated to be less than £10 million and on any view no more than approximately £20 million. This is not a material amount in the context of the **Uplift** and represents approximately 0.5% of

the total amount to be allocated through the *Uplift*. Once any such amounts are included in *Secondary Uplifts* where required, the *Scheme* would meet all of the *Fairness Indicators* for all *Scheme Policyholders* and group pension scheme members.

Uplift Notifications

20.52 Shortly after the *Uplift* has been calculated, all *Scheme Policyholders* will be sent an *Uplift Notification*. This will confirm that the *Scheme* has been implemented and the *Uplift* amount which has been applied to increase their *Scheme Policy*.

21. More details about what *Scheme Policyholders* would give up if the *Scheme* is implemented

- 21.1 If the *Scheme* goes ahead then *Scheme Policyholders* will give up:
- Investment Guarantees* and future guaranteed increases;
 - any expectation of receiving a share of the *Equitable's* capital when benefits are taken;
 - the right to participate in the *Equitable's* profits and losses;
 - the right to make more with-profits investments including by exercise of *With-Profits Switching Rights*; and
 - membership of the *Equitable*.

Investment Guarantees

- 21.2 *Investment Guarantees* are explained at 20.7 and 20.10 above. Almost all *Scheme Policyholders* currently have *Investment Guarantees* in one form or another.
- 21.3 From the *Implementation Date*, *Scheme Policyholders* will no longer have *Investment Guarantees*, and therefore will no longer have *Guaranteed Funds* or guaranteed maturity dates. Instead, they will be allocated an *Uplift* to their *Scheme Policies* when the *Scheme* is implemented.

What about other types of guarantees?

- 21.4 No other types of guarantee will be removed by the *Scheme*. For example, *Insurance Event Benefits* – policy benefits which are payable only on the occurrence of a specific life event of the person whose life is assured, such as death or the diagnosis of a particular medical condition – will not be removed. *Insurance Event Benefits* are:
- death benefits, which are typically payable on the death of the life assured;
 - health benefits, which are typically payable on the incidence of a specified illness or medical procedure; and
 - annuity benefits, which include *GARs* (or "guaranteed annuity rates") and *GMPs* (or "guaranteed minimum pensions").

- 21.5 Further information about how the *Scheme* affects each specific type of *Scheme Policy* can be found at Appendix III.

The right to a share of the *Equitable's* capital in the future

The right to participate in the *Equitable's* profits and losses

- 21.6 *Scheme Policies* give their *Policyholders* a right to participate in the *Equitable's* profits and losses. That is a right to have a share of the *Equitable's* profits and losses, which can happen by receiving bonuses. The *Capital Distribution*, which the *Equitable* currently pays when *Scheme Policyholders* take their benefits, is another way *Scheme Policyholders* participate in the *Equitable's* profits and losses.
- 21.7 If the *Scheme* goes ahead then *Scheme Policyholders* will no longer have a right to participate in the *Equitable's* profits and losses. Instead, they will have *Units* in a *Unit-Linked Fund*. The value of those *Units* will reflect the value of the investments made by the particular fund, which can go up or down. You can find more detail about how *Unit-Linked Policies* and *Unit-Linked Funds* work at Appendix IV and paragraph 22.8 below.

The right to make more with-profits investments

- 21.8 Some *Scheme Policies* still confer a right to pay into the *With-Profits Fund*, including *With-Profits Switching Rights*. *With-Profits Switching Rights* are rights to move investments which are currently in *Unit-Linked Funds* into the *With-Profits Fund*. If the *Scheme* goes ahead then all rights to make payments into the *With-Profits Fund*, including *With-Profits Switching Rights*, will be removed from all *Scheme Policies*. It will not be possible any more for *Scheme Policyholders* to move investments in *Unit-Linked Funds* into the *With-Profits Fund* or to make a with-profits investment in any other way.
- 21.9 *Scheme Policyholders* who have *With-Profits Switching Rights* are entitled to vote on the *Scheme*, whether or not they currently have any investment in the *With-Profits Fund*.

Membership of the *Equitable*

- 21.10 Under the arrangement which the *Equitable* has made with *Utmost*, *Utmost* will become the sole *Member* of the *Equitable* if the *Proposal* goes ahead. That would happen under the *Change to the Articles*.
- 21.11 From the *Implementation Date*, *Scheme Policyholders* and holders of *German With-Profits Policies* would no longer be *Members* of the *Equitable*.

21.12 That means that they would no longer be eligible to vote at general meetings of the *Equitable* and they would no longer own the *Equitable*. However, *Scheme Policyholders* will have their share of the *With-Profits Fund* allocated to their *Policies*. Holders of *UK Style German With-Profits Policies* will receive an increase to their policy values, and so they too will receive a financial benefit if the *Proposal* goes ahead. If *Scheme Policyholders* intend to vote for the *Scheme* at the *Policyholders' Meeting* then, if they are *Eligible Members*, they should vote for the *Change to the Articles* at the *EGM*. If holders of *German With-Profits Policies* want the *Proposal* to go ahead then they should vote for the *Change to the Articles* at the *EGM*.

22. More information about the conversion of *Scheme Policies* from *With-Profits Policies* to *Unit-Linked Policies*

22.1 The other key change that the *Scheme* would make is to convert *Scheme Policies* from *With-Profits Policies* to *Unit-Linked Policies* from the *Implementation Date*.

22.2 In this section we explain briefly what *Unit-Linked Policies* are and how the change from *With-Profits Policies* to *Unit-Linked Policies* will work. Greater detail, including how *Units* are allocated and valued, and what will happen if a *Scheme Policyholder* does not choose a specific *Unit-Linked Fund* or *Funds*, is set out in Appendix IV.

Unit-Linked Policies and Unit-Linked Funds

22.3 A *Unit-Linked Policy* is a policy under which amounts that an insurer must pay policyholders are determined by the number of *Units* in a *Unit-Linked Fund* that a policy holds, and the price of those *Units*. The amount paid out is determined by multiplying the price per *Unit* by the number of *Units* held.

22.4 *Units* are like shares of a *Unit-Linked Fund*, although they do not confer any ownership rights in the underlying assets. The value of each *Unit-Linked Fund* may go up or down and therefore so can the value of a *Unit-Linked Policy*. The value of a *Unit-Linked Policy* is not guaranteed.

22.5 A number of different *Unit-Linked Funds* are offered to *Unit-Linked Policyholders* and you can choose which fund is right for you. Some expect to provide a low return with little risk of not getting your money back, while others offer the possibility of higher returns but with a higher risk to your money.

22.6 If you are a *Scheme Policyholder*, you will receive an *Investment Choice Pack* in the near future with more detail about the *Unit-Linked Funds*

which you will be able to invest in after the *Implementation Date*.

22.7 If you move your benefits away from the *Equitable* or switch them to *Unit-Linked Funds* before the *Implementation Date*, you will not receive the *Uplift*. However, you do not have to keep your benefits invested with the *Equitable* (or, after the *Implementation Date*, and assuming that the *Transfer* goes ahead, with *Utmost*). Subject to the terms of your *Policy*, you can choose at any point, before or after the *Implementation Date*, to transfer your benefits away, for example, to a provider who offers with-profits benefits.

Choice of Unit-Linked Funds

22.8 The *Investment Choice Pack* will be sent to you separately. We encourage you to read the information in that pack carefully and, if you intend to keep your benefits invested with the *Equitable* (or, after the *Implementation Date*, with *Utmost*), choose the *Unit-Linked Fund(s)* which you consider appropriate for your investment needs. This is a personal decision and it is important that you exercise your choice. You also have the right to change your choice at any time in the future. The *Investment Choice Pack* will include information about support that will be available to you in making your investment decisions.

22.9 The *Investment Choice Pack* contains an *Investment Choice Form* which you can use to tell us which *Unit-Linked Fund(s)* you choose to invest in.

22.10 If the *Scheme* goes ahead, your savings will move into a secure cash investment while your investment choice is implemented. The amount of your investment will not decrease during this time, although its value may not keep pace with inflation.

What happens if you exercise your choice?

22.11 If the *Equitable* receives your choice on the *Investment Choice Form* by 13 December 2019, the *Units* relating to your *Scheme Policy* will be allocated in accordance with the instructions contained in your form from the *Implementation Date*.

22.12 Your savings will then be gradually transitioned to your chosen fund or funds over one of three timeframes. You will have a choice of a three week transition, a three month transition or a six month transition into the *Unit-Linked Fund(s)* that you choose using your *Investment Choice Form*.

	One-month transition	Three-month transition	Six-month transition
Secure cash investment How long will your money stay in the secure cash investment?	Maximum of three weeks	Maximum of three months	Maximum of six months
Fully invested When will all your money be in your chosen <i>Unit-Linked Fund(s)</i> ?	In three weeks	In three months	In six months

- 22.13 Moving your savings to your chosen *Unit-Linked Fund(s)* more slowly means you avoid the risk of investing the entire sum immediately before a potential fall in the market. It also gives the manager time to invest it gradually, which may be better for you and for the other investors in the *Unit-Linked Fund(s)*.
- 22.14 Offering different investment timelines gives you the option of transitioning to your chosen *Unit-Linked Fund(s)* over a shorter or longer period. You might want to choose a shorter period if your priority is to be fully invested quickly, and a longer one if you are more concerned about minimising the impact of any changes in the markets on your investments in the short term. Moving your savings quickly could allow you to participate in any increase in the value of the relevant funds during this time and there is a risk that the value of your savings in the secure cash investment may not keep pace with inflation.

What happens if you do not exercise your choice before 13 December 2019?

- 22.15 If the *Equitable* doesn't receive your choice on the *Investment Choice Form* before 13 December 2019 or cannot read it, then after the *Implementation Date* your *Unit-Linked Policy* will enter the *Automatic Investment Option*. You can leave the *Automatic Investment Option* by submitting an *Investment Choice Form* at any time.
- 22.16 *Unit-Linked Policies* need to be linked to a *Unit-Linked Fund*. The *Automatic Investment Option* provides a pre-determined unit-linked investment strategy which varies depending on your type of *Policy*. It is not tailored for any individual or group(s) of *Scheme Policyholders*. This is why we encourage you to make your own choice of *Unit-Linked Fund(s)*, based on your needs and personal circumstances, rather than relying on this automatic option.

Allocation to the Automatic Investment Option

- 22.17 If your *Scheme Policy* is invested in accordance with the *Automatic Investment Option*, the uplifted value of each *Scheme Policy* will as soon as reasonably practicable be applied to purchase *Units* in the *Secure Cash Investment*. Your *Scheme Policy* will remain invested in the *Secure Cash Investment* for six months after the *Implementation Date*. Further detail on the *Secure Cash Investment* is available in the *Investment Choice Pack*. You can move your *Scheme Policy* from the *Automatic Investment Option* at any point, and select the *Unit-Linked Funds* you wish your *Scheme Policy* to be invested in.
- 22.18 After six months following the *Implementation Date*, the *Secure Cash Investment Units* will (subject to market conditions from time to time) be sold gradually and the value of the sold *Units* will be applied to purchase *Units* in *Automatic Investment Option Funds* described below. This will be done with the objective that, by the end of this second six month period, all *Units* in the *Secure Cash Investment* will have been sold and replaced with *Units* in the relevant *Automatic Investment Option Fund(s)*.
- 22.19 The *Secure Cash Investment* will not fall below its value at the *Implementation Date*, but the value of these *Units* may be eroded by the effects of inflation.

Automatic Investment Option Funds

22.20 The **Automatic Investment Option Funds** have been chosen because we believe they would be appropriate for the needs of most **Policyholders** that may enter the **Automatic Investment Option**. **Automatic Investment Option Funds** vary by policy type and you need to ensure you are comfortable with the level of risk that these funds present.

22.21 The **Automatic Investment Option Funds** are:

Denominated in **GBP**:

The **Multi-Asset Moderate Fund** is the **Automatic Investment Option** for life policies (i.e. **Scheme Policies** which are not **Pension Policies**).

The three funds below combined make up the **Automatic Investment Option** for **Pension Policies**. This strategy focuses on growing savings at a moderate rate while the **Policyholder** is younger (although growth is not guaranteed), and gradually transitions savings to lower risk funds as the **Policyholder** becomes older.

Multi-Asset Moderate Fund	The Multi-Asset Moderate Fund invests in a mix of equities/shares, bonds, property, and cash. This is a medium risk fund, with the potential for moderate returns, and moderate-to-high levels of price fluctuations.
Multi-Asset Cautious Fund	The Multi-Asset Cautious Fund invests in a mix of equities/shares, bonds, and cash. This is a low-to-medium risk fund, with the potential for low-to-moderate returns, and low-to-moderate levels of price fluctuations.
Money Market Fund	The Money Market Fund invests conservatively in low risk instruments and cash investments, with the aim of protecting the value of investments from fluctuations in value. With high security, growth in the value of your savings is likely to be modest and the value of your savings may not keep pace with inflation.

Denominated in US Dollars:

USD Global Equity Fund	One of the first things to consider is where in the world to invest. This global fund provides some diversification and the USD Global Equity Fund aims to achieve capital growth in the long term by investing in a diversified global portfolio of companies.
USD Global Bond Fund	The USD Global Bond Fund aims to achieve capital growth in the long term by investing in a diversified global portfolio of international fixed interest securities.

Denominated in Euro:

Irish Managed Fund	The Irish Managed Fund invests in a mix of equities/shares, bonds, property, and cash. This is a medium risk fund, with the potential for moderate returns, and moderate-to-high levels of price fluctuations.
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Further details on each of the **Automatic Investment Option Fund(s)** in which your **Scheme Policy** would be invested in if you do not submit an **Investment Choice Form** by 13 December 2019 are contained in your **Investment Choice Pack**, which will be sent to you shortly.

Leaving the Automatic Investment Option

22.22 At any later time you can make a different investment choice and the affected **Scheme Policies** will be removed from the **Automatic Investment Option** and allocated to the relevant **Unit-Linked Fund(s)** in accordance with your instructions.

23. Scams & Fraud Look out for scams and fraud

23.1 As we have mentioned above, fraudsters may see the **Proposal** as an opportunity to get you to part with your savings, for example, by contacting you unexpectedly and offering too-good-to-be-true promises of cash and/or interest rates.

- 23.2 Again, there is more information about scams and fraud in the enclosed leaflet, but remember that the *Equitable* will not:
- (a) Recommend or advise you to cash in your policy.
 - (b) Send text messages.
 - (c) Contact you by email asking for your bank details.
- 23.3 A scam or fraud could cost you all your savings, so be aware and never give any personal or financial details if you have been unexpectedly contacted, even if the company or person who contacts you seems legitimate.
- 23.4 If you seek to engage your own financial adviser, ensure they are a bona-fide firm by checking them out on the *FCA* register at register.fca.org.uk.

24. Possible alternatives to the Scheme

- 24.1 The *Equitable* has considered the alternative options described in the table. As explained at 1.1 and 1.2 above, the *Scheme* forms part of a *Proposal* which includes three legal processes. The alternatives below are not only alternatives to the *Scheme*, but also to the *Proposal* more generally.

Alternative	What that would mean	Why not taken forward
Continuing with <i>Run-Off</i>	<p>The <i>Equitable</i> has been in <i>Run-Off</i> since it closed to new business in 2000 and currently charges 1% per annum on with-profits assets to cover the costs of running the business.</p> <p><i>Run-Off</i> was evaluated by external consultants in 2016 and the conclusion was that <i>Run-Off</i> is viable and could be sustained until at least 2026.</p> <p>The <i>Equitable</i> would need to consider further strategic options to help address the longer-term expense inefficiencies in <i>Run-Off</i>.</p>	<p><i>Run-Off</i> cannot continue forever and in practice the <i>Equitable</i> would need to consider alternatives at some point in the coming years.</p> <p>We cannot provide <i>Policyholders</i> with certainty over their future share of With-Profits assets.</p> <p>There is a potential difficulty in ensuring fair allocation of risk (and assets) between <i>Policyholders</i>.</p>
A merger with another mutual insurance company	<p>A merger with another mutual insurance company could make it possible for the <i>Equitable</i> to continue in <i>Run-Off</i> for longer than is currently possible.</p>	<p>This would simply extend the current situation, and may potentially introduce new and additional risk. It would not solve the problem of the <i>Equitable</i> being unable to distribute as much of its assets to <i>With-Profits Policyholders</i> as it would like to.</p> <p>It may also be commercially difficult to find a mutual insurance company willing to merge with the <i>Equitable</i>.</p>
Sale of the <i>Equitable</i> to a third party (without the <i>Scheme</i>)	<p>A sale to a larger organisation would mean that <i>Scheme Policyholders</i> would benefit from lower operating costs. <i>With-Profits Policyholders</i> might also be able to receive their share of the <i>Equitable's</i> assets.</p>	<p>Life insurers are not generally currently seeking to acquire new books of with-profits business and are often not willing to take on policies with <i>Investment Guarantees</i>. Reflecting that, the <i>Equitable</i> has not identified an opportunity to transfer the <i>With-Profits Policies</i> to another insurer on terms which the <i>Board</i> considers would be acceptable to <i>With-Profits Policyholders</i>.</p> <p><i>Utmost</i> has agreed to take on the <i>Equitable</i> business by the <i>Transfer</i>, but only on the condition that the <i>Scheme</i> is approved, <i>Investment Guarantees</i> are removed and <i>Scheme Policyholders' With-Profits Policies</i> are converted to unit-linked.</p>

Alternative	What that would mean	Why not taken forward
Continuing with Run-Off and outsourcing administrative operations	This would involve contracting out the administration and other services to run the Equitable , to a third party. This could reduce the expenses of running the Equitable , providing some cost savings.	This would only provide real benefit if we were able to negotiate a contract for the full remaining life of the Equitable , which is unlikely. The reasons described above for not continuing in Run-Off would still apply.
Winding up the Equitable	This would provide finality, with all expense reserves paid out and capital released.	This is an untested course of action for a business of the Equitable's size and would bring a lot of uncertainty for Policyholders . It is legally complex, challenging, and likely to be expensive to wind up a solvent insurance company. Policyholders may be left to find a new provider on their own and it could result in significant tax liabilities for some Policyholders .
Re-open to new business	In the long term, reopening to new business could provide cost savings so the Equitable can continue for longer.	New with-profits policies are not currently common in the UK life insurance market, and there is no guarantee that customers would purchase new policies with the Equitable . The Equitable would have to set aside more capital in order to support such new business. That means that this approach would not address the problem of the Equitable being unable to distribute its assets to With-Profits Policyholders . There would also be risks and costs associated with designing and operating new systems and products.
Scheme with option to opt-out	This would provide similar benefits as the Scheme , but Scheme Policyholders who did not wish to take part could choose to opt out of the Scheme , and so their With-Profits Policies would remain in place. As a result, the benefits of the Scheme to those who do not opt-out would be lower.	It would not have been possible to reach the agreement with Utmost which is mentioned in paragraph 1.4 above if an opt-out to the Scheme had been part of the Proposal . Even if it had been possible, if Policyholders opted out of the Scheme , the With-Profits Fund available for distribution to Scheme Policyholders would become smaller, and the relevant capital requirements would still apply. Those Scheme Policyholders wishing to take part would be left in a worse position than if there was no option to opt-out (including receiving a lower Uplift), and those opting out would be faced with the issues of continuing in Run-Off , which are identified above.

24.2 For the reasons explained above, the **Board** believes that none of the alternatives are as beneficial for **Scheme Policyholders** as the **Proposal**. That is because the **Scheme** and **Transfer** would allow the **Equitable** to allocate **Scheme Policyholders** their share of all available assets in the **With-Profits Fund** on the **Implementation Date** should the **Scheme** be implemented, unlike any of the alternatives which have been considered.

25. Where to look for more details

25.1 To understand the **Scheme** fully and all of its implications, you should read the whole of this booklet. The **Scheme Document** at Appendix V contains the legal terms of the **Scheme**. A summary of the **Policyholder Independent Expert's** report is included at Appendix VI. Further information, including the full version of the **Policyholder Independent Expert's** report, can be found on the **Website**.

26. What you should do if you are a *Scheme Policyholder*

Steps	Action
Understand what the Scheme is about and what it means for you	<p>You should read the letter which came with this booklet, your Personal Illustration, Part A of this booklet and the rest of this booklet Part B. You can find some additional information, including the full version of the Policyholder Independent Expert's report, on our Website. When you consider this Proposal, we think it is important that you know:</p> <ul style="list-style-type: none"> • How with-profits works and what a guarantee is; • What it means to be invested in a Unit-Linked Fund; • How the benefits under your Policy will be affected; and • About Utmost. <p>See the guidance section below to find out where you can find more information on these topics.</p> <p>It is important that you make your own decision based on your own circumstances.</p>
Consider what guidance is available to help you make a decision	<p>Full details of the help and support available to you are set out in Section G. You can call our dedicated team who are ready to walk you through the specific details of the Proposal and answer any questions.</p>
Vote	<p>Once you have decided whether or not you want the Proposal to go ahead you should vote on the Scheme and the Change to the Articles at the meetings on 1 November 2019 or by post/online by 10.00 a.m. on 30 October 2019, if you are eligible to do so.</p> <p>Details of how to do this can be found in Section D of this booklet.</p>
Make an investment choice	<p>You should decide which Unit-Linked Fund(s) you would wish to invest your savings in on the Implementation Date if the Proposal goes ahead. Details of your options can be found in the Investment Choice Pack which will be sent to you shortly. This pack will also include details of where you can get help and guidance on how to make this important decision.</p>
Consider whether you need financial advice	<p>If you are an individual Scheme Policyholder who is resident in the UK, the Equitable is providing you with access to subsidised financial advice. More details about the costs of these services and how to access this advice can be found in your Investment Choice Pack being sent to you shortly.</p> <p>Alternatively, you can ask a different financial adviser to give you advice. They may charge you for this service, and the amount they charge may depend on whether you want advice about your policy with the Equitable, or a wider review of your finances. If you are a Scheme Policyholder, the Equitable will subsidise up to a maximum of £355 for you to receive advice from your existing financial adviser. If the financial adviser charges more than that, you will need to pay the rest. If you seek to engage in a new relationship with a financial adviser, the Equitable will not contribute towards the cost of their advice.</p>

27. How can you compare what would happen if the Scheme goes ahead with what would happen if it doesn't?

The comparison on an individual level

- 27.1 The *Personal Illustration* provides an insight into how the *Scheme* is expected to affect individual *Scheme Policyholders*. It allows you to:
- (a) compare your *Policy Value* and *Capital Distribution Amount* on 1 April 2019 with your estimated *Uplifted Policy Value* if the *Scheme* is implemented; and
 - (b) compare a projection of future benefits your *Policy* may provide at the date that you are expected to take your benefits if the *Scheme* does not go ahead and the *Equitable* remains in *Run-Off* until that date with the benefits your *Policy* may provide at the same date if the *Scheme* does go ahead.
- 27.2 That comparison is useful for understanding what situation you could be in if the *Scheme* goes ahead and what situation you could be in if it doesn't go ahead.
- 27.3 However, it is important to keep in mind that if the *Scheme* doesn't go ahead then the challenges described at paragraphs 5.1 to 5.7 above will remain. The *Equitable* aims to deliver value to its *With-Profits Policyholders* by allocating all of its available assets to them as fairly and as soon as possible. If the *Scheme* does not go ahead then the *Equitable* is likely to try to do that again within the next five to ten years. It is impossible to predict at this stage what that might involve, and it may or may not happen. It would not be realistic to provide a comparison with a hypothetical, and currently unknown, future attempt to allocate available assets to *With-Profits Policyholders*. We therefore are not doing that.
- 27.4 The *Equitable* expects that, if the *Proposal* is implemented, *Scheme Policyholders* would receive an *Uplift* of at least 60% to 70% of *Policy Values* at the *Implementation Date*. The *Equitable's* current best estimate is that, under the *Proposal*, *Scheme Policyholders* would receive an *Uplift* of approximately 68% of their *Policy Value* at the *Implementation Date*. In each case this would be based on premiums paid and contributions made by exercise of *With-Profits Switching Rights* on or before 31 December 2017, taking withdrawals into account. That increase would be higher if they have valuable *Investment Guarantees*. This outcome can be compared to the position if the *Proposal* does not go ahead. For these purposes, the comparisons are based on figures from 1 January 2019. That date is one year before the anticipated *Implementation Date*, but it is the assumed *Implementation Date* for these purposes.

- (a) If the *Equitable* continues in *Run-Off* (i.e. the *Proposal* doesn't go ahead)

If that happens, the *Equitable's* best estimate is that for any *Scheme Policy*, the *Policy Value* plus *Capital Distribution* 10 years after 1 January 2019 (i.e. 10 years after the assumed *Implementation Date*) would be 89% greater than the *Policy Value* on 1 January 2019. That represents the amount that a *Policyholder* would receive if they took their benefits at that time. That is based on assumptions that the *Policy Values* will increase at 2% each year and there will be a 55% *Capital Distribution* after 10 years. Both of those assumptions reflect what the *Equitable* expects, on a best estimate basis, would happen if the *Proposal* is not implemented and the *Equitable* continues in *Run-Off* for 10 years.

- (b) If the *Proposal* goes ahead

If that happens, then the *Equitable's* best estimate is that 10 years after 1 January 2019 (i.e. 10 years after the *Implementation Date* assumed in the calculation) *Scheme Policyholders* would have a *Unit-Linked Policy* which is more than 89% higher in value than their *Policy Value* on 1 January 2019. That is based on an assumption that the value of their *Unit-Linked Policy* increases by at least 1.2% each year. Increases of at least 1.2% each year are estimated (but not guaranteed), after charges, from almost all of the funds which are available to choose from. Funds with greater estimated returns (and greater risks) will also be available.

- 27.5 That compares the position *Scheme Policyholders* would be estimated to be in after 10 years if the *Proposal* goes ahead with the position they would be estimated to be in if the *Proposal* does not go ahead and after 10 years their *Policy Value* plus *Capital Distribution* is greater than their *Guaranteed Fund*. The *Equitable* believes that that would apply to the majority of *Scheme Policyholders*. However, if the *Proposal* does not go ahead then after 10 years some *Scheme Policyholders* would have *Guaranteed Funds* which are higher than their *Policy Value* plus *Capital Distribution*, and those *Scheme Policyholders* would be entitled to receive their *Guaranteed Fund* if they took their benefits at that time.
- 27.6 If the *Proposal* goes ahead then the *Equitable's* best estimate is that 10 years after the assumed *Implementation Date* these *Policyholders* will have a *Unit-Linked Policy* which is higher in value than their *Guaranteed Fund* would have been on that date if the *Proposal* had not gone ahead. That is based on an assumption that the value of their *Unit-Linked Policy* increases by 1.5% each year after the *Implementation Date*. If the *Fairness Indicators* are met then there are funds available to choose from in which that is expected (although not guaranteed) to happen.

28 How can Scheme Policyholders compare what might happen for them if the Scheme goes ahead with what might happen for other Scheme Policyholders?

28.1 The **Primary Uplift** is expected to be at least 60% to 70% of **Policy Values** at the **Implementation Date**. The **Equitable's** current best estimate is that **Scheme Policyholders** would receive an increase to their **Policy Value** of approximately 68% through the **Primary Uplift**. This would be based on premiums paid and contributions made by exercise of **With-Profits Switching Rights** on or before 31 December 2017, taking into account any withdrawals. Approximately 58% of **Scheme Policyholders** are expected to receive just the **Primary Uplift** or a further increase to their **Policy Value** of up to 5% through the **Secondary Uplift**. About 23% of **Scheme Policyholders** are expected to receive a **Secondary Uplift** of between 5% and 15%, although some **Scheme Policyholders** may receive a much higher increase than this. More detail on the expected increases to **Policy Values** across all individually-held policies and **Member Policy Components** if the **Scheme** is effective at 25 November 2019 can be seen in the table below.

28.2

Total Uplift (%)	Policies/members	(%)	Policy Value (£m)	(%)	Primary Uplift (£m)	Secondary Uplift (£m)	Uplifted Policy Value (£m)	(%)
68	64,873	25	560	25	381	0	942	24
68-73	85,701	33	969	43	660	18	1647	42
73-78	35,240	14	387	17	264	28	678	17
78-83	24,442	9	177	8	121	21	319	8
83-88	20,627	8	92	4	63	16	171	5
88-93	12,347	5	40	2	27	9	75	2
93+	15,885	6	31	1	21	9	62	2
Total	25,9115	100	2,255	100	1,537	102	3,894	100

28.3 The values in this table are the **Equitable's** best estimate of **Uplift** amounts based on current **Policy Values** and changes that are expected between now and the anticipated **Implementation Date**. However, any changes are unlikely to be significant. This is because the values in this table are based primarily on data that is very unlikely to change before the **Implementation Date**. That is partly because some of the data which is used to generate these values is fixed (i.e. the **Policy Values** as at 31 December 2017 which form the basis of individual **Uplift** calculations). Other aspects of the data, specifically the value of assets used to back the **Primary Uplift**, is unlikely to change materially because the **Equitable** has entered into financial agreements which effectively fix the value of those assets for the time being. Although the **Secondary Uplift** can vary more than the **Primary Uplift**, it represents a small proportion of the assets available for the **Uplift**. If interest rates at the **Calculation Date** are higher than at 31 December 2018, the **Secondary Uplift** numbers would be lower than those shown in the table above, and vice versa.

28.4 In order to provide the values in this table, we have assumed that the total number of individually-held **Scheme Policies** and **Member Policy Components** will not change before the **Implementation Date**, **Policy Values** continue to increase at the same rate that they have historically until the **Implementation Date** (i.e. at 2% per annum) and the total amount available for the **Uplift** is as expected at the **Implementation Date**.

28.5 We use the same method to calculate the **Uplift** for all **Scheme Policies**. It is only the results of this calculation that vary between different individually-held **Scheme Policies** and **Member Policy Components**.

28.6 As explained at paragraph 13.10 above, **Scheme Policyholders** who had investments in the **With-Profits Fund** at 31 December 2017 are expected to receive an immediate increase of at least 60% to 70% of their **Policy Value** at the **Implementation Date** as a result of the **Uplift**. The **Equitable's** current best estimate is that **Scheme Policyholders** would receive an **Uplift** of approximately 68% of their **Policy Value** at the **Implementation Date**. In each case this would be based on premiums paid and contributions made by exercise of **With-Profits Switching Rights** on or before 31 December 2017, taking into account any withdrawals. As explained at paragraph 20.34, in relation to all **Group Pension Policies**, individual members of group pension schemes who had investments in the **With-Profits Fund** at 31 December 2017 are expected to receive the same immediate increase.

- 28.7 Between them, these **Scheme Policyholders** and individual members of group pension schemes would receive approximately 82% of the total amount to be allocated as part of the **Uplift**. Only a very small number of **Scheme Policyholders** or group scheme members are expected to receive an **Uplift** of over 93% of their **Policy Value**. There are a variety of reasons why a **Scheme Policyholder** or group scheme member might receive an **Uplift** of over 93% of their **Policy Value**. One reason would be that the value of the individual's **Investment Guarantee** is very large relative to their **Policy Value**. That may be for a combination of reasons including their **Policy** having a guaranteed net annual increase of 3.5% rather than 0%, and their **Policy** being much further away in time from benefits being taken relative to other policies.
- 28.8 If the **Scheme** had been implemented on 31 December 2018, the total cost of the **Secondary Uplift** would have been approximately £100 million, which is less than 6% of the total fund to be allocated under the **Uplift**. These are the figures that were included in the Introduction to the scheme booklet sent to **Scheme Policyholders** in May 2019. However, the total cost of the **Secondary Uplift Amount** can vary with interest rates and we further expect that the **Secondary Uplift Amount** could be up to approximately 10% of the total fund to be allocated.

29. Things to consider when deciding how to vote on the Scheme

- 29.1 Below are the main benefits and details of the things that would change if the **Scheme** becomes effective:

Main things that would change for Scheme Policyholders	Main benefits to Scheme Policyholders
<ul style="list-style-type: none"> • Any Investment Guarantees and any future guaranteed increases would be removed from Scheme Policies. • Scheme Policyholders' right to any Capital Distribution, which is currently 35%, would be removed. • Scheme Policyholders would no longer be Members of the Equitable. • Scheme Policyholders will no longer be entitled to a share of the profits and losses of the Equitable's With-Profits Fund in the future. • Scheme Policyholders' right to make future with-profits investments with the Equitable would be removed. • The value of Unit-Linked Funds is not guaranteed and can go down as well as up because they are not subject to investment smoothing in the same way as with-profits investments. 	<ul style="list-style-type: none"> • Scheme Policyholders who had investments in the With-Profits Fund at 31 December 2017 are expected to receive an immediate increase of at least 60% to 70% of their Policy Value at the time the Scheme is implemented, instead of an uncertain Capital Distribution later. The Equitable's current best estimate is that Scheme Policyholders would receive an Uplift of approximately 68% of their Policy Value at the Implementation Date. In each case this would be based on premiums paid and contributions made by exercise of With-Profits Switching Rights on or before 31 December 2017, taking into account any withdrawals. • The Scheme removes the risk of a small group of With-Profits Policyholders benefiting in the future from a disproportionately high amount of capital at the expense of policyholders who left the With-Profits Fund earlier, which the Board considers to be unfair. • The Scheme removes the risk of the Equitable simply becoming small and inefficient, which the Board considers would not be in the best interests of Scheme Policyholders • Scheme Policyholders would have a choice of unit-linked investment options which cater for a range of risk appetites. The value of Unit-Linked Funds is not guaranteed and can go down as well as up. • If the Proposal goes ahead, Scheme Policyholders would receive a continuing Unit-Linked Policy managed by Utmost, a financially stable company with an ongoing business.

30. The Scheme process

The Policyholders' Meeting

- 30.1 As the *Scheme* must be approved by *Scheme Policyholders*, there will be a vote. When *Scheme Policyholders* vote on the *Scheme* at the *Policyholders' Meeting* (or by post or online), the *Scheme* will not go ahead unless, for each *Voting Class* of creditor, the *Statutory Majorities* are obtained, i.e.:
- a majority, i.e. more than 50%, of those who vote, cast their vote for the *Scheme*; and
 - those that vote in favour hold 75% or more of the total *Voting Value* of everyone that voted.
- 30.2 As explained in the "Introduction to the Scheme" booklet sent to *Scheme Policyholders* at the end of May 2019, the *Board* believes that the rights of its *Scheme Policyholders* and the way the *Scheme* will affect them are sufficiently similar that all *Scheme Policyholders* are able to vote on the *Scheme* in a single *Voting Class*. The *High Court* approved this approach in the *First Court Hearing* and the *Equitable* is calling a single *Policyholders' Meeting* for the *Scheme Policyholders* to vote on the *Scheme*.

After the Policyholders' Meeting

- 30.3 If *Scheme Policyholders* vote in favour of the *Scheme* in the *Statutory Majorities*, the chairperson of the *Policyholders' Meeting* will prepare a report to the *High Court* stating the results of the vote and any issues raised during the *Policyholders' Meeting* (see Section D below).
- 30.4 The *Equitable* can then ask the *High Court* to approve (or "sanction") the *Scheme* at the *Second Court Hearing*.
- 30.5 Unless *Scheme Policyholders* vote in favour of the *Scheme* in the *Statutory Majorities* at the *Policyholders' Meeting*, and *Eligible Members* vote to change the *Equitable's Articles* at the *EGM* (see Section C below), the *Equitable* will not apply to the *High Court* for approval, and the *Scheme* will not be implemented.

Second Court Hearing

- 30.6 If *Scheme Policyholders* vote in favour of the *Scheme* in the *Statutory Majorities*, and *Eligible Members* vote to change the *Equitable's Articles* at the *EGM*, the *Second Court Hearing* will happen soon after the *Policyholders' Meeting*. At that hearing, the *Equitable* would ask the *High Court* to sanction the *Scheme* (and also the *Transfer*).
- 30.7 *Scheme Policyholders* can go to the *Second Court Hearing* and can speak at it (either supporting or opposing the *Equitable's* request that the *Scheme* be approved), although if the objection is in relation to the single *Voting Class*, the *High Court* will expect the *Scheme Policyholder* to give good reasons as to why they did not raise any issues at the *First Court Hearing*. The *Equitable* currently expects the *Second Court Hearing* to happen around 22 November 2019. If that date changes, we will put an update on our *Website*. If you are planning on attending the *Second Court Hearing*, we recommend you check the *Website* for any changes, but if you do not have access to the internet, let us know and we will contact you if the date changes.
- 30.8 The *High Court* will consider:
- all the evidence presented to it including the views of the *Regulators*, the *Policyholder Independent Expert* and the *Transfer Independent Expert*;
 - whether all of the legal requirements for a scheme of arrangement have been met, including whether all of the steps that the *High Court* ordered at the *First Court Hearing* have been complied with;
 - whether the *Scheme Policyholders* who voted at the *Policyholders' Meeting* were a fair representation of *Scheme Policyholders* generally, and whether they were acting in good faith;
 - whether an intelligent and honest person, who is acting in their own interests, could reasonably approve the *Scheme*; and
 - whether there is any other technical reason why it should not let the *Scheme* go ahead.

31. How can *Scheme Policyholders* be assured that the *Scheme* is fair?

The *Policyholder Independent Expert* and his report

- 31.1 The *Equitable* has appointed a *Policyholder Independent Expert* specifically to look after the interests of *Scheme Policyholders*.
- 31.2 The *Policyholder Independent Expert* is Trevor Jones, of *KPMG*. He prepared a report for the *High Court*. The *Policyholder Independent Expert Terms of Reference* i.e. the things he considered in preparing his report, are available for inspection (see Appendix XI) and were agreed by the *FCA*.
- 31.3 The *Policyholder Independent Expert* has considered the *Scheme* from the perspective of all *Policyholders*, and opined as to whether any *Policyholders'* interests could be in any way adversely affected by the *Scheme*. Primarily, this is an opinion on the fairness of the effects of the *Scheme* which, for *Scheme Policyholders* takes into account the methodology used for the allocation of the *Uplift* and the details of the *Scheme*. For *Unit-Linked Policies*, and non-profit policies, the *Policyholder Independent Expert's* report considers whether there are any adverse effects of the *Scheme* on the security of their benefits.
- 31.4 A summary of the *Policyholder Independent Expert's* report is included in Appendix VI and the full report can be found on the *Website*. In summary he concluded that the *Scheme*, as proposed, is the most appropriate option and is fair.
- 31.5 The *Policyholder Independent Expert's* report has been provided to the *High Court*, and the *High Court* was able to consider it before deciding to permit the *Equitable* to call the *Policyholders' Meeting*. If enough *Scheme Policyholders* vote in favour of the *Scheme*, the *High Court* will be able to consider the *Policyholder Independent Expert's* report again, as well as any supplementary reports he prepares, before deciding whether to approve (or "sanction") the *Scheme*.
- 31.6 Any supplementary report produced by the *Policyholder Independent Expert* will also be made available on the *Website*.

Is the *Uplift* big enough to reflect the changes which would be made to *Scheme Policies*?

- 31.7 The *Equitable* and the *Policyholder Independent Expert* consider that the *Uplift* is fair. That is because:
- (a) all *Scheme Policyholders* will receive a substantial increase in their *Policy Value* based on any *With-Profits* investments as at 31 December 2017 (although *Scheme Policyholders* who have *With-Profits Switching Rights* but no investments in the *With-Profits Fund* currently have no *Policy Value*, and so will not receive any increase);
 - (b) that increase is made possible by and reflects, among other things, the removal of *Investment Guarantees* and any future annual guaranteed increases, which allows the release of capital requirements to be accelerated; and
 - (c) any *Scheme Policies* which, at the *Implementation Date*, have *Investment Guarantees* that are still potentially valuable after allowing for the *Primary Uplift* will additionally receive the *Secondary Uplift*. This is an amount equal to the value of those *Investment Guarantees* after taking into account the *Primary Uplift*. The *Secondary Uplift* also tops up the *Uplift* to any extent required to meet the *Fairness Indicators*.
- 31.8 The *Equitable* and *Policyholder Independent Expert* consider that the benefit of the *Scheme* on each *Scheme Policyholder* is fair. The *Policyholder Independent Expert* has considered two hypothetical comparators in arriving at this conclusion:
- (a) a solvent *Run-Off* that continues for 30 years, after which time there is a distribution of the *Equitable's* assets; or
 - (b) a solvent *Run-Off* that continues for 30 years, but there is no distribution of the *Equitable's* assets.
- 31.9 In some hypothetical scenarios considered in the *Policyholder Independent Expert's* report, *Scheme Policyholders* who stay with the *Equitable* for longer (e.g. younger *Scheme Policyholders* who retire at 70 or 75) could be worse off under the *Scheme* than they would be under continued *Run-Off*. This essentially reflects the effect of those particular hypothetical scenarios exhibiting a higher release of *Capital Distribution* in later years under *Run-Off* and lower returns under the *Scheme*. The lower returns under the *Scheme* in those hypothetical scenarios arise either through the *Scheme Policyholders* choosing a lower risk fund, or through them transitioning to a cautious investment mix over time with the *Automatic Investment Option*.

31.10 The *Policyholder Independent Expert* does not consider this to be unfair. That is partly because one of the aims of the *Scheme* is to prevent the build-up of a disproportionately high *Capital Distribution* available only to a very small number of *With-Profits Policyholders* in the future, and the exact release of the *Capital Distribution* at longer durations is highly uncertain and is particularly sensitive to how many *Policyholders* delay taking their benefits.

31.11 The *Uplift* would also remove the possibility that there could be a time in the future when, because of holding back capital to cover risks, there is a substantial amount of capital that remains to be distributed to only a few remaining *With-Profits Policyholders*. Those few might receive much more than they would get if the *Equitable* could pay all *Scheme Policyholders* a proportionate amount of the *With-Profits Fund* based on *Policy Values*. The *Board* does not think that would be fair, and one of the aims of the *Scheme* is to prevent it from happening. If the *Scheme* was implemented, it would give all *Scheme Policyholders* their share of available assets on the *Implementation Date*.

32. Tax implications

32.1 We have shared and discussed our plans with Her Majesty's Revenue and Customs (HMRC). We have set out to HMRC our view of how the UK tax rules apply, and where there is any uncertainty in the legislation, we have reached agreement that there will be no adverse tax effects for UK taxpayers.

32.2 You will need to bear in mind that as your *Policy Value* is increased by the *Uplift*, there may be more tax to pay when you take those higher benefits from your policy. We do not expect *Policyholders* to lose the benefit of any existing tax advantages granted by the legislation covering our products. If you are unsure of the effect on your personal tax position, we suggest you get advice from your local tax authority or a suitably qualified person.

32.3 If you do not live in the UK or your tax residence is elsewhere, there may be other effects on your tax position. To clarify this you should contact either your own local tax authorities or a suitably qualified person in the country you live in or pay tax in.

33. Costs and expenses

33.1 All costs and expenses incurred by the *Equitable* in connection with the *Scheme*, including the *Policyholder Independent Expert's* fees, legal fees and fees of the *Regulators* will be paid by the *Equitable*.

34. The right to object

34.1 All *Scheme Policyholders* are able to raise concerns or object to the *Scheme* at the *Second Court Hearing*. This does not affect *Scheme Policyholders'* right to vote against the *Scheme* at the *Policyholders' Meeting*. If the objection at the *Second Court Hearing* is in relation to the single *Voting Class*, the *High Court* will expect the *Scheme Policyholder* to give good reasons as to why they did not raise any issues at the *First Court Hearing*.

34.2 If you are a *Scheme Policyholder* and you wish to raise an objection to the *Scheme*, we ask that you raise your concerns or objections with us as soon as possible and ideally at least five days before the *Second Court Hearing*.

35. Objection Process

35.1 If you are a *Scheme Policyholder* you can raise your concerns or objections in the following ways:

- (a) In writing to our solicitors at Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS (please mark any correspondence FAO: Craig Montgomery and Kevin Whibley) or by email to equitable@freshfields.com;
- (b) By telephone to our helpline by calling the appropriate number:
 - (i) Individual *Policyholders*:
 - (A) From the UK: 0330 159 1530
 - (B) From outside the UK: +44 1296 386 242
 - (ii) *Group Scheme Trustees*:
 - (A) From the UK: 0330 159 1531
 - (B) From outside the UK: +44 1296 385 225
 - (iii) Holders of *German Policies*:
 - 01803 234 630
- (c) In person (or by legal representative) at the *Second Court Hearing* at the Royal Courts of Justice, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NL.

- 35.2 Notifying us of your objection in advance of the **Second Court Hearing** does not affect your right to attend and make your objection in person at this hearing which you will still be able to do.
- 35.3 Any objection made to us will be brought to the attention of the **High Court** at the **Second Court Hearing**.
- 35.4 If you intend to appear or to be represented at the **Second Court Hearing**, you are requested to notify the **Equitable** using the contact details provided above.
- 35.5 If you raise an objection, we will write to you or telephone you within five working days, either to respond to your objection, or to acknowledge receipt of your objection. If we are simply acknowledging receipt of your objection, we will tell you in our letter when we will respond in full.

36. Why are German With-Profits Policies excluded from the Scheme?

- 36.1 **German With-Profits Policies** are not **Scheme Policies**. This means that the **German With-Profits Policies** will not be included in the **Scheme**, and (to the extent that they currently have them) will still have their **Investment Guarantees** after the **Implementation Date**.
- 36.2 The **German With-Profits Policies** are not included in the **Scheme** because there is a risk that if the **Scheme** goes ahead it might not be recognised by the German courts, if a **German With-Profits Policyholder** decided to bring a claim against the **Equitable** in Germany.
- 36.3 This is because the German Federal Court (the highest court in Germany) has previously decided not to recognise a scheme of arrangement that the **Equitable** entered into with certain of its policyholders in 2002 (referred to as the 'GAR Scheme' because it involved exchanging GAR rights for increased policy value). That scheme of arrangement included policies governed by German law whose policyholders were domiciled in Germany.
- 36.4 It may be that the German Federal Court's previous decision would not be followed in this case, and it is possible that if the **Scheme** did include **German With-Profits Policies** then no **German With-Profits Policyholders** would make a claim against the **Equitable** in Germany, so the issue wouldn't arise. However, given the German Federal Court's previous decision relating to some of the **Equitable's German With-Profits Policyholders**, the **Equitable** thinks that there is still a significant risk that if the **Scheme** included **German With-Profits Policies** then a claim could be made in future in Germany and the German courts would not recognise the **Scheme**.

- 36.5 Since there are only 469 **German With-Profits Policies** (out of approximately 126,000 **With-Profits Policies**), which are comprised of 319 **UK Style German With-Profits Policies** and 150 **German Style German With-Profits Policies**, the **Equitable** has decided that the best solution is to exclude the **German With-Profits Policies** from the **Scheme** altogether, and has designed a bespoke solution for them.

37. What will happen to the German With-Profits Policies?

UK Style German With-Profits Policies will receive an increase in policy value equal to the Primary Uplift they would have received if they had been Scheme Policies

- 37.1 The **Equitable's** aim with the **Proposal** is to allocate all of its available assets to its **With-Profits Policyholders** as fairly and as soon as possible. Therefore, while the **UK Style German With-Profits Policyholders** will not be part of the **Scheme** for the reasons explained above, **UK Style German With-Profits Policyholders** will receive an increase to their policy values consistent with the **Primary Uplift** which will be provided to the **Scheme Policyholders**.
- 37.2 The total uplift given to **UK Style German With-Profits Policies** in this way will be deducted from the total **Primary Uplift** available for the **Scheme Policyholders**.
- 37.3 The **Equitable** thinks that this is fair to all of the **With-Profits Policyholders**, because the **With-Profits Policyholders**, including **UK Style German With-Profits Policyholders**, are entitled to the assets in the **With-Profits Fund** that are available for distribution in accordance with the terms of their **Policies**.

German Style German With-Profits Policies will not receive an increase in policy value equivalent to the Primary Uplift they would have received if they had been Scheme Policies

- 37.4 When customers in Germany purchased **German Policies** they could choose between **UK Style German With-Profits Policies** or **German Style German With-Profits Policies**. **UK Style German With-Profits Policies** confer a right to participate in the **Equitable's** profits which works in a similar way to the right to participate in profits which is conferred by the **Equitable's** English law **With-Profits Policies**.
- 37.5 However, **German Style German With-Profits Policies** confer a right to participate in the **Equitable's** profits in accordance with a business plan which was agreed with Germany's financial services regulator, BaFin, and they are restricted to participation in profits and losses of specified products or business lines. They do this through participation in the **Equitable's** 'Coverage Fund'. **German Style German With-Profits Policyholders** have never received **Capital Distributions**, they were not subject to the policy value cuts which

the *Equitable* applied to other *With-Profits Policies* (including *UK Style German With-Profits Policies*) in 2001 and 2002 and they do not participate in the *Equitable's* profits generally in the same way as *UK Style German With-Profits Policyholders*.

- 37.6 Over time the Coverage Fund has been supported by the *Equitable's* main *With-Profits Fund*. Consequently, *German Style German With-Profits Policyholders* have received favourable treatment over a prolonged period. Bonuses have continued to be applied in accordance with the business plan agreed with BaFin many years ago even though the performance of the Coverage Fund on its own would not have supported that. Changing the business plan would be an onerous process requiring BaFin approval which might not be available. Therefore, given the relatively very small overall size of the business represented by the *German Style German With-Profits Policies*, the *Equitable* has not reduced their bonuses and instead maintained them at the levels in the business plan, effectively subsidising them from the main *With-Profits Fund*. In low interest rate environments, the *Equitable* does not expect a reduction or increase in bonuses from current levels, and the *Equitable* intends to continue following the business plan in relation to the *German Style German With-Profits Policies*, supporting them from the *German With-Profits Fund*. This would mean that *German Style German With-Profits Policyholders* continue to participate in the same way that they have done previously.
- 37.7 In light of the different status of the *German Style German With-Profits Policies* as compared to the *UK Style German With-Profits Policies*, and in light of the support that those policies have had from the *Equitable's* main *With-Profits Fund*, and would continue to have from the *German With-Profits Fund* should the *Proposal* go ahead, the *Equitable* does not consider it necessary or appropriate to allocate funds equivalent to the *Primary Uplift* to the *German Style German With-Profits Policies*.

All German With-Profits Policies will be allocated into a separate ring-fenced with-profits fund within the Equitable

- 37.8 If the *Scheme* and the *Change to the Articles* are approved and the *Scheme* is sanctioned, then from the *Implementation Date* the *German With-Profits Policyholders* would be exposed to risks and costs for all of the *Equitable's* business, including the costs of providing capital and meeting future guarantees, and costs unrelated to the *With-Profits Fund*. The *Equitable* thinks that this would be an unfair result for *German With-Profits Policyholders* and so the structure described below is required. As a result of the new structure, *German With-Profits Policyholders* would not be entitled to participate in all of the *Equitable's* surplus.

- 37.9 Therefore, after the *Implementation Date*, the *Equitable* will allocate the *German With-Profits Policies* into a new sub-fund (the "*German With-Profits Fund*"). This fund will only hold assets which are attributable to *German With-Profits Policies*. In relation to the *UK Style German With-Profits Policies*, this will be in the form of an *Asset Share* which represents the increase in policy values mentioned at paragraph 37.1 above.
- 37.10 In addition, amounts that the *Equitable* is required to hold in relation to any *GARs* and *Investment Guarantees* in the *German With-Profits Policies* will effectively be borne by the *Equitable's* main fund. This will provide protection for the *German With-Profits Policyholders* who will not have to cover the potential changes in value of these guarantees.
- 37.11 The *German With-Profits Fund* will be created by asking the *High Court* to sanction the *Transfer* which, under the terms of the *Transfer Document*, creates the new *German With-Profits Fund* (see Section E further below for a summary of the terms of the *Transfer*). If the *Scheme* is implemented then the *PPFM* will no longer apply to *Scheme Policies* as it describes the management of the *With-Profits Policies*. However, if the *Scheme* is implemented then the *PPFM* will be updated to reflect the requirements of the *German With-Profits Fund*, and will continue to apply to that fund's management. The revised *PPFM* that applies from the *Implementation Date* is available on the *Equitable's* website together with a summary of the changes.

38. Is the way in which the German With-Profits Policyholders would be treated fair?

- 38.1 Although the *Equitable* thinks that excluding the *German With-Profits Policyholders* from the *Scheme* and establishing the *German With-Profits Fund* is a fair way of treating all of its policyholders, some policyholders might feel that the proposed solution is unfair to them. *UK Style German With-Profits Policyholders'* position is fair compared to *Scheme Policyholders'* position.

UK Style German With-Profits Policyholders' position is fair compared to Scheme Policyholders' position

- 38.2 The *UK Style German With-Profits Policies* would receive an increase to their *Policy Values* equivalent to the *Primary Uplift* which *Scheme Policyholders* would receive under the *Scheme*. However, unlike *Scheme Policyholders*, they will still have their *Investment Guarantees* and an entitlement to participate in the profits and losses of the *German With-Profits Fund*.
- 38.3 The *Equitable* thinks that this aspect of the *Proposal* is fair for the following reasons:
- (a) The *Proposal* must treat *UK Style German With-Profits Policyholders*, who cannot be in the *Scheme* for legal reasons, fairly in order for it to proceed.

- (b) The number of *UK Style German With-Profits Policyholders* is so small that the impact on the *Scheme Policyholders* will be minimal, because the *UK Style German With-Profits Policyholders* represent 0.25% of all *With-Profits Policyholders*. In other words, the amount of *Uplift* which *Scheme Policyholders* will be entitled to will only be decreased as a result of the proposed treatment of *UK Style German With-Profits Policyholders* in a very minimal way.
- (c) The fact that the *UK Style German With-Profits Policyholders* will be entitled to participate in the *German With-Profits Fund* after the *Implementation Date* has no impact on the rights of *Scheme Policyholders* at all.

German Style German With-Profits Policyholders' position is fair compared to Scheme Policyholders' position

- 38.4 The *German Style German With-Profits Policies* would not receive an increase to their policy values equivalent to the *Primary Uplift* which *Scheme Policyholders* would receive under the *Scheme*. Additionally, unlike *Scheme Policyholders*, they will still have their *Investment Guarantees* and an entitlement to participate in the profits and losses of the *German With-Profits Fund*.
- 38.5 The *Equitable* thinks that this aspect of the *Proposal* is fair for the following reasons:
 - (a) The *Proposal* must treat *German Style German With-Profits Policyholders*, who cannot be in the *Scheme* for legal reasons, fairly in order for it to proceed.
 - (b) Since *German Style German With-Profits Policyholders* would not receive an increase in their policy values as a result of the *Proposal*, the amount of *Uplift* which *Scheme Policyholders* will be entitled to will not be decreased as a result of the proposed treatment of *German Style German With-Profits Policyholders* at all.
 - (c) The fact that the *German Style German With-Profits Policyholders* will continue to participate in the Coverage Fund as part of the *German With-Profits Fund* after the *Implementation Date* has no impact on the rights of *Scheme Policyholders* at all.

German With-Profits Policyholders' position is fair compared to other *Excluded Policyholders'* position.

German With-Profits Policyholders' position is fair compared to other Excluded Policyholders' position

- 38.6 The *Equitable's* policyholders whose policies will remain in the *Equitable's* main fund after the *Transfer* might think that the treatment of *German With-Profits Policies* is unfair to them because the risks associated with the *GARs* and *Investment Guarantees* of the *German With-Profits Policies* will be borne by the *Equitable's* main fund.
- 38.7 This is not unfair for the same reasons as are set out at 38.3 and 38.5 above regarding *Scheme Policyholders*. In addition:
 - (a) The expected costs and capital requirements of these *GARs* and *Investment Guarantees* are provided for by the current *With-Profits Fund* before the amount available for distribution by the *Uplift* is calculated;
 - (b) The policyholders in the *Equitable's* main fund would all be unit-linked or non-profit policies, and not bearing the risk of, or providing the capital support for, these *GARs* and *Investment Guarantees*;
 - (c) *Utmost*, as the sole member of the *Equitable*, would bear the risks of, and provide any capital support required for, these *GARs* and *Investment Guarantees*; and
 - (d) The *Equitable* will continue to be subject to the same regulatory capital requirements, and these requirements will continue to be monitored by the *PRA*.

UK Style German With-Profits Policyholders' position is fair compared to Scheme Policyholders' position

- 38.8 The *UK Style German With-Profits Policyholders* might think that their treatment is unfair as they do not participate in the *Scheme* and do not have the investment freedom of having *Unit-Linked Policies* after the *Implementation Date*.
- 38.9 This is not unfair for the following reasons:
 - (a) legal restrictions prevent the *UK Style German With-Profits Policies* being included in the *Scheme*; and
 - (b) the proposed treatment of *UK Style German With-Profits Policyholders* is to provide them with the same benefits as the *Scheme* would have provided them, as far as possible.

German Style German With-Profits Policyholders' position is fair compared to UK Style German With-Profits Policyholders' position

38.10 The *German Style German With-Profits Policyholders* might think that their treatment is unfair as they do not participate in the *Scheme*, do not have the investment freedom of having *Unit Linked Policies* after the *Implementation Date*, and, unlike the *UK Style German With-Profits Policyholders*, do not receive an increase to their policy values equivalent to the *Primary Uplift* which *Scheme Policyholders* would receive under the *Scheme*.

38.11 This is not unfair for the following reasons:

- (a) legal restrictions prevent the *German Style German With-Profits Policies* being included in the *Scheme*;
- (b) the *German Style German With-Profits Policies* have already received favourable treatment from the *Equitable* for a prolonged period of time as compared to the *UK Style German With-Profits Policies*, effectively being subsidised from the *Equitable's* main *With-Profits Fund*, as described in more detail at paragraphs 37.4 to 37.7 above;
- (c) *German Style German With-Profits Policyholders* would continue to participate in the *Equitable's* profits in the same way that they have done previously; and
- (d) if the *Proposal* goes ahead, the *German Style German With-Profits Policies* would continue to receive support from the *German With-Profits Fund*.

C The change to the Articles



IF YOU ARE AN **ELIGIBLE MEMBER** AND YOU WANT THE **SCHEME** TO GO AHEAD THEN YOU SHOULD VOTE FOR THIS **CHANGE TO THE ARTICLES** AS WELL AS VOTING FOR THE **SCHEME**

39. Members

39.1 This section is addressed to **Members** of the **Equitable**. You should pay particular attention to this section if you are a **Member** who is entitled to vote at the **Equitable's** Annual General Meeting or AGM (i.e. an **Eligible Member**). The letter which you received with this booklet says whether we believe you are currently an **Eligible Member**.

39.2 If you are not a **Member**, the information in this section does not apply to you, and if you are not an **Eligible Member**, you will not be entitled to vote at the **EGM** on the **Change to the Articles**.

39.3 A copy of the formal notice of **EGM** is included in Appendix VII.

40. Summary of the **Change to the Articles**

40.1 As well as the **Scheme**, the **Proposal** includes a **Change to the Articles**, to make **Utmost** the sole member of the **Equitable**.

40.2 Under the arrangement which the **Equitable** has made with **Utmost**, **Utmost** will become the sole member of the **Equitable** if the **Proposal** goes ahead. That would happen under the **Change to the Articles** and the **Change in Control Approval** being granted by the **PRA**.

40.3 The **Change to the Articles** will be made if the **Equitable's Eligible Members** pass a "special resolution" at the **EGM**. A special resolution is a decision of the **Eligible Members** that requires approval of at least 75% of the votes cast at the **EGM**. The **Change to the Articles** would only become effective if the **Scheme** is implemented.

40.4 If the special resolution to change the **Articles** is not passed the **Scheme** will not be implemented. Therefore, if you are a **Scheme Policyholder** who intends to vote in favour of the **Scheme**, and you are an **Eligible Member**, then you should also vote for the special resolution at the **EGM** to change the **Articles**. Similarly, if you are a holder of a **German With-Profits Policy** who wants the **Proposal** to go ahead, and you are an **Eligible Member**, then you should vote for the special resolution at the **EGM**.

40.5 The **Scheme** will also not become effective unless **Utmost** obtains a **Change in Control Approval** from the **Regulators**, as a result of them becoming the sole member of the **Equitable**.

41. Who can vote at the **EGM**?

41.1 You can vote if you are an **Eligible Member**. Essentially, that means that you hold a **With-Profits Policy** with a "total sum assured" (as explained in regulation 24 of the **Articles**) of not less than £1,000. Most **Scheme Policyholders** and holders of **German With-Profits Policies** are **Members**, but not all are. **Scheme Policyholders** or holders of **German With-Profits Policies** will not be **Members** if:

- (a) they are a joint holder of a **With-Profits Policy**, but are not the first-named holder; or
- (b) they have a **With-Profits Policy** that has been assigned to them but they were not the original **Policyholder**; or
- (c) their **With-Profits Policy** has a total sum assured of less than £1,000.

41.2 **Eligible Members** have one vote at the **EGM** for each £1,000 of their total sum assured, up to a maximum of 10 votes.

41.3 If you are entitled to more than one vote at the **EGM**, you are entitled to cast your votes for and against the **Change to the Articles** in any proportion that you see fit.

42. When will the EGM happen?

- 42.1 The **EGM** will be held at Central Hall Westminster, Storey's Gate, London SW1H 9NH and is scheduled to start immediately after the **Policyholders' Meeting**, which is due to start at 10.00 a.m. on 1 November 2019.
- 42.2 If you are a **Member** who is entitled to attend and vote at the **EGM**, you will receive a notice of the **EGM** in this booklet and a **Voting Form** for the **EGM** in this Decision Pack.
- 42.3 If you are a **Member** who is entitled to attend the **EGM** (but not vote), you will receive a notice of the **EGM** in this booklet and a **Non-Voting Proxy Form** for the **EGM** in this Decision Pack.
- 42.4 If you believe you are entitled to vote at and/or attend the **EGM**, but this form was not included in your Decision Pack, please call the helpline.

43. How to attend and vote at the EGM

Information on attending the **EGM** and how to vote on the **Change to the Articles** is set out in Section D of this booklet and in the guidance notes provided with the **Voting Forms**.

44. After the EGM

- 44.1 If the special resolution is passed at the **EGM**, the **Articles** will be changed at the **Implementation Date**, provided that the **Scheme** is implemented.
- 44.2 If the special resolution is not passed at the **EGM**, we would not proceed to the **Second Court Hearing** and the **Scheme** and **Transfer** would not go ahead.

D Voting

45. Two separate votes

- 45.1 This section explains how to vote on the **Scheme** and on the **Change to the Articles**. Although both votes will occur on the same date, 1 November 2019, they are separate processes, and the legal rules governing each vote are slightly different.
- 45.2 Due to these differences, you might be entitled to vote on one of the **Scheme** (as a **Scheme Policyholder**) or the **Change to the Articles** (as an **Eligible Member**), but not vote on the other. We expect that most **Scheme Policyholders** entitled to vote on the **Scheme** are also **Eligible Members** entitled to vote on the **Change to the Articles**.
- 45.3 The **Proposal** will not happen unless:
- enough **Scheme Policyholders** vote in favour of the **Scheme** at the **Policyholders' Meeting** so that the **Statutory Majorities** are obtained (for more details see paragraph 47.1 below); and
 - at least 75% of the votes cast by **Eligible Members** at the **EGM** are in favour of the **Change to the Articles**.
- 45.4 Although there is no legal requirement for a vote on the **Transfer**, the **Proposal** as a whole will not go ahead unless the **High Court** approves it. All interested parties including policyholders of the **Equitable** and **Utmost** can raise concerns or object if they believe they will be adversely affected by the **Transfer**. More details of how to object to the **Scheme** or the **Transfer** are set out further at paragraph 66 below. The **Equitable** will show the **High Court** and the **Regulators** any objections to the **Transfer**. The **Transfer** is explained further in Section E of this booklet.

The vote on the Scheme

46. Who can vote on the Scheme?

- 46.1 This part only applies to **Scheme Policyholders**. All **Scheme Policyholders** are entitled to one vote at the **Policyholders' Meeting**.
- 46.2 As far as possible, the **Equitable** wants all **Scheme Policyholders** to know, when they vote, what value their vote will have, i.e. what their **Voting Value** is going to be. The **Voting Value** of each **Scheme Policyholder's** vote is the amount that a **Scheme Policyholder** would be entitled to receive if they took their benefits as at 1 April 2019. This is indicated on your **Voting Form** and will determine the weight of your vote. The way your **Voting Value** is calculated is explained further at paragraph 80.13 below. Some **Scheme Policyholders'** investments are denominated in currencies other than **GBP**. These **Policies** are

converted into **GBP** as at 29 March 2019 in order to provide a **Voting Value**. This is the last **Business Day** before 1 April 2019.

- 46.3 If you are a **Group Scheme Trustee**, you are entitled to split the **Voting Value** element of your vote in any proportion that you see fit, so that you can best reflect the underlying beneficial interests in the policies which you own. If you do this, your single vote will be counted twice, once for and once against the **Scheme**, and your **Voting Value** will be split in the proportions that you have chosen.
- 46.4 If a policyholder legally assigns or surrenders their **Scheme Policy** after 1 April 2019 then they will not be able to vote on the **Scheme** in respect of that policy unless they still hold a **Scheme Policy** on the date of the **Policyholders' Meeting**.
- 46.5 Some **Scheme Policies** may have been legally assigned since 1 April 2019 or may be legally assigned before the **Policyholders' Meeting**. In those cases, the person to whom the assignment is made (i.e. the person who receives the **Scheme Policy**) is entitled to vote on the **Scheme**. They can contact the **Equitable** so that the **Equitable** can look into the options available to allow them to vote. This does not affect the availability of the **Uplift** or the other changes which the **Scheme** would involve, and the relevant **Scheme Policy** will still be included in the **Scheme**.

47. How is the Scheme approved?

- 47.1 The **Scheme**, including the **Uplift** and the other changes proposed as part of the **Scheme**, will not go ahead unless the **Statutory Majorities** are obtained in the vote on the **Scheme**. The **Statutory Majorities** are obtained (and the **Scheme** will go ahead) if:
- a majority (i.e. more than 50%) of the **Scheme Policyholders** who vote at the **Policyholders' Meeting** vote in favour of the **Scheme**; and
 - the **Scheme Policyholders** who vote in favour of the **Scheme** hold 75% or more of the total **Voting Value** of all the **Scheme Policyholders** who vote.

48. How to vote at the Policyholders' Meeting

- 48.1 The **High Court** agreed at the **First Court Hearing** on 22 July 2019 that the **Scheme Policyholders** make up a single **Voting Class** who are able to consider the **Scheme** together.
- 48.2 A **Voting Class** is a group of **Scheme Policyholders** whose rights against the **Equitable** are not so dissimilar as to make it impossible for them to consult together with a view to their common interest.

48.3 Therefore, there will be one **Policyholders' Meeting** of all the **Scheme Policyholders**, which will be held on 1 November 2019 at Central Hall Westminster, Storey's Gate, London SW1H 9NH, and it will start at 10:00 a.m.

48.4 **Scheme Policyholders** can vote in favour of or against the **Scheme** by:

- (a) voting online;
- (b) sending a postal vote;
- (c) attending the **Policyholders' Meeting** in person and voting at the meeting; or
- (d) sending another person to attend the **Policyholders' Meeting** as a proxy and vote on their behalf.

48.5 These options are explained in more detail below.

Voting choice	Requirements
Voting online	You are able to vote online at www.ersvotes.com/equitable19 , or someone can do so on your behalf. Your Voting Form will include a personal identification number which you will need to input to cast your vote. For your vote to be counted, you will need to do this by 10.00 a.m. on 30 October 2019.
Sending a postal vote	If you wish to send a postal vote then you must: <ul style="list-style-type: none"> • complete the blue Voting Form which is provided with this document, which instructs the chairperson of the Policyholders' Meeting to cast your vote in the way you indicate on the form; and • post it using the pre-paid envelope which is included with this booklet so that it arrives by 10.00 a.m. on 30 October 2019.
Attending the Policyholders' Meeting in person	We urge you to vote in advance online or by using your blue Voting Form , but if you wish to attend the Policyholders' Meeting in person, you must bring with you: <ul style="list-style-type: none"> • some identification, ideally a passport or driving licence; and • your policy number(s). Please allow time to register your attendance for the meeting. The registration desk will be open from 9.00 a.m.
Sending another person to attend the Policyholders' Meeting as your proxy and vote on your behalf	We urge you to vote in advance online or by using your blue Voting Form , but if you wish to send another person to attend the Policyholders' Meeting as your proxy and vote on your behalf then, then: <ul style="list-style-type: none"> • you must name the person who you wish to vote on your behalf by following the instructions on the blue Voting Form, which has been provided to you with this document; • the person who is going to attend the Policyholders' Meeting as your proxy must bring with them: <ul style="list-style-type: none"> ◦ your signed blue Voting Form (or a copy of it, if you have already sent it by post); ◦ a form of their own identification to be your proxy, ideally a passport or driving licence; and ◦ your policy number(s). Proxies should allow time to register their attendance for the meeting. The registration desk will be open from 9.00a.m.

48.6 Even if you or your proxy are planning to attend and vote at the **Policyholders' Meeting**, we urge you to vote in advance online or by using your blue **Voting Form**. That way, if you or your proxy are ultimately unable to attend on the day, or if you are affected by travel disruption on the day of the meeting, your vote will still be counted. If you or your proxy do attend and vote in person, your vote will not be counted twice. The vote received closest to or at the **Policyholders' Meeting** is the one that will be counted.

48.7 For more details about the mechanics of voting and how it works for different **Scheme Policyholders**, see the questions and answers in Section F below.

49. Your vote is important

49.1 Exercising your vote at the **Policyholders' Meeting** is your opportunity to express a view on the **Scheme**. Ultimately, the **Scheme** has been proposed because the **Equitable** believes that it is in the interests of the **Scheme Policyholders** as a whole, but it is for you to make a decision about whether or not you consider it to be in your interests.

49.2 The **Board** would like as many votes as possible to be cast at the **Policyholders' Meeting**, so that the decision made is representative of all **Scheme Policyholders**. You are therefore urged to vote on the **Scheme** in one of the ways set out above as soon as possible, or in any event before 1 November 2019. If you submit your vote after this date, it will not be counted.

The vote on the **Change to the Articles**

50. Who can vote on the **Change to the Articles**?

50.1 Only **Eligible Members** can vote on the **Change to the Articles** at the **EGM**, and this part only applies to them. Details of who is an **Eligible Member** are set out in paragraph 39.1 above. If you are a **Scheme Policyholder** but not an **Eligible Member**, you will not be entitled to vote on the **Change to the Articles** and you can skip to Section E of this booklet.

50.2 If you are an **Eligible Member** and you want the **Scheme** to go ahead then you should vote for the **Change to the Articles** as well as voting for the **Scheme** to be implemented.

51. How is the **Change to the Articles** approved?

51.1 The **Change to the Articles** will be approved if at least 75% of the votes cast by **Eligible Members** at the **EGM** are in favour of the **Change to the Articles**.

52. How to vote at the **EGM**

52.1 The **EGM** will be held at Central Hall Westminster, Storey's Gate, London SW1H 9NH, and it will start at 10:00 a.m. and will start immediately after the **Policyholders' Meeting**, which is due to start at 10.00 a.m. on 1 November 2019.

52.2 **Eligible Members** can vote for or against the **Change to the Articles** by:

- (a) voting online;
- (b) sending a postal vote;
- (c) attending the **EGM** in person and voting at the **EGM**; or
- (d) sending another person to attend the **EGM** as their proxy and vote on their behalf.

These options are explained in more detail below:

Voting choice	Requirements
Voting online	You are able to vote online at www.ersvotes.com/equitable19 , or someone can do so on your behalf. Your Voting Form will include a personal identification number which you will need to input to cast your vote. For your vote to be counted, you will need to do this by 10.00 a.m. on 30 October 2019.
Sending a postal vote	If you wish to send a postal vote then you must: <ul style="list-style-type: none"> • complete the green Voting Form which is provided with this document, which instructs the chairperson of the EGM to cast your vote in the way you indicate on the form; and • post it using the pre-paid envelope which is included with this booklet so that it arrives by 10.00 a.m. on 30 October 2019.
Attending the EGM in person	We urge you to vote in advance online or by using your green Voting Form , but if you wish to attend the EGM and vote in person, you must bring with you: <ul style="list-style-type: none"> • some identification, ideally a passport or driving licence; and • your policy number(s). <p>Members that are not already in attendance for the Policyholders' Meeting immediately before the EGM, should allow time to register their attendance for the meeting. The registration desk will be open from 9.00 a.m.</p>
Sending another person to attend the EGM as your proxy and vote on your behalf.	We urge you to vote in advance online or by using your green Voting Form , but if you wish to send another person to attend the EGM as your proxy and vote on your behalf, then: <ul style="list-style-type: none"> • you must name the person who you wish to vote on your behalf by following the instructions on the green Voting Form, which is provided with this document; • the person who is going to attend the Policyholders' Meeting as your proxy must bring with them: <ul style="list-style-type: none"> ◦ your signed green Voting Form (or a copy of it if you have already sent it by post); ◦ a form of their own identification to be your proxy, ideally a passport or driving licence; and ◦ your policy number(s). <p>If the person attending the EGM on your behalf is not already in attendance for the Policyholders' Meeting immediately before the EGM, they should allow time to register their attendance for the meeting. The registration desk will be open from 9.00 a.m.</p>

- 52.3 **Eligible Members** have one vote at the **EGM** for each £1,000 of their "total sum assured", up to a maximum of 10 votes.
- 52.4 If you are entitled to more than one vote at the **EGM**, you are entitled to cast your votes for and against the **Change to the Articles** in any proportion that you see fit.
- 52.5 Even if you are planning to attend and vote at the **EGM** in person or by sending a proxy, we urge you to vote online or to vote in advance using your green **Voting Form**. That way, if you are ultimately unable to attend, or if you are affected by travel disruption on the day of the meeting, your vote will still be counted. If you or your proxy do attend and vote in person, your vote will not be counted twice. The vote received closest to or at the **EGM** is the one that will be counted.

E The Transfer



53. Introduction

- 53.1 This section is addressed to all **Policyholders**. Almost the entire business of the **Equitable** will be transferred to **Utmost** under the proposed **Transfer**. It is important to note that the **Transfer** will not proceed unless it is approved by the **High Court** and unless the **Scheme** is approved and the **EGM** vote is passed.
- 53.2 If the **Transfer** goes ahead, neither the **German Policies** nor **Irish Policies** would transfer to **Utmost** under the **Transfer**. They would remain policies of the **Equitable**. For further details on what happens to the **German Policies** and the **Irish Policies** please refer to paragraphs 7 and 36 to 38 above, and to paragraph 57 and 59 below.
- 53.3 This section highlights the main features of the **Transfer**, how it affects **Policyholders** of the **Equitable** and the legal process which surrounds it. It is important that you read this summary. The full terms of the **Transfer** are set out in the **Transfer Document** which is available on the **Equitable's** website or in hard copy by contacting the **Equitable** using the details in paragraph 66.1 below.
- 53.4 To understand the terms of the **Transfer** fully and all of its implications, you should read this section, the "Questions and Answers" section and the summary of the **Transfer Independent Expert's Report** in Appendix VIII, along with the **Transfer Document** and **Transfer Independent Expert's Report** which are available on the **Equitable's** website and **Utmost's** website.
- 53.5 If you are unsure of the meaning or importance of the **Transfer**, you can call the helpline. If you are still unsure of the meaning or importance of the **Transfer** after contacting the helpline, you should consider seeking your own legal advice.

54. Legal basis for the Transfer

- 54.1 The **Transfer** is to be carried out under Part VII of the Financial Services and Markets Act 2000 (**FSMA**), which is a statutory process enabling insurance businesses to be transferred between two or more insurers.
- 54.2 The **Transfer** only becomes effective with the approval (or "sanction") of the **High Court**, and if approved, we expect the **Implementation Date** to be on 1 January 2020. The **Transfer** would take place immediately after the **Scheme** on the **Implementation Date**.

54.3 There is no **Policyholder** vote needed as part of the **Transfer** process (but **Policyholders** and other interested parties can object to the **Transfer**, as explained in paragraph 65).

54.4 There are two key steps in the **Transfer** process:

(a) Step 1 - First Court Hearing

We have already taken the first step in the process, which was to seek directions from the **High Court** in respect of the notice requirements for the **Transfer**. This took place on 22 July 2019.

(b) Step 2 - Second Court Hearing

We will return to the **High Court** to ask the court to approve (or "sanction") the **Transfer**. This is likely to take place on 22 November 2019. We will only take this step if the **Scheme Policyholders** vote in favour of the **Scheme** at the **Policyholders' Meeting** and the **Eligible Members** vote in favour of the **Change to the Articles** at the **EGM**.

55. Effect of the Transfer

- 55.1 If the **Transfer** is approved (and the **Scheme** is approved), the **Transferring Business** will be transferred to **Utmost** on the **Implementation Date**, after the **Scheme** has taken place.
- 55.2 The effect of the **Transfer** from the **Implementation Date** would be:
- the **Transferring Business**, which includes all **Transferring Assets**, **Transferring Liabilities** and **Transferring Policies**, and all rights, liabilities and obligations of the **Equitable** under those assets, liabilities and **Policies**, will transfer to **Utmost** (other than any **Residual Assets** or **Residual Liabilities**, which are described below);
 - Utmost** will become the insurer in place of the **Equitable** in respect of the **Transferring Policies**;
 - the Excluded Policies will remain with the **Equitable**, as described below; and
 - there will be a new fund structure within the **Equitable** comprising the main fund and the new **German With-Profits Fund**. **Excluded Policies** will be allocated to these funds as further set out in paragraphs 57.2 to 57.9 below, with the **German With-Profits Policies** and associated **Assets** and **Liabilities** being allocated to the **German With-Profits Fund** and all other **Excluded Policies** allocated to the main fund.

55.3 If you are a holder of a *Transferring Policy*:

- (a) you will continue to have the same rights, benefits and obligations in relation to your *Policy* as you had immediately before the *Transfer* (in the case of *Scheme Policyholders*, this will mean the rights, benefits and obligations under your *Unit-Linked Policy* after the *Scheme* has taken effect);
- (b) *Utmost* will become your policy provider and your *Policy* terms and conditions will be unaffected by the *Transfer*, (in the case of *Scheme Policyholders*, your terms and conditions will, at the point of transfer, already include any changes which are effected as a result of the *Scheme* - details of these changes are set out in Section B above);
- (c) all records and personal data in relation to your *Policy* will transfer to *Utmost* and any authority given by you to the *Equitable* in relation to your data will transfer to *Utmost*;
- (d) you will become a policyholder of *Utmost*, who will become responsible for all aspects of policy administration and payments in relation to your *Policy*. In practice, you will continue to receive customer service and support from the same team in Aylesbury and you should notice minimal change in the day to day running and administration of your policy;
- (e) all *Transferring Policies* and all assets and liabilities relating to the *Transferring Policies* will be allocated to *Utmost's* non-profit fund;
- (f) any *Proceedings* relating to the *Equitable* in connection with the *Transferring Business* will be commenced or continued by (or against) *Utmost*. This means that any claim you have against *Equitable* will become a claim against *Utmost*; and
- (g) the benefit and burden of reinsurance agreements relating to the *Transferring Policies* and other business contracts to which the *Equitable* is a party relating to the *Transferring Business* will transfer to *Utmost*.

55.4 The *Equitable's* rights and obligations under any contract (including reinsurance contracts) will transfer to *Utmost* and *Utmost* will become the counterparty to the contract. If a contract (including a reinsurance contract) relates solely to the *Excluded Policies*, that contract will not transfer to *Utmost*. If a contract (including a reinsurance contract) relates to both *Transferring Policies* and *Excluded Policies* then the rights and obligations of the *Equitable* under such contract will be split between the *Equitable* (in respect of *Excluded Policies*) and *Utmost* (in respect of *Transferring Policies*).

56. *Excluded Policies, Residual Assets and Residual Liabilities*

- 56.1 The *Transfer* is intended to *Transfer* all *Policies* of the *Equitable*, other than the *German Policies* and the *Irish Policies*, to *Utmost*. The *German Policies* and the *Irish Policies* will remain policies of the *Equitable*. The *Transfer* also contains provisions for the *Transfer* to proceed if for any reason the *High Court* is unable to transfer a particular *Transferring Policy* to *Utmost* on the *Implementation Date* (for example, as a result of an objection or non-approval from the relevant *EEA State* regulator or non-approval for the *Jersey Transfer* and the *Guernsey Transfer*, as described below). Such *Policies* (to the extent there are any), together with the *German Policies* and the *Irish Policies*, are *Excluded Policies*. In the unlikely event that there are any *Excluded Policies* in addition to the *German Policies* and *Irish Policies*, they will be excluded from the *Transfer* to *Utmost* on the *Implementation Date* and will remain with the *Equitable*.
- 56.2 *Excluded Policies* (including the *German Policies* and *Irish Policies*) will be administered by *Equitable* in the same way, and to the same standard, as the *Transferring Policies* will be administered by *Utmost*. *Utmost* will also reinsure the *Excluded Policies* (other than the *German Policies* and the *Irish Policies*) under a reinsurance agreement entered into between the *Equitable* and *Utmost* so that the economic responsibility for the *Excluded Policies* is with *Utmost*.
- 56.3 *Excluded Policies* (other than the *German Policies* and the *Irish Policies*) may be transferred at a later date (a "subsequent transfer date") to *Utmost* under the terms of the *Transfer Document*, if the issue which prohibited them from transferring on the *Implementation Date* is resolved. The *German Policies* and the *Irish Policies* are always excluded from the *Transfer* so a separate transfer process would be required to transfer these policies to *Utmost* or another member of its group at a later date.
- 56.4 It is also possible that certain assets and liabilities may only transfer to *Utmost* after the *Implementation Date*. This may occur because, for example, third party consents are required for such transfer (which have not been obtained by the *Implementation Date*). These assets and liabilities are called *Residual Assets* and *Residual Liabilities*. The *Equitable* is not expecting there to be any *Residual Assets* or *Residual Liabilities*, other than an amount of capital which is required to be maintained by the *Equitable* to meet its

solvency capital requirement immediately after the **Implementation Date**. That capital would not be transferred to **Utmost** unless and until the **Equitable's** status as an authorised entity is withdrawn by the **PRA**. Certain business contracts that relate to the **Irish Policies** and **German Policies** are excluded from the **Transfer** and will remain with the **Equitable**.

The level of **Residual Assets** which will remain in the **Equitable** to meet its solvency capital requirement after the **Transfer** takes place on the **Implementation Date** will include a margin of 25% over the minimum amount of capital it is required to have.

56.5 The **Transfer** to **Utmost** leads to additional considerations for trustees of certain public sector schemes, who hold group additional voluntary contribution plan pension policies with the **Equitable** (see also paragraph 16 of Appendix III). Absent approval of **Utmost** as the new provider of these policies from the relevant Secretaries and Minister of State for these schemes, it may be argued that the **Transfer** gives rise to the following consequences:

- (a) In respect of the **NHS Schemes** and **Teachers' Scheme**:
 - (i) the trustees may be acting inconsistently with the statutory rules of their respective schemes;
 - (ii) the underlying scheme members may no longer benefit from guarantees provided by the relevant Secretaries of State of their benefits which the trustees are liable to pay; and
- (b) In respect of the **Police Scheme**, the trustee may be acting inconsistently with the statutory rules of their scheme.

56.6 The **Equitable** and **Utmost** have written jointly to the relevant government departments, to put the Secretaries of State (for Health and Social Care and for Education) and Minister of State for Policing and the Fire Service on notice of these circumstances.

57. Allocation of Transferring Policies, Excluded Policies and German With-Profits Policies

Transferring Policies

57.1 From the **Implementation Date**:

- (a) the **Transferring Policies** (and associated assets and liabilities) will be allocated to **Utmost's** non-profit fund; and
- (b) the property and associated liabilities of the **Transferring Policies** in each internal **Unit-Linked Fund** (including the **Secure Cash Investment**) maintained by the **Equitable** for the purpose of calculating the benefits payable under **Unit-Linked Policies** will be allocated to and become comprised in a corresponding **Unit-Linked Fund** of **Utmost**.

Excluded Policies

57.2 From the **Implementation Date**, the property and associated liabilities of the **Excluded Policies**, other than the **German With-Profits Policies** (which will be allocated to the **German With-Profits Fund** as set out below), will remain in the **Equitable's** main fund.

German With-Profits Policies

57.3 From the **Implementation Date**, the fund structure of the **Equitable** will be amended by establishing a new with-profits fund, the **German With-Profits Fund**, for the **German With-Profits Policies**. The **German With-Profits Fund** will be separate from the **Equitable's** main fund.

57.4 The **German With-Profits Fund** will be maintained as a separate ring-fenced fund for the benefit of the **German With-Profits Policies** and only hold assets which are attributable to the **German With-Profits Policies**.

57.5 The **UK Style German With-Profits Policies** policy values will be increased as described in paragraph 37.1 above. The increased value for each **UK Style German With-Profits Policy** will be allocated to the **German With-Profits Fund** on the **Implementation Date** as their initial **Asset Share**. After the **Implementation Date**, that initial **Asset Share** will become their **Asset Share** which will be maintained in accordance with the principles in the **Transfer Document**, for example, decreasing when withdrawals are made and increasing when premiums are paid.

57.6 Upon allocation to the **German With-Profits Fund**, the entitlement of the **UK Style German With-Profits Policies** to participate in the profits and assets (and losses and liabilities) of the **Equitable** shall be ring-fenced for their benefit as the **Asset Share** in the **German With-Profits Fund**. Holders of all **German With-Profits Policies** shall have no right to participate in assets outside the **German With-Profits Fund**, including in the **Equitable's** main fund.

57.7 Certain credits and debits will be made to and from the **German With-Profits Fund**, as set out in the **Transfer Document**. The **Asset Shares** in the **German With-Profits Fund** will be determined in accordance with the **Transfer Document** and section 4.3 of the **PPFM**. The amount will increase by actual returns on the assets net of transactions costs and tax, and actual premium payments net of charges. It will reduce by actual withdrawals and percentage annual charges. It will also include any adjustment which is made for smoothing.

57.8 For example, investment gains, income and profits arising from the business allocated to the **German With-Profits Fund** will be credited into the fund and annual management charges relating to the **German With-Profits Policies** will be debited from the fund.

57.9 An inter-fund reinsurance arrangement between the **German With-Profits Fund** and the **Equitable's** main fund is created under the **Transfer Document**. The inter-fund reinsurance arrangement is intended to put into effect the position as agreed between the **Equitable** and **Utmost** so that the funds other than the **German With-Profits Fund** within the **Equitable** bear the risk of a shortfall of assets in the **German With-Profits Fund**, including in relation to the cost of guarantees relating to **German With-Profits Policies** (and vice-versa, the benefit, if there is an excess of assets within the **German With-Profits Fund**).

58. Management of the **Transferring Policies** and annual management charges

58.1 From the **Implementation Date**, the **Transferring Policies** will be administered by **Utmost**. As part of the terms of the **Transfer**, **Utmost** has agreed that:

- (a) in the first 12 months after the **Implementation Date**, it will:
 - (i) use all reasonable efforts to administer the **Transferring Policies** to an equivalent standard as was applied to unit-linked and annuity policies during the 12 months before the **Implementation Date**; and
 - (ii) not make any material amendments to the terms and conditions of the **Transferring Policies**, unless required by changes in applicable law, or take any action that would adversely impact the reasonable expectations of the policyholder concerning a **Transferring Policy**;
- (b) after the first 12 months following the **Implementation Date**, it will use its reasonable endeavours to administer the **Transferring 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 **Utmost** in its business generally;

58.2 **Utmost** has also agreed the following in relation to charges applicable to **Transferring Policies**:

- (a) in the first 12 months following the **Implementation Date**, the annual management charges to be paid by the **Transferring Policyholders** who hold their assets in respect of their investments in the **Secure Cash Investment** will not exceed 0.50% per annum, and 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 those **Transferring Policyholders** will not decrease below its level at the **Implementation Date**; and

- (b) the annual management charges to be paid by a **Transferring Policyholder** in relation to the **Unit-Linked Fund** in which they are invested after the **Implementation Date** will not exceed 0.75% per annum, except in certain scenarios, as follows:
 - (i) if the annual management charges on the **Unit-Linked Fund** exceed 75 basis points at the **Implementation Date**; or
 - (ii) there has been a material increase in **Utmost's** costs resulting from regulatory action that also results in other life companies increasing their annual management charges; or
 - (iii) there has been an increase in third party investment management, custody, trading or unit-pricing costs, in certain circumstances; and
 - (iv) in no circumstances will the annual management charges paid by a **Policyholder** in respect of the **Unit-Linked Funds** in which they are invested exceed 1% per annum.
- (c) **Utmost** has also agreed that the only charges applied by it that will be borne by a **Transferring Policyholder** under its **Transferring Policy**, in respect of the **Unit-Linked Funds** in which they are invested following the **Implementation Date** are:
 - (i) the annual management charges described at paragraphs 58.2(a) and (b) above;
 - (ii) explicit deductions from **Units** as set out in Schedule 4 of the Scheme Document or policy terms, to cover additional insurance benefits on some policies; and
 - (iii) any other charges allowed for in the terms and conditions of such **Transferring Policy**.
- (d) There will be no charges applied by **Utmost**, other than the annual management charges referred to in paragraphs 58.2(a), (b) and (c) above, in respect of investment management, administration or asset management costs, including fund management charges and custody charges:
 - (i) 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**;
 - (ii) 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
 - (iii) ongoing charges incurred by the underlying **OEIC** shall be rebated by **Utmost** so that the **Transferring Policyholder** is exposed to annual management charges and not additional ongoing charges.

59. Management of Excluded Policies and annual management charges

59.1 From the *Implementation Date*, the *Excluded Policies* will continue to be administered by the *Equitable*, which will be a subsidiary of Utmost. As part of the *Transfer*, the *Equitable* has agreed that:

- (a) in the first 12 months after the *Implementation Date*, it will:
 - (i) use all reasonable efforts to administer the *Excluded Policies* to an equivalent standard as was applied to unit-linked and annuity policies during the 12 months before the *Implementation Date*; and
 - (ii) not make any material amendments to the terms and conditions of the *Excluded Policies* unless required by changes in applicable law, or take any action that would adversely impact the reasonable expectations of the policyholder concerning an *Excluded Policy*.
- (b) after the first 12 months following the *Implementation Date*, it will use its reasonable endeavours to administer 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 *Utmost* in its business generally.

59.2 The *Equitable* has also agreed the following in relation to charges applicable to *Excluded Policies*:

- (a) in the first 12 months following the *Implementation Date*, the annual management charges to be paid by the policyholders of *Excluded Policies* who hold their assets in respect of their investments in the *Secure Cash Investment* will not exceed 0.50% per annum, and 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 that policyholder will not decrease below its level at the *Implementation Date*; and
- (b) the annual management charges to be paid by a policyholder of an *Excluded Policy* (which is a *Unit-Linked Policy*) in relation to the *Unit-Linked Fund* in which they are invested after the *Implementation Date* will not exceed 0.75% per annum, except in certain scenarios, as follows:
 - (i) if the annual management charges on the *Unit-Linked Fund* exceed 75 basis points at the *Implementation Date*; or
 - (ii) there has been a material increase in the *Equitable's* costs resulting from regulatory action that also results in other life companies increasing their annual management charges; or

- (iii) there has been an increase in third party investment management, custody, trading or unit-pricing costs, in certain circumstances; and
 - (iv) in no circumstances will the annual management charges paid by a *Policyholder* of an *Excluded Policy* in respect of the *Unit-Linked Funds* in which they are invested exceed 1% per annum;
- (c) the only charges applied by it that will be borne by a *Policyholder* under its *Excluded Policy* (which is a *Unit-Linked Policy*), in respect of *Unit-Linked Funds* in which they are invested following the *Implementation Date* are:
 - (i) the annual management charges described at paragraphs 59.2 (a) and (b) above;
 - (ii) explicit deductions from *Units* as set out in Schedule 4 of the Scheme Document or policy terms, to cover additional insurance benefits on some policies; and
 - (iii) any other charges allowed for in the terms and conditions of such *Excluded Policy*;
 - (d) no additional charges other than the annual management charges set out in paragraphs 59.2(a), (b) and (c) above will be applied by the *Equitable* in respect of investment management, administration or asset management costs, including fund management charges and custody charges;
 - (i) 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*;
 - (ii) 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 relevant *Excluded Policy*; and
 - (iii) ongoing charges incurred by the underlying *OEIC* shall be rebated by the *Equitable* so that the holder of an *Excluded Policy* is exposed to annual management charges and not additional ongoing charges.

UK Style German With-Profits Policies

- (e) the annual management charges to be paid by a *UK Style German With-Profits Policyholder* will not exceed 0.75% per annum, except in certain scenarios, as follows:
 - (i) if there has been a material increase in the *Equitable's* costs resulting from regulatory action that also results in other life companies increasing their annual management charges; or

- (ii) there has been an increase in third party investment management, custody, trading or unit-pricing costs, in certain circumstances, and
 - (iii) in no circumstances will the annual management charges paid by a **UK Style German With-Profits Policyholder** of an **Excluded Policy** in respect of the **Unit-Linked Funds** in which they are invested exceed 1% per annum;
- (f) the guarantee charges to be paid by a **German With-Profits Policyholder** will initially be 0% per annum. Any such charge in the future will be determined by the **Equitable's Chief Actuary** and with-profits actuary but will not, in any circumstances, exceed 0.50% per annum.
- (g) the only charges applied by it that will be borne by a **Policyholder** under its **UK Style German With-Profits Policy** following the **Implementation Date** are:
- (i) the annual management charges described at paragraphs 59.2(e) and (f) above;
 - (ii) explicit deductions from **Units** as set out in Schedule 4 of the Scheme Document or policy terms to cover additional insurance benefits on some policies; and
 - (iii) any other charges allowed for in the terms and conditions of such **UK Style German With-Profits Policy**;
- (h) no additional charges other than the annual management charges set out in 59.2(e), (f) and (g) above will be applied to a **UK Style German With-Profits Policy** by the **Equitable** in respect of investment management, administration or asset management costs, including fund management charges and custody charges;
- (i) 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 With-Profits Policy**; and
 - (ii) ongoing charges incurred by the underlying **OEIC** shall be rebated by the **Equitable** so that the holder of a **UK Style German With-Profits Policy** is exposed to annual management charges and not additional ongoing charges.

60. Changes to the Transfer after the Second Court Hearing

60.1 Any material changes to the terms of the **Transfer**, if it is approved at the **Second Court Hearing**, will require the further approval of the **High Court** and the **Regulators**.

61. Utmost

- 61.1 **Utmost** is a life and pensions company operating in the UK, and one of the core divisions of the wider Utmost group; a growing life assurance group established in 2013 to be a leading consolidator of the European Insurance Market. The other core division of the Utmost group is Utmost International, an international life assurance business which serves two key markets. It provides international life assurance to affluent, high net worth and ultra-high net worth individuals, and group risk solutions to multi-national corporates.
- 61.2 The head office of the Utmost group is in London, and currently it employs 900 people across its different businesses. As at 31 December 2013, the Utmost group had c. £33bn (c. €37bn) in assets under administration on behalf of 240,000 customers, and since its inception the Utmost group has completed 12 acquisitions.
- 61.3 **Utmost**, a core division of the Utmost group, currently has c. £1.7bn of assets under administration on behalf of 100,000 customers. Its strategy is to purchase long-established businesses and books of business from major insurance groups, and then provide a financially stable home for their customers and policies, through its strong capital position and pursuing efficiencies in operational management.
- 61.4 **Utmost** was established in 2017 to receive the transfer of all of the policies of Reliance Mutual Insurance Society Ltd, whose history in the insurance industry can be traced back over 100 years, and which itself acquired businesses from various other companies in the 2000s. Further details on this history can be found on **Utmost's** website at www.utmost.co.uk/about-us/history-and-facts.
- 61.5 **Utmost** does not propose to disrupt the service that the **Equitable's** policyholders are accustomed to, but rather to reinforce and support it, with the aim of continuing to provide reliable, consistent servicing and clear communications. **Utmost** is committed to working with policyholders to help them achieve their investment goals.

62. The Transfer Independent Expert

- 62.1 The legal process for the **Transfer** requires that an independent expert (who must be an independent actuary and not an employee of **Equitable** or **Utmost**) reviews the terms of the **Transfer** and its likely impact on policyholders of the **Equitable** and **Utmost**. He provides a report on the **Transfer** to the **High Court** and for policyholders to consider. This is true for every transfer of this type; the appointment of the **Transfer Independent Expert** is not unique to this transfer.
- 62.2 Although they have similar titles, the **Transfer Independent Expert** is not the same as the **Policyholder Independent Expert**, and they each perform different roles. The **Policyholder Independent Expert** will report on the **Scheme**; he will not report on the **Transfer**. The **Transfer Independent Expert** will report on the **Transfer**; he will not report on the **Scheme**.
- 62.3 The **Transfer Independent Expert** is Richard Baddon of **Deloitte**. His appointment was approved by the **PRA** after consultation with the **FCA**. His full report considers in detail the effects of the proposed **Transfer** on all policyholders of the **Equitable** and **Utmost** and sets out how each conclusion has been reached. His report can be found on the **Website**, and we would encourage you to read the report. If the **Transfer Independent Expert** prepares any supplementary reports, these will also be made available on the **Website** prior to the **Second Court Hearing** so please do check the **Website** for any updates.

63. Summary of the Transfer Independent Expert's report

- 63.1 A summary of the **Transfer Independent Expert's** report is included in Appendix VIII. His overall conclusion is that he is satisfied that the **Transfer** will not materially adversely affect any group of policyholders and that it will not materially adversely impact the benefit security of any group of policyholders.

64. Costs and expenses

- 64.1 All costs and expenses incurred in connection with the **Transfer**, including the **Transfer Independent Expert's** fees, legal fees and fees of the **Regulators** will be paid by the **Equitable** and **Utmost**. The **Equitable** and **Utmost** will pay their own costs and share any joint costs.

65. The right to object

- 65.1 Although there is no policyholder vote on the **Transfer**, all policyholders of the **Equitable** are able to raise concerns or object if they believe they will be adversely affected by the **Transfer**. Although this is not a requirement, they should do this as soon as possible and ideally at least five days before the **Second Court Hearing**. Please see paragraph 66.1 below for how to raise concerns or object.
- 65.2 If you are satisfied with the proposed **Transfer** you do not need to do anything else. You should bear in mind that the **Proposal** as a whole will not go ahead unless the **High Court** approves the **Transfer**.

66. Objection Process

- 66.1 How you can raise concerns or object
- (a) You can raise your concerns or objections in the following ways:
- (i) In writing to our solicitors at Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS (please mark any correspondence FAO: Craig Montgomery and Kevin Whibley) or by email to equitable@freshfields.com;
- (ii) By telephone to our helpline by calling the appropriate number:
- (A) Individual **Policyholders**:
- (I) From the UK: 0330 159 1530
- (II) From outside the UK: +44 1296 386 242
- (B) **Group Scheme Trustees**:
- (I) From the UK: 0330 159 1531
- (II) From outside the UK: +44 1296 385 225
- (C) Holders of **German Policies**: 01803 234 630
- (iii) In person (or by legal representative) at the **Second Court Hearing** at the Royal Courts of Justice, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NL.
- 66.2 We will make a record of your concern or objection and provide a copy to the **Regulators**, the **Transfer Independent Expert** and the **High Court**, along with a copy of our response. Notifying us of your objection in advance of the **Second Court Hearing** does not affect your right to attend and make your objection in person at this hearing which you will still be able to do.
- 66.3 If you intend to appear or to be represented at the **Second Court Hearing**, you are requested to notify the **Equitable** or **Utmost** using the contact details provided above.

66.4 What happens after we receive your objection?

If you raise an objection, we will write to you or telephone you within five working days, either to respond to your objection, or to acknowledge receipt of your objection. If we are simply acknowledging receipt of your objection, we will tell you in our letter when we will respond in full.

67. **Second Court Hearing**

67.1 The **Second Court Hearing** is expected to take place on 22 November 2019 at the Royal Courts of Justice, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NL.

67.2 It is possible that the hearing date may change. Anyone wishing to attend the hearing should check the website at www.equitable.co.uk which will be updated should the hearing date change.

68. **Who will be there?**

68.1 The **Second Court Hearing** will be attended by representatives of the **Equitable** and **Utmost**, and the **Transfer Independent Expert**. The **Equitable** and **Utmost** will be jointly represented at the **Second Court Hearing** by a QC. The **Regulators** also have the right to attend.

68.2 The **Second Court Hearing** is open for members of the public to attend. If you have an objection to the **Transfer** because you believe you will be adversely affected by it, then you can attend (in person or by a representative), and make your objection at the **Second Court Hearing**.

69. **What will happen at the Second Court Hearing?**

69.1 The **High Court** will consider:

- (a) all the evidence presented to it, including:
 - (i) any objections put forward (whether in writing or in person) by affected policyholders or any other person who alleges that they would be adversely affected by the **Proposal**; and
 - (ii) the views of the **Transfer Independent Expert** and the **Regulators**;
- (b) whether all of the legal requirements have been met, including whether all of the steps that the **High Court** stated in its order from the **First Court Hearing** have been complied with; and
- (c) whether all conditions to the **Transfer** have been satisfied.

69.2 The Judge must then decide whether to approve (or “sanction”) the **Transfer**, taking all of the evidence into account. If the Judge does approve (or “sanction”) the **Transfer**, then a court order is made which allows the **Transfer** to come into effect at the time specified in the **Transfer Sanction Order**, which will be the **Implementation Date**.

70. **Further information**

70.1 If you have any questions or concerns about the **Transfer**, you can find further information, including the full terms of the **Transfer Document**, the full **Transfer Independent Expert’s** report and the reports on the **Scheme** and the **Transfer** prepared by the **Chief Actuary** and **With-Profits Actuary** of the **Equitable**, at www.equitable.co.uk, by writing to us at The Equitable Life Assurance Society, Walton Street, Aylesbury, Bucks, HP21 7QW, or by contacting the helpline on the appropriate number:

- (a) Individual **Policyholders**:
 - (i) From the UK: 0330 159 1530
 - (ii) From outside the UK: +44 1296 386 242
- (b) **Group Scheme Trustees**
 - (i) From the UK: 0330 159 1531
 - (ii) From outside the UK: +44 1296 385 225
- (c) Holders of **German Policies**: 01803 234 630, between the hours of 9.00 a.m. and 5.00 p.m. from Monday to Friday (excluding bank holidays).

70.2 If you do not have any concerns about the **Transfer** you do not need to do anything. Subject to all requirements being met, the **Transferring Business** (which includes all **Transferring Policies**) will transfer to **Utmost** on the **Implementation Date**.

71. **Jersey Policies and Guernsey Policies**

71.1 The **Transferring Business** includes Jersey and Guernsey insurance policies, which are governed by Guernsey law. If you are a resident of Jersey or the Bailiwick of Guernsey, or your policy is governed by Guernsey Law, you should read this section. If you are not sure if your policy is governed by Guernsey Law, please contact us using the contact details provided in paragraph 70.1 above.

71.2 To transfer the Jersey and Guernsey business, there will be a separate **Jersey Transfer** and a **Guernsey Transfer** respectively under the laws of those countries. The summary of the terms of the **Transfer** set out above applies equally to the **Jersey Transfer** and the **Guernsey Transfer** because each of the **Jersey Transfer** and the **Guernsey Transfer** schemes are being effected on substantially the same terms as the **Transfer**.

71.3 The **Guernsey Policies** will only be transferred to **Utmost** to the extent that the **Guernsey Transfer** has been approved by the **Guernsey Court**.

71.4 The **Jersey Policies** will only be transferred to **Utmost** to the extent that the **Jersey Transfer** has been approved by the **Guernsey Court** (because the **Jersey Policies** are governed by Guernsey law) and the **Jersey Court**.

71.5 The *Guernsey Transfer* and the *Jersey Transfer* will transfer the *Guernsey Policies* and the *Jersey Policies* that are *Scheme Policies* on the terms as amended by the *Scheme*.

71.6 The full terms of the *Guernsey Transfer* and *Jersey Transfer* documents are available on the *Website*.

71.7 In addition, the Jersey and Guernsey transfer documents (including the respective *Transfer documents*, the *Transfer Independent Expert's* report and relevant applications to be made to the *Jersey Court* and the *Guernsey Court*, respectively) are also available for inspection or collection during office hours from the *Equitable's* local counsel as shown below:

- (a) *Jersey Transfer* – at the office of Mourant Ozannes, 22 Grenville Street, St Helier, Jersey JE4 8PX.
- (b) *Guernsey Transfer* – at the office of Mourant Ozannes, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey GY1 4HP.

Please ask the *Equitable's* local counsel to allow you to inspect or collect copies of the documents, which are available at no charge.

72. When will the *Guernsey Transfer* and *Jersey Transfer* become effective?

72.1 The *Guernsey Transfer* and *Jersey Transfer* will only become effective if the *Transfer* becomes effective and the respective courts sanction the *Jersey Transfer* and the *Guernsey Transfer*. If the *Proposal* is sanctioned by the *Guernsey Court* and *Jersey Court*, we expect the *Guernsey Transfer* and *Jersey Transfer* to become effective at the same time as the *Transfer*, which is due to take place on 1 January 2020.

73. Has the *Transfer Independent Expert* considered the *Guernsey Transfer* and *Jersey Transfer*?

73.1 The *Transfer Independent Expert* has considered the *Guernsey Transfer* and *Jersey Transfer* and the conclusions in his report and the summary of his report enclosed apply equally to the *Guernsey Transfer* and *Jersey Transfer* as to the *Transfer*.

74. What if you have an objection to the *Guernsey Transfer* or *Jersey Transfer*?

74.1 If you are a *Jersey Policyholder* or *Guernsey Policyholder* and you believe you will be adversely affected by the *Guernsey Transfer* or *Jersey Transfer*, you have the right to be heard by the *Guernsey Court* or *Jersey Court* at the hearing to sanction these transfers. If you do intend to appear, or be represented, at either the *Guernsey Court* or *Jersey Court*, you are requested to notify us using the contact details provided at paragraph 66.1 as soon as possible and ideally at least five days before the *Guernsey Court* or *Jersey Court* hearings.

74.2 You can also raise your concerns or objections to the *Guernsey Transfer* or *Jersey Transfer* in the ways set out at paragraph 66.

75. Where and when will the *Guernsey Court* and *Jersey Court* hearings take place?

75.1 The *Guernsey Court* hearing is scheduled to take place on 6 December 2019 at The Royal Court House, St. Peter Port, Guernsey, GY1 2NZ.

75.2 The *Jersey Court* hearing is scheduled to take place on 10 December 2019 at The Royal Court of Jersey, Royal Court House, Royal Square, St Helier, Jersey JE1 1JG.

75.3 It is possible that either of these hearing dates may change. Anyone wishing to attend either of the hearings should check the website at www.equitable.co.uk, which will be updated should the date of the hearing change.

F Questions and Answers



76. The Proposal

76.1 What are the component parts of the *Proposal*?

There are three processes that would implement the *Proposal to Policyholders*:

- (a) First, the *Scheme* which is the court-supervised legal process by which the *Equitable* proposes to make certain changes to *With-Profits Policies*. See more at Section B of this booklet and questions 77.1 to 77.13 in this section;
- (b) Second, the *Change to the Articles* of the *Equitable*, to make *Utmost* the *Equitable's* only member. See more at Section C of this booklet and questions 78.1 to 78.5 in this section; and
- (c) The *Transfer*, which is the legal process to transfer all the *Equitable's* business to *Utmost*. See more at Section E of this booklet and questions 79.1 to 79.10 in this section.

The *Proposal* will only go ahead if the *Scheme* is implemented, the *Change to the Articles* is approved by the *Equitable's Eligible Members* and the *High Court* approves the *Transfer*.

76.2 Why is the *Board* making the *Proposal*?

- (a) The *Equitable* aims to deliver value to its *With-Profits Policyholders* by allocating all of its available assets to them as fairly and as soon as possible. The *Proposal* is intended to do that.
- (b) The *Equitable* has to maintain a financial buffer in case risks in the running of its business materialise. The buffer is capital which would otherwise be available to be paid to *With-Profits Policyholders* if it did not face these risks. Capital is essentially money which the *Equitable* must set aside to provide for risks and cannot, for the time being, distribute to *With-Profits Policyholders*. As the *Equitable* has to hold the capital, it cannot currently be paid to *With-Profits Policyholders* when they take their benefits.
- (c) For further information on the detailed background and rationale, please refer to the "Background to the Proposal" at paragraph 5.

76.3 Is the *Equitable* in financial trouble?

- (a) Absolutely not. In *Run-Off*, the *Equitable* has enough money to continue to pay the benefits it owes under its policies.
- (b) We are strong financially but solvency regulations make it difficult to share that strength directly with *With-Profits Policyholders*

through higher *Policy Values*. Further, as the *Equitable* becomes smaller, the risks it faces, and the challenges of continuing to function efficiently and cost effectively become greater.

76.4 How do I know if I will be better off now and in the future?

- (a) We have provided a *Personal Illustration*, which provides you with an indication of what you may receive if the *Proposal* goes ahead and what this might look like at a point in the future. It also allows you to compare this with the projected position at a future date in the event that the *Proposal* does not go ahead. The *Board* considers that the *Proposal* is in the best interests of *Policyholders* as a whole. If you want more help understanding this or if you don't believe you have received a copy of your *Personal Illustration*, please let us know.
- (b) More details of the sources of advice and support available can be found in Section G below.

76.5 What are the risks of *Equitable* continuing as it is?

- (a) We are able to continue running the *Equitable* as we do today, but we face some challenges, including:
 - (i) *Policyholders* choosing to retire or take their benefits later than we expect;
 - (ii) regulatory requirements to set aside assets to provide for risks, rather than distribute them to our *With-Profits Policyholders*;
 - (iii) the *Equitable* becoming too small to function efficiently or cost-effectively; and
 - (iv) risks may materialise which mean that future policy payments have to decrease.

76.6 What are the possible downsides to the *Equitable's Proposal*?

- (a) Although the *Equitable* believes that the changes are in the interests of its *Policyholders* as a whole, there are some additional risks. In particular, as part of the *Scheme*, you will lose any *Investment Guarantee* to which you are currently entitled, so there is a risk that the amount you are entitled to be paid under *Scheme Policies* in the future will be less than you would have been entitled to if you had received your *Investment Guarantees*. The value of *Unit-Linked Funds* is not guaranteed and can go down as well as up (for more information on *Unit-Linked Funds* see paragraph 22.3).

- (b) In addition, if you are currently a **Member** of the **Equitable**, you will cease to be a **Member** if the **Proposal** is implemented (by virtue of the **Change to the Articles**). This means that you will not be able to attend or vote on the management decisions regarding the company responsible for administering your policy. In practice, we do not think that losing this right will have any adverse impact on you.

77. The Scheme

77.1 Am I a **Scheme Policyholder**?

- (a) A **Scheme Policyholder** is a holder of a **With-Profits Policy** or any **Policy** that has **With-Profits Switching Rights** (in each case other than **German With-Profits Policies**), or is a **With-Profits FSAVC Scheme Member**. This includes trustees of **Group Pension Policies**.
- (b) You will be affected by the **Scheme** if you are a **Scheme Policyholder** on the **Implementation Date**, and your covering letter to this booklet will say whether you are expected to be a **Scheme Policyholder**.

77.2 What needs to happen for the **Scheme** to become effective?

- (a) **Scheme Policyholders** cannot choose to opt out of the **Scheme**. The **Scheme** will not become effective unless and until the following things happen:
 - (i) Enough **Scheme Policyholders** vote for the **Scheme** at the **Policyholders' Meeting** so that the **Statutory Majorities** are obtained (see paragraph 47.1);
 - (ii) The **Eligible Members** vote to change the **Articles** at the **EGM** so that **Utmost** becomes the sole member of the **Equitable**, and the **Change in Control Approval** from the **Regulators** is received (see paragraph 40.5); and
 - (iii) The **High Court** approves (or "sanctions") the **Scheme** and the **Transfer** at the **Second Court Hearing** (see paragraph 20.4(c)).

77.3 What will happen if the **Scheme** does not become effective?

- (a) The **Proposal** would not proceed, no **Scheme Policyholders** would receive any **Uplift**, and we would continue to run the **Equitable** as currently and to try to find a different solution to the challenges discussed at paragraphs 5.8 and 76.5 above. **Scheme Policyholders** would retain any **Investment Guarantees** and **With-Profits Switching Rights** that they have, their **With-Profits Policies** would not be converted to **Unit-Linked Policies**, and the **Equitable's** business would not be transferred to **Utmost**.

77.4 What about **Policyholders** who are not **Scheme Policyholders**?

- (a) If the **Proposal** goes ahead, **Policyholders** who are not **Scheme Policyholders** will not be directly affected by the **Scheme** but their **Policies** will be transferred to **Utmost** under the **Transfer**.

77.5 Apart from **Scheme Policyholders**, who else is interested in the **Scheme**?

- (a) Those **Policyholders** that are not **Scheme Policyholders** or **Legacy Scheme Policyholders** on the **Implementation Date** will not be directly affected by the changes effected under the **Scheme**. However, if the **Scheme** and **Transfer** are approved, anyone who is a **Policyholder** (except for any holders of **Irish Policies** or **German Policies**) at the **Implementation Date** will have their **Policy** transferred to **Utmost** under the **Transfer**.
- (b) Although it would not be done by the **Scheme**, if the **Scheme** is implemented then **UK Style German With-Profits Policyholders** will be allocated an increase to their policy value which is equivalent to the **Primary Uplift** that they would receive if they were **Scheme Policyholders**.

- (c) The interests of the Directors of the **Equitable** are set out in more detail in Appendix X.

77.6 What do the **Equitable's Regulators** think about the **Scheme**?

- (a) The **Equitable's Regulators**, the **FCA** and the **PRA**, have been consulted in relation to the **Proposal**, including the **Scheme**.
- (b) The **FCA** and the **PRA** have no formal role in the content of the **Policyholder Independent Expert's** report or on the **Scheme**. The **FCA** and the **PRA** have both reported on the **Proposal** to the **High Court** at the **First Court Hearing**. We anticipate them providing further reports to the **High Court** at the **Second Court Hearing**.
- (c) If the **FCA** does not object to the **High Court**, it means that the **FCA** does not object to the **Scheme** being put to **Scheme Policyholders**, the **Change to the Articles** being put to **Eligible Members** or the **Transfer** being put to the **High Court** for approval.

77.7 What is an **Investment Guarantee**?

- (a) Most **Scheme Policies** include a promise that when a **Scheme Policyholder** takes their benefits the **Equitable** will pay at least a certain amount. These promises are **Investment Guarantees**. The amounts that the **Equitable** has to pay under **Investment Guarantees** are based on the amounts that **Scheme Policyholders** have paid in premiums.

- (b) In some cases, *Investment Guarantees* include a promise that the *Guaranteed Fund* will increase by a specified amount each year. This is usually 3.5% per year but there are also some at 2.5% per year. These *Scheme Policyholders* might have seen specific references to their *Investment Guarantees* in communications they have received from the *Equitable* or in their policy documents, and may have seen phrases like “guaranteed investment return” or “GIR”.
- (c) We call the amount that the *Equitable* has to pay under an *Investment Guarantee* the “*Guaranteed Fund*”. For other *Scheme Policies*, there is no promise that the *Guaranteed Fund* will increase at a particular rate every year. These *Scheme Policyholders* may not have seen anything stating directly that they have an *Investment Guarantee*. However, almost all *Scheme Policies* do have some form of *Investment Guarantee* because they include a promise that the *Equitable* will pay at least a minimum which is based on amounts that *Scheme Policyholders* have paid in premiums.
- (d) “Whole of Life” policies are the only *Scheme Policies* that do not have an *Investment Guarantee*. The amount of your *Investment Guarantee* is shown in your *Personal Illustration* as at 1 April 2019 and at projected dates when you might be able to rely on the *Investment Guarantee* so you can see how the *Proposal* may affect your *Scheme Policy*. We have done this so you can get an idea of what the proposed changes may mean to the value of your *Scheme Policy* now and also at a future date.
- (e) For each *Scheme Policyholder* with an *Investment Guarantee*, your *Personal Illustration* includes your *Guaranteed Fund* as at 1 April 2019, or your guaranteed maturity value.
- 77.8 How do I know I am getting a good deal in exchange for giving up my guarantee?
- (a) The *Policyholder Independent Expert* has been appointed to look at our proposal from the perspective of *Policyholders*, including comparing the *Proposal* with *Equitable* remaining in *Run-Off*. You can see a summary of his conclusions in Appendix VI and his full report, which demonstrates the depths of his considerations, is on our *Website* should you wish to read that. In order to complete the *Transfer*, we have also consulted with our *Regulators* and we will have to obtain approval from the *High Court*.
- 77.9 What is the benefit to me?
- (a) Your *Personal Illustration* will show the indicative *Uplift* value for each of your *Scheme Policies*. By removing the guarantees, this proposal allows us to distribute all available assets of the *With-Profits Fund* to *Scheme Policyholders* at the *Implementation Date*.
- 77.10 Could the *Uplift* change?
- (a) The *Uplift* shown in your *Personal Illustration* is an estimate and subject to change. The actual *Uplift* can only be calculated at the *Implementation Date* and depends on a number of factors, including financial conditions up to that date. The actual *Uplift* could therefore be lower or higher than the amount shown.
- 77.11 Why aren't *German With-Profits Policies* included in the *Scheme*?
- (a) The *Equitable* believes that there is a significant risk that the *Scheme* would not be recognised in Germany. Excluding *German With-Profits Policies* from the *Scheme* does not adversely affect *Scheme Policyholders*. Although *UK Style German With-Profits Policies* are not included in the *Scheme*, they will also increase in value if the *Proposal* goes ahead. *German Style German With-Profits Policies* will not receive an increase in value if the *Proposal* goes ahead.
- 77.12 Who is the *Policyholder Independent Expert*?
- (a) Trevor Jones, a Partner of *KPMG* in the UK. He is a qualified actuary with over 25 years of insurance actuarial experience, and leads *KPMG's* UK actuarial practice.
- 77.13 What does it mean that the *Policyholder Independent Expert* is independent?
- (a) The *Policyholder Independent Expert* has been appointed by the *Equitable* specifically to look at the interests of *Policyholders*. He has considered the *Scheme* from the perspective of all policyholders, and opined as to whether any policyholders' interests could in any way be adversely affected by the *Scheme*.
- (b) The *Policyholder Independent Expert* has carried out his work as a partner of *KPMG*. Neither he nor any members of his family are policyholders of the *Equitable* or *Utmost*, nor do they have any financial relationship with the *Equitable*, *Utmost*, or *JLT*. *KPMG* has carried out no other work for the *Equitable* during Mr Jones' time in the role.

- (c) The *Policyholder Independent Expert* has provided his report to the *High Court*. The *High Court* was able to consider his report before allowing the *Equitable* to call the *Policyholders' Meeting*. He may provide a supplementary report for the *Second Court Hearing*, should he consider it necessary to update his findings on the fairness of the *Scheme* since the time of his first report.
- (d) Both the original report and any supplementary report produced by the *Policyholder Independent Expert* would be available for the *High Court* to consider before deciding whether to approve (or "sanction") the *Scheme*. Any supplementary report will also be made available on the *Website*.

78. The Change to the Articles (EGM)

78.1 Who does this process apply to? Can I vote?

- (a) Any *Policyholder* who is an *Eligible Member* will be entitled to vote on an amendment to the *Articles* via a "special resolution" at an *EGM* (extraordinary general meeting) of the *Equitable*.
- (b) Most *Scheme Policyholders* are *Members* (as they may have *With-Profits Policies*), but not all are. Further, *Members* are only *Eligible Members* and able to vote at the *EGM* if they have a "total sum assured" (as per Regulation 24 of the *Articles*) of not less than £1,000.
- (c) The letter which you received with this booklet says whether we believe you are currently an *Eligible Member* for the purposes of the *EGM*.

78.2 Why is this process necessary?

- (a) Under the commercial agreement made with *Utmost* in relation to the *Proposal*, almost all of the *Equitable's* business will be subject of the *Transfer* to *Utmost*. As such it is most appropriate that *Utmost* becomes the sole *Member* following the *Scheme*, so it can exercise control over the *Equitable*.
- (b) The *Articles* of the *Equitable* currently provide that its *Members* are *Policyholders* whose *Policy* entitles them to "participate in" the *Equitable's* profit and losses – that is, a *With-Profits Policy*. If the *Scheme* as described above is implemented then almost all *With-Profits Policies* will be converted to *Unit-Linked*, so all *Scheme Policyholders* will stop being members in any case if the *Scheme* goes ahead.

78.3 Will the *Equitable* still be a mutual if the *Proposal* goes ahead?

- (a) Yes, but it would only have one member, who would be *Utmost*. current members would no longer be members of the *Equitable*.

78.4 Where can I find a copy of the *Articles* and advice as to whether I am an *Eligible Member*?

- (a) The letter which you received with this booklet says whether we believe you are currently an *Eligible Member* for the purposes of the *EGM*.
- (b) The *Articles* are available on the *Equitable's Website* at <https://www.equitable.co.uk/about-us/memorandum-and-articles/>. This is a long document and we have included all relevant information within this booklet.

- (c) For full details of the *EGM* and voting options please read Section C of this booklet "*Change to the Articles*" (as well as Section D "Voting").

78.5 Why should I vote in favour at the *EGM*? What happens if the vote to change the *Articles* is not successful?

- (a) If the special resolution to amend the *Articles* is not passed, the *Scheme* will not be implemented.
- (b) Therefore if you are a *Scheme Policyholder* and intend to vote in favour of the *Scheme*, or if you are a *German With-Profits Policyholder* and you want the *Proposal* to go ahead, you should also vote in favour of the *Change to the Articles* to make *Utmost* the sole member.

79. The Transfer

Effects of the Transfer

79.1 Will the Transfer affect the security of my *Policy*?

- (a) The legal and regulatory framework relating to the *Transfer* seeks to ensure that *Policyholders'* interests are safeguarded and the likelihood of being paid for all groups of policyholders of the *Equitable* and *Utmost* will not be adversely affected. This includes, the requirement for approval by the *High Court*, detailed consultation with the *Regulators* and an independent assessment by the *Transfer Independent Expert* of how the *Transfer* will impact different groups of *Policyholders* with differing rights, benefits and interests. The appointment of the *Transfer Independent Expert* has been approved by the *PRA* in consultation with the *FCA*.

- (b) We have enclosed a summary of the **Transfer Independent Expert's** report in Appendix VIII, but you can find a full copy of his report on the **Website** (or in hard copy upon request using the details in paragraph 66.1). The **Transfer Independent Expert** will also prepare a supplement to his report prior to the **Second Court Hearing** in relation to any matters which may have changed or have been updated since his first report. Any supplementary report will be made available on our **Website** in advance of the **Second Court Hearing**.

79.2 I am not based in the UK – how does the **Transfer** affect me?

- (a) If the **High Court** sanctions the **Transfer**, its decision will bind all **Policyholders** as a matter of English law.
- (b) If your policy is governed by Irish law or German law, you will remain a policyholder of the **Equitable**.
- (c) If your policy is governed by Guernsey law, but was effected or carried out as part of insurance business carried on in, or from within, Jersey, then if the **Guernsey Court** sanctions the **Guernsey Transfer** and the **Jersey Court** sanctions the **Jersey Transfer**, the decision of those courts will bind all **Jersey Policyholders** as a matter of Jersey law. If you are a resident of the Bailiwick of Guernsey, or your policy is governed by Guernsey law, if the **Guernsey Court** sanctions the **Guernsey Transfer**, its decision will bind all **Guernsey Policyholders** as a matter of Guernsey law.

The Transfer Independent Expert

79.3 Who is the **Transfer Independent Expert**?

- (a) The **Transfer Independent Expert** is Richard Baddon. He is a partner in the Actuarial and Risk practice of **Deloitte**. He has over 30 years' experience in the life insurance industry and holds UK practising certificates to act in regulatory actuarial roles. Richard has acted as an Independent Actuary for a number of major insurers including Royal London and the Phoenix Group.

79.4 What does it mean that he is independent?

- (a) In accordance with **FSMA**, Richard's overriding duty of responsibility is to the **High Court** (and the **Jersey Court** and **Guernsey Court**) and not to the companies involved in the proposed **Transfer**. These duties represent an extremely serious obligation for the **Transfer Independent Expert** and override any obligation to any person from whom he has received instructions or by whom he is paid. His report must be impartial. His appointment has been approved by the **PRA** in consultation with the **FCA**, who were provided with evidence to demonstrate his independence from the parties to the **Transfer**.

More about the Transfer process

79.5 Why are you writing to me?

- (a) In order for the **Transfer** to take place, a rigorous process must be followed. **Policyholder** protection is paramount and, as part of the process, we must notify **Policyholders**, claimants and other key stakeholders about the **Transfer**. The way we are doing this has been discussed with the **Regulators** and approved by the **High Court** at the **First Court Hearing**.

79.6 Have the **Regulators** reviewed the **Transfer**?

- (a) The **Regulators** have reviewed the terms of the **Transfer** but the decision as to whether to sanction the **Transfer** lies with the **High Court** and not the **Regulators**. The **FCA** and the **PRA** have both reported on the **Proposal** to the **High Court** at the **First Court Hearing**. We anticipate them providing further reports to the **High Court** at the **Second Court Hearing**. The **High Court** will take these into account at the **Second Court Hearing** in deciding whether the **Transfer** is fair and whether **Policyholders'** interests are safeguarded.
- (b) If the **FCA** does not object to the **High Court**, it means that the **FCA** does not object to either the **Scheme** being put to **Scheme Policyholders**, the **Change to the Articles** being put to **Eligible Members** or the **Transfer** being put to the **High Court** for approval.

79.7 What if the **High Court** does not approve the **Transfer**?

- (a) If the **High Court** does not approve the **Transfer** then the **Scheme** and the **Change to the Articles** will not go ahead.

Further information and action required

79.8 How will I know if the *Transfer* will happen?

- (a) We will announce the outcome of the *Second Court Hearing* on the *Website*. If the *Transfer* is sanctioned, it will become legally effective on the *Implementation Date* (which is expected to be 1 January 2020) and after that communications relating to the business will be made by *Utmost*.

79.9 Do I need to do anything about the *Transfer*?

- (a) If you are happy with the proposed *Transfer*, you are not required to take any action in relation to the *Transfer*.
- (b) If you believe that you may or will be adversely affected by the *Transfer* or wish to raise concerns in relation to the *Transfer*, you have the right to object. Please see information about objecting to the *Transfer* at paragraph 66 for details of the steps you should take if you wish to object. We will keep a record of all the objections received and will provide these to the *High Court*, and the *Regulators*, along with a copy of our responses. If you make your objection in writing, this will be included in the information supplied to the *High Court*. Notifying us of your objection in advance of the *Second Court Hearing* does not affect your right to attend and make your objection at this hearing.

79.10 Why wouldn't *German Policies* and *Irish Policies* transfer to *Utmost* under the *Transfer*?

- (a) For legal, regulatory and commercial reasons, it would not be practicable for the *German Policies* and *Irish Policies* to transfer to *Utmost* at the same time as the rest of the *Equitable's* business in the *Transfer*.

80. Voting on the *Scheme*

General questions about the vote at the *Policyholders' Meetings*.

80.1 Why is there a vote on the *Scheme*?

- (a) The *Scheme* is a legal process called a "Scheme of Arrangement", which is controlled by the rules set down in Part 26 of the Companies Act 2006. The reason why the *High Court* is required to oversee schemes of arrangement is because, if enough people vote in favour of the scheme of arrangement, then everybody's rights will be altered by the *Scheme*, whether they voted in favour of the *Scheme*, voted against it, or did not vote at all.

80.2 What is a *Voting Class*?

- (a) At the *First Court Hearing*, the *High Court* determined that all *Scheme Policyholders* can vote together in a single *Voting Class*, i.e. at the *Policyholders' Meeting*. What this means is that the *High Court* considered that the rights of all *Scheme Policyholders* are not so dissimilar as to make it impossible for them all to consult together at a single meeting.
- (b) The *High Court* has considered this question carefully, and we drew its attention to any reason why we thought there might be a need for certain *Scheme Policyholders* to vote in a different *Voting Class*. However, the *High Court* concluded that overall, the rights of *Scheme Policyholders* before and after the *Scheme* are sufficiently similar, and so all *Scheme Policyholders* can vote together at one meeting.
- (c) The reason why this is an important consideration is because, if the *High Court* had determined that different *Scheme Policyholders* needed to vote in separate *Voting Classes*, the *Statutory Majorities* would have needed to be obtained separately for each *Voting Class*.

80.3 How many people need to vote in favour of the *Scheme* to make it happen?

- (a) For the *Scheme* to go ahead:
 - (i) it needs to be a voted for by a majority, i.e. more than 50%, of those who vote; and
 - (ii) those that vote in favour must hold at least 75% of the total *Voting Value* of those who voted.
- (b) These requirements are referred to in this document as the *Statutory Majorities*, which are imposed by section 899 of the Companies Act 2006. However, in addition to the *Statutory Majorities* being obtained, it is important that as many votes as possible are cast at the *Policyholders' Meeting* so that the *High Court* can be satisfied that there is a fair and reasonable representation of the opinion of *Scheme Policyholders* voting at the *Policyholders' Meeting*.

80.4 How many people need to vote in favour of the *Change to the Articles* to make it happen?

- (a) For the *Change to the Articles* to become effective, and therefore for the *Scheme* to go ahead, the special resolution to change the *Articles* must be passed by at least 75% of votes cast at the *EGM*.

- 80.5 If enough people vote in favour of the **Scheme**, why does there need to be a **Second Court Hearing**?
- (a) The **High Court** needs to “sanction” the **Scheme**. This means that, even if enough people vote in favour of the **Scheme**, the **High Court** is still required to consider whether there is any reason why it should refuse to allow the **Scheme** to go ahead. There are a number of technical reasons why the **High Court** might decide that it should not sanction the **Scheme**, but the most important issue from your perspective is that the **High Court** must be satisfied that the **Scheme** is fair.
- 80.6 Can I opt out of the **Scheme**?
- (a) No, you cannot opt out of the **Scheme**. All **Scheme Policyholders**, regardless of whether or how they vote, will be affected by the **Scheme** if it is implemented. If you are a **Scheme Policyholder** and the **Scheme** is implemented, then your **Scheme Policy’s Policy Value** will be increased, your **Scheme Policy** will cease to be a **With-Profits Policy** and will become a **Unit-Linked Policy**, and your **Investment Guarantee** and any **With-Profits Switching Rights** will be removed.
- 80.7 What are the risks of not voting?
- (a) If you do not vote then you will not be able to influence whether the **Scheme** and the **Change to the Articles** become effective.
- (b) In addition, if not enough people vote, there is a risk that the **High Court** will not sanction the **Scheme** at the **Second Court Hearing**. This is because the **High Court** needs to be satisfied that enough people voted at the **Policyholders’ Meeting**, so that there is a fair and reasonable representation of **Scheme Policyholders**.
- 80.8 Why would I choose to vote against the **Scheme**?
- (a) Once you have considered all the information in this booklet (particularly at Section B), your estimated **Uplift**, and the **Personal Illustration(s)** included with this booklet, and once you have taken any advice that you want to take, you might not think that the **Scheme** fits with your personal circumstances and preferences. The **Board** believes that the **Equitable’s Proposal** is in the best interests of **Policyholders** as a whole, including converting your **With-Profits Policies** into **Unit-Linked Policies** and removing **Investment Guarantees**. However, as a result of those changes, you will be exposed to different risks, and you might decide that you would prefer for the **Equitable’s Proposal** not to go ahead. This is ultimately a decision that you must make for yourself.
- (b) For more details of what **Scheme Policyholders** will give up if the **Scheme** is implemented see paragraph 13 above.
- 80.9 What happens if I leave the **Equitable** before the date of the **Policyholders’ Meeting**?
- (a) The **Scheme** will not apply to you. This means that the existing terms of your policy, including your **Guaranteed Fund**, will not change. However, you would also lose the opportunity to have your fund uplifted by the **Uplift**. You should exercise great care before taking your benefits in advance of the proposed enhancement and a financial adviser may help you with this decision.
- 80.10 What happens to my **Investment Guarantee** if the vote is in favour?
- (a) If you are a **Scheme Policyholder** and the vote is passed by the **Statutory Majorities** and the **High Court** approves the **Scheme**, then your **Guaranteed Fund** and any guaranteed annual increases will end. The **Uplift** will be added to your **Policy Value**, which will then be moved into **Unit-Linked Funds** of your choice. This means that there is a risk that, in the future, the value of your policy could fall below the amount that is currently guaranteed.
- 80.11 Does my vote really matter?
- (a) Yes. As a **Scheme Policyholder** and/or an **Eligible Member**, it is really important for you to have your say on this **Proposal**. We encourage you to read the information in this booklet and get any guidance you need which will help you make an informed decision.
- 80.12 Can I attend the **Second Court Hearing**?
- (a) Yes. If you have any concerns about the **Scheme** we urge you to write to us as soon as possible, and your concerns will be placed before the **High Court** at the **Second Court Hearing**. You are also entitled to attend in person or to be legally represented. You are also entitled to attend if you would simply like to observe. The **Second Court Hearing** will take place at the Royal Courts of Justice, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NL. We expect that it will happen on 22 November 2019. If that date changes, we will put an update on our **Website**. If you are planning on attending the **Second Court Hearing**, we recommend you check the **Website** for any changes, but if you do not have access to the internet, let us know and we will contact you if the date changes.

Voting Mechanics

80.13 How will my vote be valued for voting purposes?

- (a) In the *Policyholders' Meeting*, *Scheme Policyholders'* votes will be valued by reference to the claims that *Scheme Policyholders* had against the *Equitable* at the *Valuation Date*. That means that *Scheme Policyholders'* votes will be the greater of:
- (i) any *Guaranteed Value* that they are entitled to on the *Valuation Date*; or
 - (ii) the amount they would be entitled to receive if they chose to cancel their *Scheme Policy* on the *Valuation Date*, i.e.:
 - (A) for *Scheme Policyholders* who have *Recurrent Single Premium Policies*, the amount they would be paid under the terms of that policy if they chose to cancel those policies on the *Valuation Date*; and
 - (B) for *Scheme Policyholders* who have *Conventional With-Profits Policies*, the amount that the *Equitable* would in the ordinary course of business have paid to them had they chosen to cancel those policies on the *Valuation Date*.

80.14 What if I own more than one *Scheme Policy*?

- (a) Each person, whether an individual or a company, is entitled to a single vote on the *Scheme*. This means that:
- (i) if you are an individual who owns more than one *Scheme Policy*, you will be entitled to one vote at the *Policyholders' Meeting*, and the value of your vote will reflect the cumulative value of your policies;
 - (ii) if you are a trustee in respect of more than one *Scheme Policy*, you will be entitled to one vote at the *Policyholders' Meeting*, and the value of your vote will reflect the cumulative value of all of those policies;
 - (iii) if you are a trustee in respect of one or more *Scheme Policy*, and also own one or more *Scheme Policy* in an individual capacity, you will be entitled to one vote at the *Policyholders' Meeting*, and the value of your vote will reflect the cumulative value of all of those policies; and
 - (iv) if you are a board of joint trustees, you will be entitled to one vote in respect of all of the *Scheme Policies* that you jointly own, and the value of that vote will reflect the cumulative value of all of your policies.

80.15 What if I own a *Scheme Policy* jointly with another person?

- (a) If you own a *Scheme Policy* jointly with one or more other person, you will be jointly entitled to a single vote on the *Scheme*. You should jointly decide how you are going to use your vote. This applies both if you are an individual who jointly holds a policy with another individual, and if you are one of a board of joint trustees.

80.16 Can I split my vote to reflect different beneficial interests in my *Scheme Policies*?

- (a) If you are a *Group Scheme Trustee*, you are entitled to split the *Voting Value* element of your vote in any proportion that you see fit, so that you can best reflect the underlying beneficial interests in the policies which you own. If you do this, your single vote will be counted twice, once for and once against the *Scheme*, and your *Voting Value* will be split in the proportions that you have chosen.
- (b) If you are not a *Group Scheme Trustee*, you can simply vote either for or against the *Scheme*.

80.17 What if I am the beneficiary of a *Scheme Policy*, but not the legal owner?

- (a) The *Equitable* has taken steps to identify which beneficiaries of *Scheme Policies* have legal rights against the *Equitable*, such that they are *Scheme Policyholders* who are entitled to vote at the *Policyholders' Meeting*. If you have received a letter and voting form explaining that you are entitled to vote even though you do not legally own your *Scheme Policy*, this is because the *Equitable* has concluded that you fall into this category. You are entitled to vote on the *Scheme* just like any other *Scheme Policyholder*.

80.18 What happens if a beneficiary of a *Scheme Policy* and the legal owner of the *Scheme Policy* both vote at the *Policyholders' Meeting*?

- (a) It is not possible for both votes to be counted. There are some cases where, even though the *Scheme Policy* is legally owned by a trustee, a beneficiary also has legal rights against the *Equitable*. In this case, the beneficiary is also a *Scheme Policyholder* who is entitled to vote at the *Policyholders' Meeting*. In theory, therefore, there could be two or more votes in respect of the same *Scheme Policy*: one by the trustee and one by each relevant beneficiary.
- (b) In these cases, the beneficiary is entitled to vote.

- (c) Therefore, the **High Court** has already directed that, in the unlikely event that a trustee does that, in the unlikely event that a trustee does vote as well as a beneficiary, then the trustee's vote will not be counted in respect of that **Scheme Policy**. If you are a trustee in respect of multiple **Scheme Policies**, this simply means that the value of your vote will be reduced by the value of any **Scheme Policy** to which this applies.

80.19 I am a trustee and I think that one or more beneficiaries of my **Scheme Policies** have direct legal rights against the **Equitable**. What should I do?

- (a) We have already written to all of the beneficiaries of **Scheme Policies** who we are aware have legal rights against the **Equitable**. However, if you think that we have not written to your beneficiaries, we urge you to write to us as soon as possible.
- (b) The **Equitable's** mission is to ensure that as many **Scheme Policyholders** have the opportunity to vote as possible. Although the **Equitable** has taken a number of steps in order to identify which beneficiaries do have legal rights against the **Equitable** (and so are **Scheme Policyholders** for the purpose of voting at the **Policyholders' Meeting**), we have not been able to check all of the agreements between trustees and beneficiaries. If you alert us that you think we have missed out your beneficiaries, we will consider the relevant documentation and, if we agree with you, will send out **Voting Forms** for them. If you are a trustee who thinks that the beneficiaries of any of your **Scheme Policies** have direct legal rights against the **Equitable** but have not already been contacted by the **Equitable**, then we urge you to write to us as soon as possible.

80.20 I am a trustee of one or more **Scheme Policies**. Do I need to consult the beneficial policyholders about how to exercise my vote?

- (a) Whether or not you are obliged or choose to ask the beneficiaries of your **Scheme Policies** about whether they think the **Scheme** is in their interests is a matter for you, and is not a matter for the **Equitable**.

80.21 What if I am no longer the legal owner of a **Scheme Policy** by the date of the **Policyholders' Meeting**?

- (a) If you are no longer the legal owner of any **Scheme Policies** by the date of the **Policyholders' Meeting**, you will not be entitled to vote at the **Policyholders' Meeting**.

- (b) If you are still the legal owner of at least one **Scheme Policy** by the date of the **Policyholders' Meeting**, you will be entitled to vote in respect of all of the **Scheme Policies** which you held on 1 April 2019. This includes policies which you have assigned or surrendered after 1 April 2019.

Objections

80.22 What do I do if I want to object to the **Scheme**, the **Transfer** or the **Change to the Articles**?

- (a) If you are a **Scheme Policyholder** you are entitled to vote against the **Scheme** at the **Policyholders' Meeting**.
- (b) If you are an **Eligible Member** you can vote against the **Change to the Articles** at the **EGM**.
- (c) If you have any objection to the **Scheme** or the **Transfer** we encourage you to contact us as soon as possible. You can raise your concerns or objections in the following ways:
- (i) In writing to our solicitors at Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS (please mark any correspondence FAO: Craig Montgomery and Kevin Whibley) or by email to equitable@freshfields.com;
- (ii) By telephone to our helpline by calling the appropriate number:
- (A) **Individual Policyholders:**
- (I) From the UK: 0330 159 1530
- (II) From outside the UK: +44 1296 386 242
- (B) **Group Scheme Trustees:**
- (I) From the UK: 0330 159 1531
- (II) From outside the UK: +44 1296 385 225
- (C) Holders of **German Policies:** 01803 234 630
- (iii) In person (or by legal representative) at the **Second Court Hearing** at the Royal Courts of Justice, 7 Rolls Buildings, Fetter Lane, London EC4A 1NL, UK.
- (d) We will consider your objection and explain it to the **High Court** at the **Second Court Hearing**. You can also attend and make your objection in person at this hearing.

- (e) If you are a **Scheme Policyholder** and you object to the **Scheme** you are entitled to attend the **Second Court Hearing** in order to explain your view to the **High Court**. Whether or not the **High Court** requires the **Equitable** to pay your costs will be a matter for the **High Court** to decide at the **Second Court Hearing**.

Important information – if the Proposal is voted for and implemented

The Uplift

80.23 When will I receive the Uplift?

- (a) The **Uplift** will be applied to your policy as at the **Implementation Date**, which is expected to be 1 January 2020. The actual calculation will be completed as soon as practicable after the **Implementation Date**.

80.24 Will you pay the Uplift to me as a cash payment?

- (a) The **Uplift** would not be paid as a cash payment. If you are a **Scheme Policyholder**, your **With-Profits Policy's Policy Value** will be increased by adding the **Uplift** and then moved into **Utmost Unit-Linked Fund(s)** of your choice.
- (b) **Legacy Scheme Policyholders** will receive their **Uplift** either as an increased amount when they receive their benefits, or if applicable, an additional amount will be payable after the **Implementation Date**.

80.25 Will the Uplift be taxable?

- (a) Not if you are a **Scheme Policyholder** or a **Legacy Scheme Policyholder** who is a UK taxpayer – but you will need to bear in mind that as your fund is increased by the **Uplift**, there may be more tax to pay when you take those higher benefits out of your policy.

About Utmost

80.26 Who is Utmost?

- (a) **Utmost** is a life and pensions company operating in the UK, and one of the core divisions of the wider Utmost group; a growing life assurance group established in 2013 to be a leading consolidator of the European Insurance Market. The other core division of the Utmost group is Utmost International, an international life assurance business which serves two key markets. It provides international life assurance to affluent, high net worth and ultra-high net worth individuals, and group risk solutions to multi-national corporates.

- (b) The head office of the Utmost group is in London, and currently it employs 900 people across its different businesses. As at 31 December 2013, the Utmost group had c. £33bn (c. €37bn) in assets under administration on behalf of 240,000 customers, and since its inception the Utmost group has completed 12 acquisitions.

- (c) **Utmost**, a core division of the Utmost group, currently has c. £1.7bn of assets under administration on behalf of 100,000 customers. Its strategy is to purchase long-established businesses and books of business from major insurance groups, and then provide a financially stable home for their customers and policies, through its strong capital position and pursuing efficiencies in operational management.

- (d) **Utmost** was established in 2017 to receive the transfer of all of the policies of Reliance Mutual Insurance Society Ltd, whose history in the insurance industry can be traced back over 100 years, and which itself acquired businesses from various other companies in the 2000s. Further details on this history can be found on **Utmost's** website at www.utmost.co.uk/about-us/history-and-facts/.

- (e) **Utmost** does not propose to disrupt the service that the **Equitable's** policyholders are accustomed to, but rather to reinforce and support it, with the aim of continuing to provide reliable, consistent servicing and clear communications. **Utmost** is committed to working with policyholders to help them achieve their investment goals.

80.27 When will my policy move to Utmost?

- (a) If the **Proposal** goes ahead, then on the **Implementation Date**, which is expected to be on 1 January 2020, the **Policy Value** of **Scheme Policies** will be uplifted and then moved into **Unit-Linked Funds** and the **Transferring Business** will be immediately transferred to **Utmost**.

80.28 Will I notice any differences when I move to Utmost?

- (a) As you will continue to receive customer service support from the team in Aylesbury as you do now, you should notice minimal change in the day to day running of your policy and administration.

About Unit-Linked Funds

80.29 What is a Unit-Linked Fund?

- (a) A **Unit-Linked Fund** is a notional fund maintained in the **Equitable's** records for the purpose of calculating the benefits payable under a **Unit-Linked Policy**. The **Equitable** offers a number of different **Unit-Linked Funds** to **Unit-Linked Policyholders** and you can choose which fund is right for you.
- (b) Some **Unit-Linked Funds** expect to provide a low return with little risk of not getting your money back, while others offer the possibility of higher returns but with a higher risk to your money. Details of the different **Unit-Linked Funds** offered by the **Equitable**, including the investment profile and risk of each fund, can be found on our **Website**. It's important you make choices which reflect how you feel about risk over the timeframe you're planning to invest for.
- (c) Each **Unit-Linked Fund** is divided into **Units** of equal value. The **Equitable** has the right to consolidate or subdivide **Units** where appropriate (for example, where the value of **Units** becomes impractically high). In addition, the **Equitable** is entitled to close **Unit-Linked Funds** and replace **Units** in them with **Units** of equivalent value in appropriate similar **Unit-Linked Funds** (for example, in order to respond to market conditions).

80.30 Are there any investment risks to being in a Unit-Linked Fund?

- (a) Yes. Investing in a **Unit-Linked Fund** comes with no guarantees – the value of your investments can fall as well as rise. The likelihood of how often they rise and fall is described in terms of the fund's risk rating – higher risk funds may give better returns over the long term, but the price of the **Units** will be more volatile. Lower risk funds should be less volatile, but may not deliver strong growth over the long term. **Unit-Linked Funds** are generally less risky than investing directly in the shares of a company though, because they spread the investment risk across a range of investments.

80.31 What will happen to my existing unit-linked holdings if the Transfer goes ahead?

- (a) If the **Transfer** becomes effective, these unit-linked holdings will also be transferred to **Utmost** (unless you have an **Irish Policy** or a **German Policy** in which case they will remain with the **Equitable** as these policies are not being transferred to **Utmost**).
- (b) Therefore, if the **Transfer** goes ahead, **Utmost** will have the right to consolidate or subdivide **Units** where appropriate (for example, where the value of **Units** becomes impractically high). In addition, **Utmost** will be entitled to close **Unit-Linked Funds** and replace **Units** in them with **Units** of equivalent value in appropriate similar **Unit-Linked Funds** (for example, in order to respond to market conditions).

80.32 Where can I get financial advice about what Utmost fund to invest in?

- (a) We recommend that you speak to **JLT** first before deciding whether you would also require investment advice. The **Equitable** is providing access to subsidised financial advice. This is an online and telephone based service which can advise on your **Scheme Policy** or your wider finances if you are an individual resident in the UK.
- (b) More details about the costs of these services and how to access this advice can be found in your **Investment Choice Pack**.
- (c) Alternatively, you can ask an independent financial adviser to give you advice. They may charge you for this service, and the amount they charge may depend on whether you want advice on your voting options, a recommendation about your **Equitable Policy**, or a wider review of your finances. If you have an existing independent financial adviser, the **Equitable** has agreed to pay an amount towards the cost of this advice.
- (d) If you seek to engage in a new relationship with an independent financial adviser in order to consider the **Proposal**, we will not contribute towards the cost of their advice.

G Paths to Help

You can contact us in the following ways:

<p>Telephone </p>	<p>Individual Policyholders:</p> <ul style="list-style-type: none"> • From the UK: 0330 159 1530 • From outside the UK: +44 1296 386 242 <p>Group Scheme Trustees:</p> <ul style="list-style-type: none"> • From the UK: 0330 159 1531 • From outside the UK: +44 1296 385 225 <p>Holders of German Policies:</p> <ul style="list-style-type: none"> • 01803 234 630
<p>Post </p>	<p>The Equitable Life Assurance Society Walton Street, Aylesbury, Bucks, HP21 7QW</p>
<p>Online </p>	<p>Individual Policyholders:</p> <ul style="list-style-type: none"> • From the UK: enquiries@equitable.co.uk • From outside the UK: info@equitable-int.com <p>Group Scheme Trustees:</p> <ul style="list-style-type: none"> • From the UK: gps@equitable.co.uk • From outside the UK: gpi_unit@equitable.co.uk <p>Holders of German Policies:</p> <ul style="list-style-type: none"> • info@equitable-int.com

81. Guidance and Advice

- 81.1 The most important thing we ask you to do before you vote, is to make sure that you think about your personal circumstances to see if the **Proposal** is attractive to you based on your own circumstances and preferences.
- 81.2 If you hold a **German Policy**, paragraph 81.3 does not apply to you. You should read paragraph 81.4 which provides a description of the guidance and advice that is available to holders of **German Policies**.
- 81.3 We suggest you:
- Read both Part A and Part B of this booklet. Part A provides you with a summary of the **Proposal** and Part B contains more detailed information. Together they give you all the information about the **Proposal**, including the effect of removing the **Investment Guarantees** from **Scheme Policies**, and what to consider ahead of voting.
 - If you are a **Scheme Policyholder**, read your **Personal Illustration(s)** and the **Investment Choice Pack**. Your **Personal Illustration** provides you with an indication of what you may receive if the **Proposal** goes ahead, and what this might look like at a point in the future. It also allows you to compare this with the projected position at a future date in the event that the

Proposal does not go ahead. This will help you understand the current value of your **Policy**, the amount that this might be increased by and the **Investment Guarantee** that would be removed if the **Proposal** goes ahead.

- After reading Part A and Part B of this booklet, and any **Personal Illustration**, if you still have any questions about the **Proposal**, the **Equitable** has arranged for a dedicated team to provide you with further support.
- This team is provided by **JLT**, who are experienced in guiding policyholders through processes such as this. They will guide you through all parts of the **Proposal** and will point out what key areas you should think about when making your decision. You can reach **JLT** on our helpline by calling the appropriate number between 9.00a.m. and 5.00p.m.:
 - Individual Policyholders:**
 - From the UK: 0330 159 1530
 - From outside the UK: +44 1296 386 242
 - Group Scheme Trustees:**
 - From the UK: 0330 159 1531
 - From outside the UK: +44 1296 385 225

(iii) If you do wish to speak to **JLT**, we recommend reading the material first in order to gain as much of an understanding about the **Proposal** as you can. Additionally, having your documentation to hand will help you to get the most out of the call. We also recommend that you talk to **JLT** before deciding whether you would like any further support.

(e) If you are a UK resident and need further assistance in understanding the **Proposal** after calling the helpline, **JLT** can also provide you with advice, including a recommendation of how to cast your vote but excluding any recommendations regarding your future investment options. The cost of this **JLT** advice is £95, which has been subsidised by the **Equitable**.

(f) If you are an individual **Scheme Policyholder** resident in the UK, the **Equitable** is providing you with access to subsidised financial advice. More details about the costs of these services and how to access this advice can be found in your **Investment Choice Pack** being sent to you shortly.

(g) Alternatively, you can ask a financial adviser to give you advice. They may charge you for this service, and the amount they charge may depend on whether you want advice about your policy with the **Equitable**, or a wider review of your finances. If you are a **Scheme Policyholder**, the **Equitable** will subsidise up to a maximum of £355 for you to receive advice from your existing financial adviser. If the financial adviser charges more than that, you will need to pay the rest. If you seek to engage in a new relationship with a financial adviser, the **Equitable** will not contribute towards the cost of their advice.

81.4 If you hold a **German Policy**.

- (a) Read both Part A and Part B of this booklet. Part A provides you with a summary of the **Proposal** and Part B contains more detailed information. See also Section G.
- (b) If after reading Part A and Part B of this booklet you still have any questions about the **Proposal**, the **Equitable** has arranged for a dedicated German-speaking team to provide you with further support. You can reach the German-speaking team by calling them on 01803 234 630 between 9.00a.m. and 5.00p.m, or by emailing them at info@equitable-int.com.
- (c) You can ask a financial adviser to give you advice. They may charge you for this service, and the amount they charge may depend on whether you want advice about your policy with the **Equitable**, or a wider review of your finances. The **Equitable** will not contribute towards the cost of their advice.

81.5 Let us know if your personal circumstances mean you might benefit from additional assistance. This may be the case if you are faced with particularly complex issues or identify yourself as being 'vulnerable', for example as a result of disability (either mental or physical), terminal illness, or having problems reading or understanding written materials.

81.6 The **Equitable** and **Utmost** are committed to supporting **Policyholders** with additional needs, and together we can arrange the appropriate support to help you through this process.

How to contact us:

81.7 We recognise that we have provided you with a lot of information and making a decision may not be straightforward. We have set up a dedicated helpline to provide support and guidance on the **Proposal** and the vote. We have also updated our **Website** to provide you with a range of information that may help you and which includes links to key documents in relation to the **Scheme** and the **Transfer**.

81.8 You can contact us in the following ways:

(a) Calling our helpline on the appropriate number:

(i) Individual **Policyholders**:

(A) From the UK: 0330 159 1530

(B) From outside the UK: +44 1296 386 242

(ii) **Group Scheme Trustees**:

(A) From the UK: 0330 159 1531

(B) From outside the UK: +44 1296 385 225

(iii) Holders of **German Policies**:

01803 234 630

(b) Writing to us by letter: The Equitable Life Assurance Society, Walton Street, Aylesbury, Bucks, HP21 7QW

(c) Writing to us by email to the appropriate email address:

(i) Individual **Policyholders**:

(A) From the UK:

enquiries@equitable.co.uk

(B) From outside the UK:

info@equitable-int.com

(ii) **Group Scheme Trustees**:

(A) From the UK:

gps@equitable.co.uk

(B) From outside the UK:

gpi_unit@equitable.co.uk

(iii) Holders of **German Policies**:

info@equitable-int.com

82. Scams & Fraud

Look out for scams and fraud

- 82.1 Fraudsters may see the **Proposal** as an opportunity to get you to part with your savings, for example, by contacting you unexpectedly and offering too-good-to-be-true promises of cash and/or interest rates.
- 82.2 There is more information about scams and fraud in the enclosed leaflet, but remember that the **Equitable** will not:
- (a) Recommend or advise you to cash in your policy.
 - (b) Send text messages.
 - (c) Contact you by email asking for your bank details.
- 82.3 A scam or fraud could cost you all your savings, so be aware and never give any personal or financial details if you have been unexpectedly contacted, even if the company or person who contacts you seems legitimate.
- 82.4 If you seek to engage your own financial adviser, ensure they are a bona-fide firm by checking them out on the **FCA** register at register.fca.org.uk.

Appendices



- I. Glossary
- II. The Uplift Calculation
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Appendix I – Glossary

Some of the definitions in this glossary reflect terms that are defined in the *Scheme Document* or the *Transfer Document*. In some cases, the definitions of those terms have been simplified in this glossary for ease of reference. Where that has been done, the definition in the *Scheme Document* or the *Transfer Document* is the definition which would have binding legal effect.

Term	Meaning
Articles	The Articles of Association of the Equitable.
Asset Share	An amount representing each UK Style With-Profits Policy's fair share of the German With-Profits Fund.
Automatic Investment Option	A mechanism providing a default investment strategy depending on your type of policy and, for most policy types, your age.
Automatic Investment Option Funds	Together, the Irish Managed Fund, the Multi-Asset Moderate Fund, the Multi-Asset Cautious Fund, the Money Market Fund, the USD Global Equity Fund and the USD Global Bond Fund.
Board	The board of directors of the Equitable.
Business Day	This means a day, other than a Saturday or a Sunday, on which banks are open for general business in London.
Calculation Date	The date as at which the Secondary Uplift will be calculated, which is expected to be 30 September 2019.
Capital Distribution	Capital Distribution is an amount that is currently added to the Policy Value when a Policy matures or a Policyholder takes their benefits. For Recurrent Single Premium Policies, we take the Policy Value as at 31 December 2014 and allocate an extra Capital Distribution of £350 to every £1,000 (i.e. 35%) of that underlying value. Conventional With-Profits Policies have final bonus rates set to achieve consistency with Recurrent Single Premiums Policies, allowing for Capital Distribution.
Capital Distribution Amount	Capital Distribution Amount means, in relation to any Sub-Policy or any Scheme Policy, the amount which is payable as Capital Distribution when the relevant Policy matures or the relevant Policyholder takes their benefits.
Chairman	Ian Brimecome.
Change in Control Approval	This 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, Utmost 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 over the Equitable by those persons.
Change to the Articles	A special resolution proposing an amendment of the Equitable's Articles of Association making Utmost the sole member of the Equitable with effect from the Implementation Date, should the Scheme Policyholders vote in favour and the High Court approve the Scheme.

Term	Meaning
Chief Actuary	A person appointed as head of the Equitable's Actuarial Function under 6.1R of the Conditions Governing Business section of the PRA Rulebook.
Chief Executive	Simon Small.
Conventional With-Profits Policy	This sort of policy starts with a guaranteed amount, known as the 'sum assured', that you will get if you pay all the premiums due. Bonuses, both guaranteed and non-guaranteed, which have been allotted by the Equitable are added to this guaranteed amount. Examples of this type of policy are: <ul style="list-style-type: none"> • certain Whole of Life plans, which pay out when you die; and • certain endowments, which pay out a lump sum at the end of the policy, or when you die, if this is earlier.
Deloitte	Deloitte MCS Limited, a subsidiary of Deloitte LLP, a global professional services network of firms, providing Audit, Consulting, Financial Advisory, Risk Management and Tax services.
Distributable Assets Amount	The total assets which are available to be allocated through the Primary Uplift.
EGM or Extraordinary General Meeting	The Extraordinary General Meeting of the Equitable to be held in order for the Eligible Members to vote on the Change to the Articles.
Eligible Member	A Member who is entitled to vote at the EGM in accordance with the Articles. Broadly, the requirements for being an Eligible Member are that: <ul style="list-style-type: none"> • The policyholder must be the original first named grantee of the With-Profits Policy; • The With-Profits Policy must have a total sum assured (calculated in accordance with the Articles) of at least £1,000. For more details, see the Articles, which can be found online at www.equitable.co.uk .
Equitable, the	The Equitable Life Assurance Society, a company registered in England and Wales with company number 00037038.
Estimated Primary Uplift Amount	The Primary Uplift Amount that it is estimated will eventually apply to a particular Sub-Policy or Scheme Policy which does not have Sub-Policies, calculated in accordance with the Scheme.
Estimated Uplift	The Uplift amount that it is estimated will eventually apply to a particular Legacy Scheme Policy.
Excluded Policies	Policies which are excluded from the Transfer, including the German Policies, Irish Policies and any other Policy which is not capable of being transferred to Utmost under the terms of the Transfer.
Excluded Policyholder	A person named as the holder of an Excluded Policy.
Fairness Indicators	A suite of objective criteria used by the Board to assess whether a certain scheme outcome could be considered to be fair.

Term	Meaning
FCA	The United Kingdom's Financial Conduct Authority.
First Court Hearing	The High Court hearing to give directions in relation to the Scheme and the Transfer which took place on 22 July 2019.
FSAVC Scheme	The Equitable's free-standing additional voluntary contribution scheme.
FSMA	The Financial Services and Markets Act 2000 (as amended from time to time).
GAR	Guaranteed Annuity Rate provided by certain policies held by a small number of Scheme Policyholders.
GBP	Pounds Sterling (£).
German Policies Amount	An amount in respect of UK Style German With-Profits Policies which is consistent with the Primary Uplift which would be allocated to Scheme Policies if the Scheme becomes effective.
German Policy	A Policy governed by German law.
German Style German With-Profits Policy	A German Policy which confers on its holder a right to participate in profits and losses of specified products or business lines in accordance with an agreed business plan with BaFin, the German financial services regulator.
German Style German With-Profits Policyholder	The person named as the holder of a German Style German With-Profits Policy.
German With-Profits Fund	A new with-profits sub-fund of the Equitable to which, after the Implementation Date, the Equitable will allocate the German With-Profits Policies. It will only hold assets attributable to German With-Profits Policies.
German With-Profits Policies	German With-Profits Policies are comprised of two types of Policy: German Style German With-Profits Policies and UK Style German With-Profits Policies.
German With-Profits Policyholder	The person named as the holder of a German With-Profits Policy.
GMP	Guaranteed minimum pension provided by certain policies held by a small number of Scheme Policyholders.
Group Pension Policies	These are Scheme Policies which provide benefits which are payable to individual members of group pension schemes under the terms of those schemes.
Group Scheme Trustee	The trustee of the relevant group pension scheme. This could be an individual, a group of individuals or a company, and the identity of that person (or members of that group of people) may change over time.

Term	Meaning
Guaranteed Fund / Guaranteed Value	<p>Recurrent Single Premium Policies' Guaranteed Fund or Guaranteed Value is the minimum amount which the Equitable must pay under the Scheme Policy if it is greater than the Policy Value. The amount of the Guaranteed Fund depends on the terms of the Investment Guarantee (including any guaranteed annual increase).</p> <p>The main components of this sum are:</p> <ul style="list-style-type: none"> • the premiums paid minus any deductions where Scheme Policyholders have taken benefits or exercised With-Profits Switching Rights; • any deductions in accordance with relevant policy terms for expenses and charges; • any guaranteed bonuses or other uplifts which have been allotted by the Equitable to that Sub-Policy or Scheme Policy, and • if applicable, any guaranteed net annual increase of 2.5% or 3.5% per year which has been allocated to that policy.
Guernsey Court	The Royal Court of Guernsey.
Guernsey Policy	A Transferring Policy which (i) was effected or carried out as part of insurance business carried on in or from within Guernsey; (ii) was written under Guernsey law; or (iii) was issued to a person resident in the Bailiwick of Guernsey and in respect of which any liability remains unsatisfied or outstanding on the Implementation Date and which the Guernsey Court has jurisdiction to transfer under the Insurance Business (Bailiwick of Guernsey) Law 2002.
Guernsey Policyholder	A person who is the policyholder in respect of a Guernsey Policy.
Guernsey Transfer	The insurance business transfer scheme under the Insurance Business (Bailiwick of Guernsey) Law 2002.
High Court	The High Court of Justice in England and Wales.
Implementation Date	<p>If the Scheme Policyholders vote in favour of the Scheme, and the High Court approves the Scheme and the Transfer, the date on which:</p> <ul style="list-style-type: none"> • the key aspects of the Scheme (Policy Values are uplifted, With-Profits Policies become Unit-Linked Policies, and Investment Guarantees are removed) would be implemented; • the change to the Equitable's Articles will become effective; and • the Transfer will be implemented. <p>This is expected to be 1 January 2020.</p>
Insurance Event Benefits	Policy benefits which are payable only on the occurrence of a specific life event of the person whose life is assured, such as death, or the diagnosis of a particular medical condition.
International Dollar Policies	A Scheme Policy which is a With-Profits Policy, denominated in US dollars and written through the Guernsey branch of the Equitable.
Investment Choice Form	The form which Scheme Policyholders can use to choose unit-linked funds if the Scheme goes ahead. This will be provided to Scheme Policyholders as part of the Investment Choice Pack.
Investment Choice Pack	Pack provided to Scheme Policyholders containing certain forms and documents, including the Investment Choice Form, which will help you to decide which Unit-Linked Fund to invest in, and to tell us what decision you have made.

Term	Meaning
Investment Guarantee	<p>A promise that when a Scheme Policy pays out benefits at a time and in circumstances described in the policy, the Equitable will pay a minimum amount and that amount is based on the amount that the Scheme Policyholder has paid in premiums.</p> <p>This amount takes account of any guaranteed bonuses which have been allotted by the Equitable.</p> <p>Investment Guarantees do not include benefits which are payable only on the occurrence of specified life events (such as death or being diagnosed with a particular medical condition, or undergoing specified hospital surgery).</p> <p>Investment Guarantees do not include GARs or GMPs.</p>
Irish Managed Fund	A Unit-Linked Fund for Irish Policyholders denominated in Euro. More details about Unit-Linked Funds are set out in paragraph 22.21 of Part B of the Explanatory Booklet and also in the Investment Choice Pack.
Irish Policy	A Policy governed by Irish law.
Irish With-Profits Policies	A Policy governed by Irish law which confers on its holder a right to participate in the profits and losses of the Equitable.
Jersey Court	The Royal Court of Jersey.
Jersey Policy	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 at the Implementation Date and which the Royal Court of Jersey has jurisdiction to transfer under the Insurance Business (Jersey) Law 1996.
Jersey Policyholder	A person who is the policyholder in respect of a Jersey Policy.
Jersey Transfer	The insurance business transfer scheme under the Insurance Business (Jersey) Law 1996.
JLT	JLT is an experienced employee benefits firm which, following a rigorous selection process, were appointed by the Equitable to give you further support if required.
KPMG	KPMG LLP, a member of the KPMG global network of professional firms providing Audit, Tax and Advisory services.
Legacy Scheme Policy	A policy that reaches its contractual maturity date between the date that the High Court makes the order sanctioning the Scheme and the Implementation Date, or a policy of a Scheme Policyholder who dies in this period.
Legacy Scheme Policyholder	A person who holds a Legacy Scheme Policy.
Member	A member of the Equitable.
Member Policy Component	In relation to a Group Pension 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 at the Implementation Date.

Term	Meaning
Money Market Fund	A Unit-Linked Fund established for policies denominated in GBP. More details about Unit-Linked Funds are set out in paragraph 22.21 of Part B of the Explanatory Booklet and also in the Investment Choice Pack.
Multi-Asset Cautious Fund	A Unit-Linked Fund established for policies denominated in GBP. More details about Unit-Linked Funds are set out in paragraph 22.21 of Part B of the Explanatory Booklet and also in the Investment Choice Pack.
Multi-Asset Moderate Fund	A Unit-Linked Fund established for policies denominated in GBP. More details about Unit-Linked Funds are set out in paragraph 22.21 of Part B of the Explanatory Booklet and also in the Investment Choice Pack.
NHS Schemes	The pension schemes established to provide retirement benefits for certain employees of the National Health Service.
No Return On Death	A feature of some Policies which means no benefits are payable if the person whose life is insured dies before the age specified in the Policy.
Non-Voting Proxy Form	A form enclosed with this booklet that allows Members to appoint a proxy to attend the EGM on their behalf but not to vote.
OEIC	An open ended investment company.
Own Funds	The amount which the Equitable would have left over to return to With-Profits Policyholders if it paid off all of its present and future liabilities (which broadly represents the excess of the Equitable's assets over its liabilities).
Pension Policies	This means a Scheme Policy which (i) is a With-Profits Policy; (ii) has the primary purpose of providing retirement benefits for a specified individual named in the Scheme Policy; (iii) is denominated in GBP; and (iv) whose Policy Value is accumulated with returns gross of tax.
Personal Illustration	<p>The document provided to Scheme Policyholders with this booklet which contains details about how the Scheme would affect that Scheme Policyholder.</p> <p>This provides you with an indication of what you may receive if the Proposal goes ahead, and what this might look like at a point in the future. It also allows you to compare this with the projected position at a future date. It will help you understand the current value of your Policy, the amount that this may be increased by and, where applicable, the Investment Guarantee that would be removed if the Proposal goes ahead.</p>
Police Scheme	The pension scheme established to provide retirement benefits for employees of the police service.
Policy	A contract of insurance or reinsurance written where the Equitable is the insurer or reinsurer.
Policyholder	The person named as the holder of a Policy.
Policyholder Independent Expert	Trevor Jones, a partner at KPMG. This is who we have appointed with the FCA's approval to consider whether the Scheme is in Scheme Policyholders' interests and to prepare a report for the High Court.

Term	Meaning
Policyholder Independent Expert Terms of Reference	These are the things that the Policyholder Independent Expert considered in preparing his report. They are available for inspection (see Appendix XI) and were agreed by the FCA.
Policyholders' Meeting	The meeting of Scheme Policyholders that the Equitable will call, since the High Court gave permission at the First Court Hearing, at which Scheme Policyholders can vote on the Scheme. It will take place at 10.00 a.m. on 1 November 2019.
Policy Value	<p>The Policy Value reflects the investment return which the Equitable applies over time to premiums which have been paid, which is 'smoothed'.</p> <p>The main components of this sum are:</p> <ul style="list-style-type: none"> • the premiums paid in relation to that Scheme Policy; • any deductions in accordance with relevant policy terms for expenses and charges; • an adjustment, determined by the Equitable, which reflects smoothed investment returns during the period that the relevant Scheme Policy has been held; and • any deductions in respect of switches to unit-linked funds or partial withdrawal of benefits. <p>Where Policy Value is used to describe the operation of the Proposal, this includes the surrender value for Conventional With-Profits Policies (but does not include any Capital Distribution) (see paragraph 20.8 of Part B of the Explanatory Booklet).</p>
Post-Sanction Notice	This means the notice that the parties must publish after the Second Court Hearing, if the High Court approves the Transfer, in relevant EEA states specifying such period as the High Court may direct during which the policyholders of such EEA states may exercise any local law rights they have to cancel their policies.
PPFM	The Principles and Practices of Financial Management: a detailed technical guide applying to the management of with-profits funds.
PRA	The United Kingdom's Prudential Regulation Authority.
Primary Uplift	An increase in Policy Values which will be allocated to Scheme Policies if the Scheme is implemented and which represents each Scheme Policy's share of the assets in the With-Profits Fund, after the costs of all Secondary Uplifts have been deducted, which are to be allocated under the Scheme.
Primary Uplift Amount	Primary Uplift Amount means, in relation to any Sub-Policy or Scheme Policy which does not have Sub-Policies, the amount to be applied as Primary Uplift in accordance with the Scheme.
Proceedings	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.

Term	Meaning
Property Fund	The Equitable's fund with that name.
Proposal	The Equitable's proposal to allocate its assets to its With-Profits Policyholders through the Scheme, the Change to the Articles, and the Transfer.
Recurrent Single Premium Policy	This means a policy under which each premium secures its own guaranteed benefit. All of these guaranteed benefits added together make up the guaranteed amounts we must pay the beneficiary at times given in the policy.
Regulators	The Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).
Residual Assets	Transferring Assets which the High Court is unable to transfer or which it is not appropriate to transfer at the Implementation Date. Details about Residual Assets are set out in paragraph 56.4 of Part B of the Explanatory Booklet.
Residual Liabilities	Transferring Liabilities which the High Court is unable to transfer or which it is not appropriate to transfer at the Implementation Date. Details about Residual Liabilities are set out in paragraph 56.4 of Part B of the Explanatory Booklet.
Run-Off	A process by which an insurance company no longer enters into new policies, but continues to meet its obligations under existing policies.
Scheme	The proposed scheme of arrangement between the Equitable and Scheme Policyholders under Part 26 of the Companies Act 2006, as further detailed in this booklet.
Scheme Document	The legal document which sets out the terms of the Scheme.
Scheme Effective Date	The date on which the order of the High Court sanctioning the Scheme would be delivered to the Registrar of Companies in England and Wales for registration. This is expected to be approximately 25 November 2019.
Scheme Policy	Any of: <ul style="list-style-type: none"> • a With-Profits Policy which subsists on the Implementation Date; • in relation to any person who is a With-Profits FSAVC Scheme Member on the Implementation Date, that person's legal rights against and obligations to the Equitable as a result of their membership of the FSAVC Scheme; and • any policy of the Equitable which subsists on the Implementation Date and confers With-Profits Switching Rights; • excluding any German With-Profits Policies.
Scheme Policyholder	A person to whom the Equitable is required to make payments under a Scheme Policy.
Scheme Voting Value Date	The date on which the values of Scheme Policies are calculated for the purpose of voting at the Policyholders' Meeting. This was 1 April 2019.
Second Court Hearing	The High Court hearing of the Equitable's application for an order that the Scheme and the Transfer be sanctioned, expected to take place on 22 November 2019 at the Rolls Buildings, Royal Courts of Justice, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NL, UK.

Term	Meaning
Secondary Uplift	An increase in Policy Value calculated to be at least equal to any financial value that Investment Guarantees have in excess of a Scheme Policy's Policy Value, after the addition of the Primary Uplift. The value of the Investment Guarantee is calculated using standard actuarial techniques as at the Calculation Date. The calculation is forward –looking, i.e. it takes into account the Investment Guarantee's expected value in the future. This is then increased if required to ensure that policies meet the Fairness Indicators at the Calculation Date and that policies providing retirement benefits do not receive less than if they were a year older.
Secondary Uplift Amount	Secondary Uplift Amount means, in relation to any Sub-Policy or Scheme Policy which does not have Sub-Policies, the amount to be applied as Secondary Uplift in accordance with the Scheme.
Secure Cash Investment	A fund established specifically for the purposes of the Automatic Investment Option. The price of Units in this fund shall not decrease during the first twelve months from the Implementation Date.
Statutory Majorities	<p>The number and value of votes that would need to be cast in favour of the Scheme at the Policyholders' Meeting in order for the Scheme to go ahead. These are prescribed by section 899 of the Companies Act 2006, and are as follows:</p> <ul style="list-style-type: none"> (a) A majority (i.e. more than 50%) of the Scheme Policyholders who vote at the Policyholders' Meeting must vote in favour of the Scheme. (b) The Scheme Policyholders who vote in favour of the Scheme must hold 75% or more of the total Voting Value of all the Scheme Policyholders who voted.
Sub-Policy	This is a component part of a Scheme Policy (or, in the case of a Group Pension Policy, each relevant Member Policy Component) that confers an entitlement to participate in the Equitable's profits.
Teachers' Scheme	The pension scheme established to provide retirement benefits for education sector employees on behalf of the Department for Education.
Transfer	<p>The transfer of the Transferring Business from the Equitable to Utmost. This will take place by way of a Part VII Transfer.</p> <p>A 'Part VII transfer' is the name sometimes given to a transfer of insurance business under Part VII of the Financial Services and Markets Act 2000 (FSMA). It is a statutory scheme whereby the liabilities of one insurer and corresponding assets are transferred to another insurer. The process that must be followed is stringent to ensure that policyholders are protected. To be effective, the Transfer is required to be sanctioned by the High Court. In considering a Part VII transfer, the High Court will take into account the views of the PRA, the FCA and the Transfer Independent Expert, whose appointment must be approved by the PRA in consultation with the FCA, and any objections made by affected parties such as policyholders and reinsurers.</p>
Transfer Document	This is the legal document which governs the transfer of the Transferring Business from the Equitable to Utmost and sets out the precise terms of the Transfer.
Transfer Independent Expert	Richard Baddon. He is a partner in the Actuarial and Risk practice of Deloitte. This is who we have appointed with the approval of the PRA in consultation with the FCA, to consider the terms of the Transfer, and to prepare a report for the High Court.
Transfer Sanction Order	The order of the High Court sanctioning the Transfer.

Term	Meaning
Transferring Assets	The assets of the Equitable to be transferred to Utmost pursuant to the Transfer.
Transferring Business	The business of the Equitable to be transferred to Utmost under the Transfer, being all of the business of the Equitable other than the Excluded Policies and certain excluded assets, liabilities and contracts as set out in the Transfer Document.
Transferring Liabilities	All liabilities attributable to the Transferring Business.
Transferring Policy	All insurance and reinsurance Policies of the Equitable where the Equitable is insurer or reinsurer (as applicable) other than Excluded Policies.
UK Style German With-Profits Policy	A Policy governed by German law which confers on its holder a right to participate in the profits and losses of the Equitable, which is not restricted to participation in profits and losses of specified products or business lines.
UK Style German With-Profits Policyholder	The person named as the holder of a UK Style German With-Profits Policy.
Unit	A notional share of a Unit-Linked Fund. Details of the change to Unit-Linked Funds are contained in Appendix IV of Explanatory Booklet Part B.
Unit-Linked Fund	A notional fund maintained in the Equitable's records for the purpose of calculating the benefits payable under a Unit-Linked Policy. If the Proposal is approved, after the Implementation Date, existing Unit-Linked Funds that are offered by the Equitable will be offered by Utmost. Details of the change to Unit-Linked Funds are contained in Appendix IV of Explanatory Booklet Part B.
Unit-Linked Policy	A policy, which is not a With-Profits Policy, under which amounts that are payable to policyholders are determined by multiplying the Unit Price by the number of Units held. Details of the change to Unit-Linked Funds are contained in Appendix IV of Explanatory Booklet Part B.
Unit-Linked Policyholder	A person who holds a Unit-Linked Policy.
Unit Price	The value of a Unit to be allocated. This is decided with regard to the prices at which the Units in the related Unit-Linked Fund might be purchased or sold by the Policyholder. Details of the change to Unit-Linked Funds are contained in Appendix IV of Explanatory Booklet Part B.
Uplift	The increase to the Policy Value of each Scheme Policy to be implemented under the Scheme made up of the Primary Uplift and the Secondary Uplift.
Uplift Calculation	The calculation carried out to determine the Scheme Policyholder's Uplift(s), as set out in Appendix II and as set out in Schedule 1 to the Scheme Document in Appendix v.
Uplift Calculation Methodology	The calculation methodology set out in Schedule 1 to the Scheme Document.
Uplift Notification	A notification that will be sent to all With-Profits Scheme Policyholders (and Legacy Scheme Policyholders) to inform them that the Scheme has been implemented and any Uplift amount that has been applied.

Term	Meaning
Uplifted Policy Value	The Policy Value once the relevant Uplift has been allocated to the relevant Scheme Policy.
USD Global Bond Fund	A Unit-Linked Fund for policies denominated in US Dollars. More details about Unit-Linked Funds are set out in paragraph 22.21 of Part B of the Explanatory Booklet and also in the Investment Choice Pack.
USD Global Equity Fund	A Unit-Linked Fund for policies denominated in US Dollars. More details about Unit-Linked Funds are set out in paragraph 22.21 of Part B of the Explanatory Booklet and also in the Investment Choice Pack.
Utmost	Utmost Life and Pensions Limited, a company registered in England and Wales with number 10559664 (formerly known as Reliance Life Ltd). Their website is: www.utmost.co.uk .
Valuation Date	1 April 2019.
Voting Class	A group of Scheme Policyholders whose rights against the Equitable are not so dissimilar as to make it impossible for them to consult together with a view to their common interest.
Voting Forms	The blue and green forms enclosed with this booklet which Scheme Policyholders who are entitled to vote on the Scheme and Eligible Members who can vote at the EGM, can use to appoint a proxy for the Policyholders' Meeting and the EGM.
Voting Value	The value of a Scheme Policyholder's claim against the Equitable as at 1 April 2019, as indicated on the pre-printed voting form that Scheme Policyholders will receive in the summer.
Website	The website at www.equitable.co.uk where you can find information relating to the Proposal, and copies of certain documentation relating to the Scheme and the Transfer.
With-Profits FSAVC Scheme Member	A Member of the FSAVC Scheme whose membership of the FSAVC Scheme entitles them to participate in the Equitable's profits and losses.
With-Profits Fund	The Equitable's with-profits fund.
With-Profits Policy	A policy which entitles its holder to participate in the Equitable's profits and losses. Such policies include any Unit-Linked Policy to the extent that With-Profits Switching Rights were exercised under it on or before 31 December 2017 and its holder had an entitlement to participate in the Equitable's profits and losses on that date.
With-Profits Policyholder	A person to whom the Equitable is required to make payments under a With-Profits Policy.
With-Profits Switching Rights	The right to invest in the With-Profits Fund by making a premium payment or a switch of investments into the With-Profits Fund.

Appendix II

The Uplift Calculation

1. The **Secondary Uplift** will be calculated as at the **Calculation Date**. The **Calculation Date** is before the **Implementation Date**, which means we can ascertain the **Secondary Uplift Amounts** before carrying out the rest of the **Uplift Calculation**.
2. To calculate the **Secondary Uplift** for each **Scheme Policy**, the **Equitable** will:
 - (a) start with that part of the **Policy Value** which is, based on premiums paid and contributions made by exercise of **With-Profits Switching Rights** on or before 31 December 2017 (and taking into account any withdrawals);
 - (b) then, estimate the **Primary Uplift Amount** that will eventually apply to that **Scheme Policy** (this is the **Scheme Policy's Estimated Primary Uplift Amount**) and notionally allocate that to the **Policy Value**;
 - (c) then, determine the actuarial value of any **Investment Guarantee** in excess of the **Policy Value** plus **Estimated Primary Uplift Amount**. The value of the **Investment Guarantee** is calculated as at the **Calculation Date**. However, the calculation is forward-looking, i.e. it takes into account the **Investment Guarantee's** expected value in the future. In doing this assumptions are made about future policyholder behaviour and these assumptions are based on past observable experience;
 - (d) this value is then increased if required to ensure that **Policies** meet the **Fairness Indicators** at the **Calculation Date** and that **Policies** providing retirement benefits do not receive less than they would if they were a year older.
3. The **Primary Uplift** will be calculated as follows:
 - (a) we will start with an amount which is essentially what the **Equitable** would have to return to **With-Profits Policyholders** over time if it paid off all of its liabilities (this is called **Own Funds**);
 - (b) then we will add the amount that the **Equitable** is reserving in its accounts on the **Implementation Date** to cover its obligation to pay **Investment Guarantees** (this is called the "**Investment Guarantee Reserve Amount**"). This reflects the fact that the **Uplift** will need to include the present value of all **Investment Guarantees**;
 - (c) then we will add an amount which the **Equitable** agrees with **Utmost** as part of the transaction we have entered into with them and which reflects a share of the cost savings which **Utmost** are expecting to be able to make as a consequence of the **Scheme** and the **Transfer** (this is called the "**Expense Release Amount**");
 - (d) then we will deduct an amount in respect of **UK Style German With-Profits Policies** which reflects the **Primary Uplift** which would be allocated to those **Policies** if they were **Scheme Policies** (this is called the **German Policies Amount** – see below);
 - (e) then we will subtract the total of all of the **Secondary Uplift Amounts** already calculated; and
 - (f) then we divide this sum between the **Scheme Policies** to give them a pro rata share based on the relative sizes of their **Policy Values**.
4. The reason for deducting the **German Policies Amount** is that **UK Style German With-Profits Policies** would not be included in the **Scheme** but if the **Scheme** takes effect then they would receive an increase in **Policy Value** which is consistent with the **Primary Uplift**. It is necessary to identify and set aside an amount from the **With-Profits Fund** in order to provide that increase in **Policy Values**.
5. As part of the arrangement between the **Equitable** and **Utmost**, **Utmost** may be required to provide capital into the **Equitable** prior to the **Implementation Date** which is expected to be sufficient to ensure that the **Equitable** has enough capital after the **Implementation Date**. This amount will not be available for distribution and will not form part of the **Uplift**.
6. The **Primary Uplift Amounts** for all **Scheme Policies** will be calculated as at the **Implementation Date** based on **Policy Values** at the **Implementation Date** in respect of premiums paid on or before 31 December 2017, and the **Equitable's** assets as at the **Implementation Date**. We will complete those calculations as soon as practicable after the **Implementation Date**. The **Policy Value** of every **Scheme Policy** (which is a **With-Profits Policy**) in respect of premiums paid on or before 31 December 2017 will be increased by the same percentage by the **Primary Uplift**, and the sum of all of the **Primary Uplift Amounts** will be equal to the **Distributable Assets Amount**.

Appendix III

Impact of the *Scheme* on each product type

SUMMARY OF HOW THE SCHEME WOULD AFFECT YOUR SCHEME POLICY

In this appendix, we have summarised how the *Scheme* will affect *Scheme Policies* if it is implemented.

Your *Personal Illustration* tells you what type of *Scheme Policy* you have. You can find your *Scheme Policy* in the list below, and turn to the relevant section to see how the *Scheme* would affect it.

This appendix includes summaries of your *Scheme Policy's* current terms. These are for illustration only, and if there is any difference between what this appendix says and what your actual current policy terms say then your actual policy terms are the terms that currently apply (and will be changed to the revised terms).

UK PRODUCTS

1. PERSONAL PENSION PRODUCTS

1.1 Personal Pension Plans and 2000 Personal Pension Plans

2. INDIVIDUAL PENSION PLANS, SMALL SELF-ADMINISTERED SCHEMES – TRUSTEE INVESTMENT POLICIES AND DEFERRED HANCOCK ANNUITIES

3. TRANSFER PLANS, MONEY PURCHASE TRANSFER PLANS, WIND-UPS, DEFERRED PENSION POLICIES AND PROTECTED RIGHTS TRANSFER PLANS

4. FREE-STANDING ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC) SCHEME

5. INCOME DRAWDOWN

5.1 Managed Pension Plans and Income Drawdown Plans (Capped and Flexi-Access Drawdown)

5.2 Trustee Income Drawdown Plans

5.3 Managed Annuities

6. RETIREMENT ANNUITIES

6.1 Return on Death Policies

6.2 No return on Death Policies

7. DEFERRED ANNUITIES

8. ENDOWMENT ASSURANCES: ENDOWMENT POLICIES, LOW COST MORTGAGE ENDOWMENT POLICIES AND CHILD OPTION POLICIES

9. WHOLE OF LIFE ASSURANCE

10. HEALTHCARE PRODUCTS (MAJOR MEDICAL CASH PLANS AND CRITICAL ILLNESS PLANS)

11. FLEXIBLE PROTECTION PLANS, INCLUDING MAXIMUM INVESTMENT PLANS AND FLEXIBLE MORTGAGE PLANS

12. FLEXIBLE SAVINGS PLANS

13. BONDS

14. PERSONAL INVESTMENT PLANS

15. REGULAR SAVINGS PLANS

16. GROUP PENSION PRODUCTS

16.1 Group Pension Plans - Group Additional Voluntary Contributions (AVC) Plans and Group Money Purchase Plans

16.2 Group Transfer Plans

17. INTERNATIONAL PRODUCTS

17.1 International Group Pensions – Money Purchase Plans / Voluntary Contributions Plans

17.2 International Personal Pension Plans – written in GBP or US Dollar

17.3 International Flexible Protection Plans – written in GBP or US Dollar

17.4 International Investment Plans – written in GBP or US Dollar

17.5 Guernsey / Jersey Personal Pension Plans

IRISH PRODUCTS

18. IRISH PERSONAL PENSION PLAN

19. IRISH INDIVIDUAL PENSIONS

20. IRISH PERSONAL RETIREMENT BOND

21. IRISH FLEXIBLE INCOME PLAN

22. IRISH MAJOR MEDICAL CASH PLAN

23. IRISH FLEXIBLE PROTECTION PLAN

24. IRISH WITH-PROFITS BOND

25. IRISH REGULAR SAVINGS PLAN

26. IRISH GROUP PENSION PRODUCTS

26.1 Group Additional Voluntary Contributions Plan and Group Money Purchase Plan

1. PERSONAL PENSION PRODUCTS

1.1 Personal Pension Plans and 2000 Personal Pension Plans

(a) General Notes:

- (i) these policies are contracts between individuals and the **Equitable**;
- (ii) some were referred to as “Grouped” Personal Pension Plans. These allowed employers to collect and pass contributions for all employees with a policy direct to the **Equitable**; and
- (iii) these policies allow contributions to be made on a with-profits or unit-linked investment approach, and some include **With-Profits Switching Rights**.

(b) Currently:

- (i) if an individual takes their benefits in circumstances where the individual is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example on retirement or death), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the **Scheme Policy’s Guaranteed Fund**;
 - and
 - (B) the **Scheme Policy’s Policy Value** plus any **Capital Distribution Amount**;
- (ii) if the individual dies, there would also be payable in addition to (i) above, any insured benefit, such as a without-profits life insurance death benefit of a specified amount; and
- (iii) if an individual takes their benefits in circumstances where they are not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by surrendering the relevant **Scheme Policy** or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the individual’s **Policy Value** plus any **Capital Distribution Amount**.

(c) When the **Scheme** is implemented:

- (i) each **Scheme Policy’s Policy Value** as at the **Implementation Date** will be increased to produce an **Uplifted Policy Value**;
- (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**); and
- (iii) any **With-Profits Switching Rights** will be removed.

(d) After the **Scheme** is implemented:

- (i) if an individual takes all or part of their benefits in any circumstances, the benefits payable will be (all or part of) the total value of the **Scheme Policy’s Units** in the **Unit-Linked Fund(s)** at the date that the benefits are taken;
- (ii) if the individual dies there would also be payable in addition to (i) above, any insured benefit, such as a without-profits life insurance death benefit of a specified amount; and
- (iii) it will no longer be possible to exercise **With-Profits Switching Rights**.

2. INDIVIDUAL PENSIONS, SMALL SELF-ADMINISTERED SCHEMES – TRUSTEE INVESTMENT POLICIES AND DEFERRED HANCOCK ANNUITIES

(a) General Notes:

- (i) these are contracts between trustees of pension schemes and the **Equitable** or policies between individuals and the **Equitable**;
- (ii) these policies allowed an employer to accumulate pension benefits on a “money purchase” basis for specific employees; and
- (iii) these had some variations in benefits (mentioned briefly below where relevant) but key provisions and the **Scheme’s** effect on them are essentially similar;
- (iv) some include **With-Profits Switching Rights**.

(b) Currently:

- (i) if a trustee or individual takes their benefits in circumstances where the trustee is entitled to rely on the contractual guarantees in the relevant **Member Policy Component** or **Scheme Policy** (for example on retirement or death, unless the member chose a ‘no return on death’ feature), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the **Member Policy Component** or **Scheme Policy’s Guaranteed Fund**; and
 - (B) the **Member Policy Component** or **Scheme Policy’s Policy Value** plus any **Capital Distribution Amount**;
- (ii) if an individual dies, there would also be payable to the trustee or the individual, in addition to (i) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and

- (iii) if a trustee or individual takes their pension benefits in circumstances where the trustee is not entitled to rely on the contractual guarantees in the relevant **Member Policy Component** or **Scheme Policy** (for example, by surrendering the relevant **Member Policy Component** or **Scheme Policy** or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the **Member Policy Component** or the individual's **Policy Value** plus any **Capital Distribution Amount**.

(c) When the **Scheme** is implemented:

- (i) Each **Member Policy Component** or **Scheme Policy's Policy Value** as at the **Implementation Date** will be increased to produce an **Uplifted Policy Value**;
- (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**); and
- (iii) any **With-Profits Switching Rights** will be removed.

(d) After the **Scheme** is implemented:

- (i) if a trustee or individual takes all or part of their benefits in any circumstances, the benefits payable will be (all or part of) the total value of the **Member Policy Component** or **Scheme Policy's Units** in the **Unit-Linked Fund(s)** at the date that the benefits are taken;
- (ii) if an individual dies there would be also payable to the trustee or the individual, in addition to (i) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and
- (iii) it will no longer be possible to exercise **With-Profits Switching Rights**.

3. TRANSFER PLANS, MONEY PURCHASE TRANSFER PLANS, WIND-UPS, DEFERRED PENSION POLICIES AND PROTECTED RIGHTS TRANSFER PLANS

(a) General Notes:

- (i) these are contracts between individual policyholders and the **Equitable**;
- (ii) they were purchased by trustees of occupational pension schemes to be continued by individual scheme members who had (for whatever reason) ceased to

make payments into the relevant scheme but, rather than transferring their benefits to a different scheme, left their investment with the relevant scheme;

- (iii) they meet the trustees' obligations to provide a deferred annuity, by establishing an ongoing contractual relationship between the individual member and the **Equitable**;
- (iv) they were purchased by one lump sum premium, representing the individual member's transfer value out of the occupational pension scheme. This transfer may have contained benefits accrued from 'contracting out' of the state pension which generated **GMP**, and
- (v) these policies handle **GMP** rights separately to rights relating to other contributions, and this will be unchanged by the **Scheme**.

(b) Currently, the following benefits are payable for each **Scheme Policy**:

- (i) if the individual **Policyholder** takes their benefits in circumstances where they are entitled to rely on the contractual guarantees in the relevant **Scheme Policy** unless the **Policyholder** chose a 'no return on death' feature), the benefits payable have a guaranteed minimum value. The amount payable (subject to any **GMP**) will be the higher of:
 - (A) the **Scheme Policy's Guaranteed Fund**; and
 - (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**.
- (ii) if the **Policyholder** dies, there would also be payable, in addition to (i) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and
- (iii) if the **Policyholder** takes their pension benefits in circumstances where they are not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by surrendering the relevant **Scheme Policy** or transferring out of the relevant scheme), the benefits payable subject to any **GMP** will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the **Policy Value** plus any **Capital Distribution Amount**.

- (c) When the *Scheme* is implemented:
 - (i) each *Scheme Policy's Policy Value* as at the *Implementation Date* will be increased to produce an *Uplifted Policy Value*;
 - (ii) the *Uplifted Policy Value* will be exchanged for *Units* in a *Unit-Linked Fund(s)* (either as chosen by the *Scheme Policyholder* or, if no choice is made, under the *Automatic Investment Option*); and
 - (iii) any *With-Profits Switching Rights* will be removed.

- (d) After the *Scheme* is implemented:
 - (i) if the individual *Policyholder* takes all or part of their benefits in any circumstances, the benefits payable will be (all or part of) the total value of the *Scheme Policy's Units* in the *Unit-Linked Fund(s)* at the date that the benefits are taken subject to any restrictions relating to any *GMP*;
 - (ii) if the *Policyholder* dies there would also be payable in addition to (i) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and
 - (iii) it will no longer be possible to exercise *With-Profits Switching Rights*.

4. FREE-STANDING ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC) SCHEME

- (a) General Notes:
 - (i) these policies are contracts between individual *Policyholders* and the *Equitable*;
 - (ii) this product allows individuals to pay into a pension arrangement that is separate from and additional to their occupational pension scheme;
 - (iii) the product allows individuals to make contributions on a with-profits basis and also on a unit-linked basis; and
 - (iv) some include *With-Profits Switching Rights*.
- (b) Currently:
 - (i) if an individual takes their benefits in circumstances where the individual is entitled to rely on the contractual guarantees in the relevant *Scheme Policy* (for example on retirement or death), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:

- (A) the *Scheme Policy's Guaranteed Fund*; and
- (B) the *Scheme Policy's Policy Value* plus any *Capital Distribution Amount*;
- (ii) if an individual dies, there would also be payable in addition to (i) above, any insured benefit, such as a without-profits life insurance death benefit of a specified amount; and
- (iii) if an individual takes their benefits in circumstances where they are not entitled to rely on the contractual guarantees in the relevant *Scheme Policy* (for example, by surrendering the relevant *Scheme Policy* or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the *Equitable* and is currently the individual's *Policy Value* plus any *Capital Distribution Amount*.

- (c) When the *Scheme* is implemented:
 - (i) each *Scheme Policy's Policy Value* as at the *Implementation Date* will be increased to produce an *Uplifted Policy Value*; and
 - (ii) the *Uplifted Policy Value* will be exchanged for *Units* in a *Unit-Linked Fund(s)* (either as chosen by the *Scheme Policyholder* or, if no choice is made, under the *Automatic Investment Option*); and
 - (iii) any *With-Profits Switching Rights* will be removed.
- (d) After the *Scheme* is implemented:
 - (i) if an individual takes all or part of their benefits in any circumstances, the benefits payable will be (all or part of) the total value of the *Scheme Policy's Units* in the *Unit-Linked Fund(s)* at the date that the benefits are taken;
 - (ii) if the individual dies there would also be payable in addition to (i) above, any insured benefit, such as a without-profits life insurance death benefit of a specified amount; and
 - (iii) it will no longer be possible to exercise *With-Profits Switching Rights*.

5. INCOME DRAWDOWN

5.1 Managed Pension Plans and Income Drawdown Plans (Capped and Flexi-Access Drawdown)

- (a) General Notes:
- (i) these policies are contracts between individual **Policyholders** and the **Equitable**;
 - (ii) they allow individuals to customise the way they take their benefits from an accumulated pension fund, so that they can take income if desired, whilst leaving some of the fund invested; and
 - (iii) they include unit-linked and with-profits segments.
- (b) Currently:
- (i) if an individual takes their benefits in circumstances where the individual is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example on death), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the **Scheme Policy's Guaranteed Fund**; and
 - (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**; and
 - (ii) if an individual takes their benefits in circumstances where they are not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by surrendering the relevant **Scheme Policy** or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the individual's **Policy Value** plus any **Capital Distribution Amount**.
- (c) When the **Scheme** is implemented:
- (i) each **Scheme Policy's Policy Value** as at the **Implementation Date** will be increased to produce an **Uplifted Policy Value**; and
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**).
- (d) After the **Scheme** is implemented:
- (i) if an individual takes their benefits in any circumstances, the benefits payable will be the total value of the **Scheme Policy's Units** in the **Unit-Linked Fund(s)** at the date that the benefits are taken.

5.2 Trustee Income Drawdown Plans

- (a) General Notes:
- (i) these are contracts between trustees of personal pension schemes and the **Equitable**;
 - (ii) they insure trustees' obligations in circumstances where individual pension scheme members have deferred taking their benefits; and
 - (iii) they include with-profits segments and unit-linked segments.
- (b) Currently: the following benefits are provided to trustees for each **Member Policy Component** for with-profits investments:
- (i) if an individual takes their benefits in circumstances where the trustee is entitled to rely on the contractual guarantees in the relevant **Member Policy Component** (for example on death), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the **Member Policy Component's Guaranteed Fund**; and
 - (B) the **Member Policy Component's Policy Value** plus any **Capital Distribution Amount**; and
 - (ii) if an individual takes their pension benefits in circumstances where the trustee is not entitled to rely on the contractual guarantees in the relevant **Member Policy Component** (for example, by surrendering the relevant **Member Policy Component** or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the individual's **Policy Value** plus any **Capital Distribution Amount**.
- (c) When the **Scheme** is implemented:
- (i) each **Member Policy Component's Policy Value** as at the **Implementation Date** will be increased to produce an **Uplifted Policy Value**; and
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**).
- (d) After the **Scheme** is implemented:
- (i) if an individual takes their benefits in any circumstances, the benefits payable will be the total value of the **Member Policy Component's Units** in the **Unit-Linked Fund(s)** at the date that the benefits are taken.

5.3 Managed Annuities

(a) General Notes:

- (i) these are contracts between individuals and the **Equitable**;
- (ii) the policies allow individuals to manage the way in which their accumulated pension funds are paid out; and
- (iii) they included unit-linked and with-profits segments.

(b) Currently:

- (i) if an individual member takes some or all of their benefits in circumstances where the individual is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example on death), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the **Scheme Policy's Guaranteed Fund**; and
 - (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**;
- (ii) if an individual member dies before they or their spouse is aged 100, there would also be payable in addition to (i) above, any insured benefit, such as a without-profits life insurance death benefit of a specified amount;
- (iii) after the individual and their spouse are both aged 100, there is payable an annuity linked to the performance of the **With-Profits Fund**; and
- (iv) if an individual takes their benefits in circumstances where they are not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by surrendering the relevant **Scheme Policy** or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the individual's **Policy Value** plus any **Capital Distribution Amount**.

(c) When the **Scheme** is implemented:

- (i) each **Scheme Policy's Policy Value** as at the **Implementation Date** will be increased to produce an **Uplifted Policy Value**; and
- (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**); and

- (iii) the annuity linked to the performance of the **With-Profits Fund** is given the **Uplift** and then varies in line with the chosen **Unit** investments.

(d) After the **Scheme** is implemented:

- (i) if an individual takes their benefits in any circumstances, the benefits payable will be the total value of the **Scheme Policy's Units** in the **Unit-Linked Fund(s)** at the date that the benefits are taken;
- (ii) if the member dies before they or their spouse is aged 100, there would also be payable in addition to (i) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and
- (iii) after the individual and their spouse are both aged 100, there is payable an annuity linked to the performance of the chosen **Unit-Linked Fund(s)**.

6. RETIREMENT ANNUITIES

6.1 Return on Death Policies

(a) General Notes:

- (i) these are contracts between individual **Policyholders** and the **Equitable**;
- (ii) they provide for the accumulation of a fund which could be used to buy an annuity; and
- (iii) there are a number of variations, which included different guaranteed rates of growth, but they are fundamentally similar.

(b) Currently:

- (i) if an individual takes their benefits in circumstances where the individual is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example on retirement or death), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the **Scheme Policy's Guaranteed Fund**; and
 - (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**;
- (ii) for policies effected before June 1981, if an individual dies, the amount in (i) would be subject to a minimum of the premiums paid accumulated at 4% p.a. or 6% p.a.;
- (iii) if an individual dies, there would also be payable in addition to (i) above, any insured benefit, such as a without-profits life insurance death benefit of a specified amount; and

- (iv) if an individual takes their benefits in circumstances where they are not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by surrendering the relevant **Scheme Policy** or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the individual's **Policy Value** plus any **Capital Distribution Amount**.
- (c) When the **Scheme** is implemented:
 - (i) each **Scheme Policy's Policy Value** as at the **Implementation Date** will be increased to produce an **Uplifted Policy Value**; and
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**); and
 - (iii) any **With-Profits Switching Rights** will be removed.
- (d) After the **Scheme** is implemented:
 - (i) if an individual takes all or part of their benefits in any circumstances, the benefits payable will be (all or part of) the total value of the **Scheme Policy's Units** in the **Unit-Linked Fund(s)** at the date that the benefits are taken;
 - (ii) if the individual dies there would also be payable in addition to (i) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and
 - (iii) it will no longer be possible to exercise **With-Profits Switching Rights**.

6.2 No return on Death Policies

- (a) General Notes:
 - (i) these policies are contracts between individual **Policyholders** and the **Equitable**; and
 - (ii) they are similar to the 'Return on Death Retirement Annuities' mentioned above, but these allow **Policyholders** to accumulate a larger fund (with the risk that if they die before a certain date then no benefit at all is paid).
- (b) Currently:
 - (i) if an individual member takes their benefits in circumstances where the individual is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example on retirement or surviving past a certain

date, the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:

- (A) the **Scheme Policy's Guaranteed Fund**; and
- (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**;
- (ii) if an individual dies before a certain date, there would only be payable any insured benefit, such as a without-profits life insurance death benefit of a specified amount;
- (iii) if an individual dies after a certain date, there would also be payable, in addition to (i) above, any insured benefit, such as a with-profits life insurance death benefit of a specified amount; and
- (iv) if an individual takes their benefits in circumstances where they are not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by surrendering the relevant **Scheme Policy** or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the individual's **Policy Value** plus any **Capital Distribution Amount**.

- (c) When the **Scheme** is implemented:
 - (i) each **Scheme Policy's Policy Value** as at the **Implementation Date** will be increased to produce an **Uplifted Policy Value**; and
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**); and
 - (iii) any **With-Profits Switching Rights** will be removed.
- (d) After the **Scheme** is implemented:
 - (i) if an individual takes all or part of their benefits in any circumstances, the benefits payable will be (all or part of) the total value of the **Scheme Policy's Units** in the **Unit-Linked Fund(s)** at the date that the benefits are taken;
 - (ii) if the individual dies there would also be payable in addition to (i) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and
 - (iii) it will no longer be possible to exercise **With-Profits Switching Rights**.

7. DEFERRED ANNUITIES

(a) General Notes:

- (i) these are policies between **Group Scheme Trustees** and the **Equitable**, which each relate to a particular individual member of the group scheme or policies between individuals and the **Equitable**;
- (ii) they insure liabilities that trustees have to provide deferred annuities to group scheme members or liabilities that individuals have; and
- (iii) some of these policies have Guaranteed Annuity Rates (which will not be affected by the **Scheme**).

(b) Currently:

- (i) if a trustee or individual takes the annuity benefits, the individual having survived to the end of the period specified in the **Member Policy Component** or the **Scheme Policy**, the benefits payable have a guaranteed minimum value. The amount payable will be the 'sum assured' in accordance with the terms of the relevant **Scheme Policy** plus any guaranteed bonuses;
- (ii) if an individual dies before the end of the period specified in the **Scheme Policy**, then the amount payable to the trustee or the individual has a guaranteed minimum value. The amount payable will be the sum assured in accordance with the terms of the relevant **Member Policy Component** or **Scheme Policy** plus any guaranteed bonuses; and
- (iii) if a trustee or individual takes the annuity benefits before the end of the period specified in the **Member Policy Component** or **Scheme Policy**, the benefits payable do not have a guaranteed minimum value. The amount payable will be an amount determined at the discretion of the **Equitable** deemed to represent a share of the **Equitable's** assets, currently the **Policy Value** plus any **Capital Distribution Amount**.

(c) When the **Scheme** is implemented:

- (i) the **Scheme Policy's** or **Member Policy Component's Policy Value** as at the **Implementation Date** will be calculated and increased to produce an **Uplifted Policy Value**;
- (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the trustee or, if no choice is made, under the **Automatic Investment Option**); and

- (iii) the amount which would be payable if the date of death was the **Implementation Date** will be calculated.

(d) After the **Scheme** is implemented:

- (i) if an individual takes their benefits at any time, the amount payable will be the value of the **Member Policy Component** or **Scheme Policy's Units** in the **Unit-Linked Fund(s)** at that date;
- (ii) if the individual dies before the trustee has taken the annuity benefits, the amount payable to the trustee will be the higher of:
 - (A) the value of the **Scheme Policy's Units** in the **Unit-Linked Fund(s)** at the date of death; and
 - (B) the amount which would have been payable if the date of death was the **Implementation Date** (as calculated in (c)(iii) above); and
- (iii) if the value of the **Units** in the **Unit-Linked Fund(s)** is, at the start of any future month, lower than the amount which would have been payable if the date of death was the **Implementation Date** (as calculated in (c)(iii) above), an amount will be deducted from the value of the **Units** in the **Unit-Linked Fund(s)** to reflect the value of this guaranteed minimum death benefit.

8. ENDOWMENT ASSURANCES: ENDOWMENT POLICIES, LOW COST MORTGAGE ENDOWMENT POLICIES AND CHILD OPTION POLICIES

(a) General Notes:

- (i) these are contracts between individual **Policyholders** and the **Equitable** (although some individuals' rights may have been assigned to mortgage lenders);
- (ii) they allow **Scheme Policyholders** to invest a chosen amount on a with-profits basis; and
- (iii) some of these policies were Child Option Policies, some of which have been taken over by a surviving life assured who now has a With-Profits endowment.

(b) Currently:

- (i) if an individual takes their endowment benefits having survived to the end of the period specified in the **Scheme Policy**, the benefits payable have a guaranteed minimum value. The amount payable will be the sum assured in accordance with the terms of the relevant **Scheme Policy** plus any guaranteed bonuses;

- (ii) if an individual dies before the end of the period specified in the **Scheme Policy** then the amount payable has a guaranteed minimum value. The amount payable will be the sum assured in accordance with the terms of the relevant **Scheme Policy** plus any guaranteed bonuses, or the minimum guaranteed death benefit if greater; and
 - (iii) if an individual takes their endowment benefits before the end of the period specified in the **Scheme Policy**, the benefits payable do not have a guaranteed minimum value. The amount payable will be an amount determined at the discretion of the **Equitable** deemed to represent a share of the **Equitable's** assets, the **Policy Value** plus the **Capital Distribution Amount**.
- (c) When the **Scheme** is implemented:
- (i) the **Scheme Policy's Policy Value** as at the **Implementation Date** will be calculated and increased to produce an **Uplifted Policy Value**;
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**); and
 - (iii) the amount which would be payable if the date of death was the **Implementation Date** will be calculated.
- (d) After the **Scheme** is implemented:
- (i) if an individual takes their endowment benefits at any time, the amount payable will be the value of the **Units** in the **Unit-Linked Fund(s)** at that date;
 - (ii) if an individual dies before taking their endowment benefits, the amount payable will be the higher of:
 - (A) the value of the **Units** in the **Unit-Linked Fund(s)** at the date of death; and
 - (B) the amount which would have been payable if the date of death was the **Implementation Date** (as calculated in (c)(iii) above); and
 - (iii) **Units** in the **Unit-Linked Fund** will be cancelled from time to time (where required) to reflect mortality costs. If this reduces the value of the **Units** in the **Unit-Linked Fund** to nil, then, provided that contractual premium payments are kept up, the minimum death benefit will remain payable.

9. WHOLE OF LIFE ASSURANCE

- (a) General Notes:
- (i) these are contracts between individual **Policyholders** and the **Equitable**; and
 - (ii) they allow **Policyholders** to invest premiums on a with-profits basis and provide a guaranteed benefit payable on death only.
- (b) Currently:
- (i) if an individual dies then the amount payable has a guaranteed minimum value. The amount payable will be the sum assured in accordance with the terms of the relevant **Scheme Policy** plus any bonuses; and
 - (ii) if an individual takes their benefits at any time before death, the benefits payable do not have a guaranteed minimum value. The amount payable will be an amount determined at the discretion of the **Equitable** deemed to represent a share of the **Equitable's** assets, currently the **Policy Value** plus any **Capital Distribution Amount**.
- (c) When the **Scheme** is implemented:
- (i) the **Scheme Policy's Policy Value** as at the **Implementation Date** will be calculated and increased to produce an **Uplifted Policy Value**;
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**); and
 - (iii) the amount which would be payable if the date of death was the **Implementation Date** will be calculated.
- (d) After the **Scheme** is implemented:
- (i) if an individual takes their benefits before death, the amount payable will be the value of the **Units** in the **Unit-Linked Fund(s)** at that date;
 - (ii) if an individual dies, the amount payable will be the higher of:
 - (A) the value of the **Units** in the **Unit-Linked Fund(s)** at the date of death; and
 - (B) the amount which would have been payable if the date of death was the **Implementation Date** (as calculated in (c)(iii) above); and
 - (iii) if the value of the **Units** in the **Unit-Linked Fund(s)** is, at the start of any future month, lower than the amount which would have been payable if the date of death was the

Implementation Date (as calculated in (c)(iii) above), an amount will be deducted from the value of the **Units** in the **Unit-Linked Fund(s)** to reflect the value of this guaranteed minimum death benefit. If this reduces the value of the **Units** in the **Unit-Linked Fund** to nil, then, provided that contractual premium payments are kept up, the minimum death benefit will remain payable.

10. HEALTHCARE PRODUCTS (MAJOR MEDICAL CASH PLANS AND CRITICAL ILLNESS PLANS)

(a) General Notes:

- (i) these policies are contracts between individual **Policyholders** and the **Equitable**;
- (ii) they provide insurance for either medical expenses (Major Medical Cash Plans) or for serious illness (Critical Illness Plans) during a defined period; and
- (iii) their terms can be reviewed and extended.

(b) Currently:

- (i) if a specified medical or illness event happens that results in a valid claim, then the appropriate minimum benefit will be payable;
- (ii) if a Major Medical Cash Plan **Policyholder** survives to the end of the policy's term or dies during the policy's term, then the amount payable will be the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**;
- (iii) if a Critical Illness Plan **Policyholder** dies at any time, then the amount payable will be the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**; and
- (iv) the **Scheme Policy's Policy Value** will be adjusted from time to time (where required) to reflect changes in medical benefit costs or morbidity costs (as applicable). If this reduces the **Policy Value** to nil then premiums will increase.

(c) When the **Scheme** is implemented:

- (i) the **Scheme Policy's Policy Value** as at the **Implementation Date** will be calculated and increased to produce an **Uplifted Policy Value**; and
- (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**).

(d) After the **Scheme** is implemented:

- (i) if a specified medical or illness event happens that results in a valid claim, then the appropriate minimum benefit will be payable;
- (ii) if a Major Medical Cash Plan **Policyholder** survives to the end of the policy's term or dies during the policy's term, then the amount payable will be the value of the **Units** in the **Unit-Linked Fund(s)**;
- (iii) if a Critical Illness Plan **Policyholder** dies at any time, then the amount payable will be the value of the **Units** in the **Unit-Linked Fund(s)** as at the date of death; and
- (iv) **Units** in the **Unit-Linked Fund** will be cancelled from time to time (where required) to reflect changes in medical benefit costs or morbidity costs (as applicable). If this reduces the **Policy Value** to nil then premiums will increase.

11. FLEXIBLE PROTECTION PLANS, INCLUDING MAXIMUM INVESTMENT PLANS AND FLEXIBLE MORTGAGE PLANS

(a) General Notes:

- (i) these policies are contracts between individual **Policyholders** and the **Equitable**;
- (ii) they provide life cover for a defined period and allow **Policyholders** to make with-profits investments during that period;
- (iii) their terms can be reviewed and extended;
- (iv) there are three varieties, which have some differences but are fundamentally similar in the way that the **Scheme** would affect them.

(b) Currently:

- (i) if a **Policyholder** takes their accumulated fund in circumstances where the **Policyholder** is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, at the end of the policy's term), the amount payable has a guaranteed minimum value. This will be the higher of (all or the relevant part of):
 - (A) the **Scheme Policy's Guaranteed Fund**; and
 - (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**;

- (ii) if a **Policyholder** takes only part of their accumulated fund, then the value of the relevant **Scheme Policy's Guaranteed Fund** and **Policy Value** will be reduced by an appropriate amount;
 - (iii) if a **Policyholder** dies before the end of the policy term, the amount payable will be the higher of:
 - (A) the **Scheme Policy's Guaranteed Fund** at the date of death;
 - (B) the **Scheme Policy's Policy Value** at the date of death plus any **Capital Distribution Amount**; and
 - (C) any guaranteed minimum death benefit;
 - (iv) if a **Policyholder** takes their accumulated fund in circumstances where the **Policyholder** is not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by surrendering the policy), the amount payable will not have a guaranteed minimum value. The amount payable will be the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**;
 - (v) if the **Scheme Policy's Policy Value** reduces to nil then premiums will increase; and
 - (vi) if the level of premium reviewed by the **Equitable** is regarded as adequate, the plan continues for the same sum assured and premium. If the level of the premium is inadequate on such a review, the sum assured is reduced or the premium may be increased to maintain the sum assured.
- (c) When the **Scheme** is implemented:
- (i) the **Scheme Policy's Policy Value** as at the **Implementation Date** will be calculated and increased to produce an **Uplifted Policy Value**; and
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**).
- (d) After the **Scheme** is implemented:
- (i) if an individual takes their benefits at any time before death, the amount payable will be the value of the **Units** in the **Unit-Linked Fund(s)** at that date;
 - (ii) if a **Policyholder** dies before the end of the policy term, the amount payable will be the higher of:
 - (A) the value of the **Units** in the **Unit-Linked Fund(s)** as at the date of death; and

- (B) any guaranteed minimum death benefit; and

- (e) **Units** in the **Unit-Linked Fund(s)** will be cancelled from time to time (where required) to reflect mortality costs (as applicable). If this reduces the **Policy Value** to nil then premiums will increase.

12. FLEXIBLE SAVINGS PLANS

(a) General Notes:

- (i) these are contracts between individual **Policyholders** and the **Equitable**; and
- (ii) they provide a savings product that allows for withdrawals of the fund and also life cover on a contractual basis.

(b) Currently:

- (i) premiums paid purchase with-profits investments to grow the policy's **Guaranteed Fund** at an enhanced rate. Each premium paid increases the "sum assured" (as defined in the policy terms) by the amount of premium and increases bonuses which have already been allotted to the policy (and hence are guaranteed) so that it is as if the bonuses had originally been allotted on the new, increased, sum assured;
- (ii) if an individual takes their accumulated benefits in circumstances where the individual is entitled to rely on the contractual guarantees in their **Scheme Policy** (for example on policy anniversaries after ten years), the benefits payable have a guaranteed minimum value. This will be the higher of:

- (A) the **Scheme Policy's Guaranteed Fund** (being the "sum assured" in accordance with the terms of the relevant **Scheme Policy** plus any guaranteed (i.e. already allotted) bonuses); and
- (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**;

- (iii) if an individual takes their benefits in circumstances where the individual is not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by surrendering the relevant **Scheme Policy** other than on policy anniversaries), the benefits payable will not have a guaranteed minimum value. The amount payable will be an amount determined at the discretion of the **Equitable** deemed to represent a share of the **Equitable's** assets, the **Policy Value** plus the **Capital Distribution Amount** (or relevant proportion thereof); and

- (iv) if an individual **Policyholder** dies, the amount payable will be the higher of:
 - (A) the **Scheme Policy's Guaranteed Fund** remaining at the date of death; or
 - (B) the **Scheme Policy's Policy Value** at the date of death plus any **Capital Distribution Amount**;
- (c) When the **Scheme** is implemented:
 - (i) the **Scheme Policy's Policy Value** as at the **Implementation Date** will be calculated and increased to produce an **Uplifted Policy Value**;
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**); and
 - (iii) the amount which would be payable if the date of death was the **Implementation Date** will be calculated.
- (d) After the **Scheme** is implemented:
 - (i) premiums paid will purchase additional units in the **Unit-Linked Fund(s)** at an enhanced rate which replicates the way that premiums currently purchase with-profits investments at an enhanced rate;
 - (ii) if an individual takes their accumulated benefits at any time before death, the amount payable will be the value of the **Units** in the **Unit-Linked Fund(s)** at that date;
 - (iii) if the value of the **Units** in the **Unit-Linked Fund(s)** at the start of any future month is lower than the guaranteed minimum death benefit, an amount will be deducted from the value of the **Units** in the **Unit-Linked Fund(s)** to reflect the value of this guaranteed minimum death benefit;
 - (iv) if a **Policyholder** dies, the amount payable will be the higher of:
 - (A) the value of the **Units** remaining in the **Unit-Linked Fund(s)** as at the date of death; and
 - (B) any guaranteed minimum death benefit.

13. BONDS

- (a) General Notes:
 - (i) these are contracts between individual **Policyholders** and the **Equitable**; and
 - (ii) they allow **Policyholders** to make investments on a with-profits basis and to make partial withdrawals from time to time without losing the benefit of **Investment Guarantees**.

- (b) Currently:
 - (i) if a **Policyholder** withdraws all or part of their accumulated fund in circumstances where the **Policyholder** is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by making a withdrawal on or after a specified date), the amount payable has a guaranteed minimum value. This will be the higher of (all or the relevant part of):
 - (A) the **Scheme Policy's Guaranteed Fund**; and
 - (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**;
 - (ii) if a **Policyholder** withdraws only part of their accumulated fund, then the value of the relevant **Scheme Policy's Guaranteed Fund** and **Policy Value** will be reduced by an appropriate amount;
 - (iii) if a **Policyholder** dies before withdrawing all of their accumulated fund, the amount payable will be the higher of (depending on the particular **Policyholder's** terms):
 - (A) the **Scheme Policy's Guaranteed Fund** at the date of death;
 - (B) the **Scheme Policy's Policy Value** at the date of death plus any **Capital Distribution Amount**; and
 - (C) any guaranteed minimum death benefit; and
 - (iv) if a **Policyholder** withdraws all or part of their accumulated fund in circumstances where the **Policyholder** is not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by making a withdrawal before a specified date), the amount payable will not have a guaranteed minimum value. The amount payable will be (all or the relevant part of) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**.
- (c) When the **Scheme** is implemented:
 - (i) the **Scheme Policy's Policy Value** as at the **Implementation Date** will be calculated and increased to produce an **Uplifted Policy Value**; and
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**).

- (d) After the *Scheme* is implemented:
- (i) a *Policyholder* can at any time withdraw all or part of their accumulated fund, which will be the value of the *Units* in the *Unit-Linked Fund(s)* as at the date of withdrawal. If a *Policyholder* withdraws part of their accumulated fund, then *Units* of this value in the *Unit-Linked Fund(s)* will be cancelled; and
 - (ii) if a *Policyholder* dies before withdrawing all of their accumulated fund, the amount payable will be the higher of (depending on the particular *Policyholder's* terms):
 - (A) the value of the *Units* in the *Unit-Linked Fund(s)* as at the date of death; and
 - (B) any guaranteed minimum death benefit.

14. PERSONAL INVESTMENT PLANS

- (a) General Notes:
- (i) these are contracts between individual *Policyholders* and the *Equitable*;
 - (ii) they allow *Policyholders* to make investments on a with-profits basis and to make partial withdrawals from time to time without losing the benefit of *Investment Guarantees*; and
 - (iii) they allow for with-profits investments and also unit-linked investments, and some include *With-Profits Switching Rights*.
- (b) Currently:
- (i) if a *Policyholder* withdraws all or part of their accumulated fund in circumstances where the *Policyholder* is entitled to rely on the contractual guarantees in the relevant *Scheme Policy* (for example, by making a withdrawal on or after a specified date), the amount payable has a guaranteed minimum value. This will be the higher of (all or the relevant part of):
 - (A) the *Scheme Policy's Guaranteed Fund*; and
 - (B) the *Scheme Policy's Policy Value* plus any *Capital Distribution Amount*;
 - (ii) if a *Policyholder* withdraws only part of their accumulated fund, then the value of the relevant *Scheme Policy's Guaranteed Fund* and *Policy Value* will be reduced by an appropriate amount;
 - (iii) if a *Policyholder* dies before withdrawing all of their accumulated fund, the amount payable will be the higher of (depending on the particular *Policyholder's* terms):

- (A) the *Scheme Policy's Guaranteed Fund* at the date of death;
 - (B) the *Scheme Policy's Policy Value* at the date of death plus any *Capital Distribution Amount*; and
 - (C) any guaranteed minimum death benefit; and
- (iv) if a *Policyholder* withdraws all or part of their accumulated fund in circumstances where the *Policyholder* is not entitled to rely on the contractual guarantees in the relevant *Scheme Policy* (for example, by making a withdrawal before a specified date), the amount payable will not have a guaranteed minimum value. The amount payable will be (all or the relevant part of) the *Scheme Policy's Policy Value* plus any *Capital Distribution Amount*.

- (c) When the *Scheme* is implemented:
- (i) the *Scheme Policy's Policy Value* as at the *Implementation Date* will be calculated and increased to produce an *Uplifted Policy Value*;
 - (ii) the *Uplifted Policy Value* will be exchanged for *Units* in a *Unit-Linked Fund(s)* (either as chosen by the *Scheme Policyholder* or, if no choice is made, under the *Automatic Investment Option*); and
 - (iii) any *With-Profits Switching Rights* will be removed.
- (d) After the *Scheme* is implemented:
- (i) a *Policyholder* can at any time withdraw all or part of their accumulated fund, which will be the value of the *Units* in the *Unit-Linked Fund(s)* as at the date of withdrawal. If a policyholder withdraws part of their accumulated fund, then *Units* of this value in the *Unit-Linked Fund(s)* will be cancelled;
 - (ii) if a *Policyholder* dies before withdrawing all of their accumulated fund, the amount payable will be the higher of (depending on the particular *Policyholder's* terms):
 - (A) the value of the *Units* in the *Unit-Linked Fund(s)* as at the date of death; and
 - (B) any guaranteed minimum death benefit; and
 - (iii) it will no longer be possible to exercise *With-Profits Switching Rights*.

15. REGULAR SAVINGS PLANS

(a) General Notes:

- (i) these are contracts between individual **Policyholders** and the **Equitable**; and
- (ii) they allow **Policyholders** to make regular investments on a with-profits basis and to make partial withdrawals at certain specific times without losing the benefit of guaranteed returns on their investments.

(b) Currently:

- (i) if a **Policyholder** withdraws all or part of their accumulated fund in circumstances where the **Policyholder** is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by making a withdrawal on a specific anniversary date of the **Scheme Policy's** start date), the amount payable has a guaranteed minimum value. This will be the higher of (all or the relevant part of):

- (A) the **Scheme Policy's Guaranteed Fund**; and
- (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**;

- (ii) if a **Policyholder** withdraws only part of their accumulated fund, then the value of the relevant **Scheme Policy's Guaranteed Fund** and **Policy Value** will be reduced by an appropriate amount;

- (iii) if a **Policyholder** dies before withdrawing all of their accumulated fund, the amount payable will be the higher of (depending on the particular **Policyholder's** terms):

- (A) the **Scheme Policy's Guaranteed Fund** at the date of death;
- (B) the **Scheme Policy's Policy Value** at the date of death plus any **Capital Distribution Amount**; and
- (C) any guaranteed minimum death benefit; and

- (iv) if a **Policyholder** withdraws all or part of their accumulated fund in circumstances where the **Policyholder** is not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by making a withdrawal on a date that is not a specific anniversary date of the **Scheme Policy's** start date), the amount payable will not have a guaranteed minimum value. The amount payable will be (all or the relevant part of) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**.

(c) When the **Scheme** is implemented:

- (i) the **Scheme Policy's Policy Value** as at the **Implementation Date** will be calculated and increased to produce an **Uplifted Policy Value**; and
- (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**).

(d) After the **Scheme** is implemented:

- (i) a **Policyholder** can at any time withdraw all or part of their accumulated fund, which will be the value of the **Units** in the **Unit-Linked Fund(s)** as at the date of withdrawal. If a **Policyholder** withdraws part of their accumulated fund, then **Units** of this value in the **Unit-Linked Fund(s)** will be cancelled;
- (ii) if a **Policyholder** dies before withdrawing all of their accumulated fund, the amount payable will be the higher of (depending on the particular **Policyholder's** terms):
 - (A) the value of the **Units** in the **Unit-Linked Fund(s)** as at the date of death; and
 - (B) any guaranteed minimum death benefit.

16. GROUP PENSION PRODUCTS

(a) General Notes:

- (i) these policies are contracts between trustees of group pension schemes and the **Equitable**. Individual scheme members generally have no contractual relationship with the **Equitable** regarding their pension, and so their membership of a group pension scheme doesn't give them a vote on the **Proposal**;
- (ii) group pension products insure liabilities that scheme trustees have to pay individual pension scheme members;
- (iii) group pension products relate to trustees' liability to the whole pension scheme, but benefits are calculated and paid to trustees in relation to each member (i.e. for each **Member Policy Component**);
- (iv) some group pension products allow contributions to be made on a with-profits or unit-linked investment approach, and some include **With-Profits Switching Rights**; and
- (v) trustees holding group additional voluntary contribution plan policies in respect of certain public sector schemes should refer to paragraph 56.5 of Section E regarding additional considerations that may be relevant to them following the **Transfer to Utmost**.

16.1 Group Additional Voluntary Contributions (AVC) Plans and Group Money Purchase Plans

- (a) Currently the following benefits are provided to trustees for each **Member Policy Component** for with-profits investments:
 - (i) if an individual takes their benefits in circumstances where the trustee is entitled to rely on the contractual guarantees in the relevant **Member Policy Component** (for example on retirement or death, unless the member chose a “no return on death” feature), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the **Member Policy Component’s Guaranteed Fund**; and
 - (B) the **Member Policy Component’s Policy Value** plus any **Capital Distribution Amount**;
 - (ii) if an individual dies, before taking retirement benefits, there would also be payable in addition to (i) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and
 - (iii) if an individual takes their pension benefits in circumstances where the trustee is not entitled to rely on the contractual guarantees in the relevant **Member Policy Component** (for example, by surrendering the relevant **Member Policy Component** or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the **Member Policy Component’s Policy Value** plus any **Capital Distribution Amount**.
- (b) When the **Scheme** is implemented:
 - (i) each **Member Policy Component’s Policy Value** as at the **Implementation Date** will be increased to produce an **Uplifted Policy Value**;
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**); and
 - (iii) any **With-Profits Switching Rights** will be removed.
- (c) After the **Scheme** is implemented:
 - (i) if an individual takes their benefits in any circumstances, the benefits payable will be the total value of the **Member Policy Component’s Units** in the **Unit-Linked Fund(s)** at the date that the benefits are taken;

- (ii) if the individual dies before taking retirement benefits there would also be payable in addition to (i) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and
- (iii) it will no longer be possible to exercise **With-Profits Switching Rights**.

16.2 Group Transfer Plans

- (a) Currently, the following benefits are provided to trustees for each **Member Policy Component** for with-profits investments:
 - (i) if an individual takes their benefits in circumstances where the trustee is entitled to rely on the contractual guarantees in the relevant **Member Policy Component** (for example on retirement or death), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the **Member Policy Component’s Guaranteed Fund**; and
 - (B) the **Member Policy Component’s Policy Value** plus any **Capital Distribution Amount**;
 - (ii) if an individual dies, there would also be payable in addition to (i) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and
 - (iii) if an individual takes their pension benefits in circumstances where the trustee is not entitled to rely on the contractual guarantees in the relevant **Member Policy Component** (for example, by surrendering the relevant **Member Policy Component** or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the **Member Policy Component’s Policy Value** plus any **Capital Distribution Amount**.
- (b) When the **Scheme** is implemented:
 - (i) each **Member Policy Component’s Policy Value** as at the **Implementation Date** will be increased to produce an **Uplifted Policy Value**;
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**); and
 - (iii) any **With-Profits Switching Rights** will be removed.

- (c) After the **Scheme** is implemented:
 - (i) if an individual takes their benefits in any circumstances, the benefits payable will be the total value of the **Member Policy Component's Units** in the **Unit-Linked Fund(s)** at the date that the benefits are taken;
 - (ii) if the individual dies there would also be payable in addition to (i) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and
 - (iii) it will no longer be possible to exercise **With-Profits Switching Rights**.

17. INTERNATIONAL PRODUCTS

17.1 International Group Pensions – Money Purchase Plans / Voluntary Contributions Plans

- (a) General Notes:
 - (i) these policies are contracts between trustees of group pension schemes and the **Equitable**. Individual scheme members generally have no contractual relationship with the **Equitable** regarding their pension, and so their membership of a group pension scheme doesn't give them a vote on the **Proposal**;
 - (ii) group pension products insure liabilities that scheme trustees have to pay individual pension scheme members;
 - (iii) group pension products relate to trustees' liability to the whole pension scheme, but benefits are calculated and paid to trustees in relation to each member (i.e. for each **Member Policy Component**); and
 - (iv) some group pension products allow contributions to be made on a with-profits or unit-linked investment approach, and some include **With-Profits Switching Rights**.
- (b) Currently: the following benefits are provided to trustees for each **Member Policy Component** for with-profits investments:
 - (i) if an individual takes their benefits in circumstances where the trustee is entitled to rely on the contractual guarantees in the relevant **Member Policy Component** (for example on retirement), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the **Member Policy Component's Guaranteed Fund**; and
 - (B) the **Member Policy Component's Policy Value** plus any **Capital Distribution Amount**;

- (ii) if an individual dies, there would also be payable in addition to (i) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and
- (iii) if an individual takes their pension benefits in circumstances where the trustee is not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by surrendering the relevant **Member Policy Component** or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the individual's **Policy Value** plus any **Capital Distribution Amount**.

- (c) When the **Scheme** is implemented:

- (i) each **Member Policy Component's Policy Value** as at the **Implementation Date** will be increased to produce an **Uplifted Policy Value**;
- (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**); and
- (iii) any **With-Profits Switching Rights** will be removed.

- (d) After the **Scheme** is implemented:

- (i) if an individual takes their benefits in any circumstances, the benefits payable will be the total value of the **Member Policy Component's Units** in the **Unit-Linked Fund(s)** at the date that the benefits are taken;
- (ii) if the individual dies there would also be payable in addition to (i) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and
- (iii) it will no longer be possible to exercise **With-Profits Switching Rights**.

17.2 International Personal Pension Plans – written in GBP or US Dollar

- (a) General Notes:

- (i) these policies are contracts between individuals and the **Equitable**; and
- (ii) these policies allow contributions to be made on a with-profits or unit-linked investment approach, and some include **With-Profits Switching Rights**.

- (b) Currently:
- (i) if an individual takes their benefits in circumstances where the individual is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by making a withdrawal on or after a specified date), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the **Scheme Policy's Guaranteed Fund**; and
 - (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**; and
 - (ii) if an individual takes their benefits in circumstances where they are not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by making a withdrawal on or after a specified date), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the individual's **Policy Value** plus any **Capital Distribution Amount**.
- (c) When the **Scheme** is implemented:
- (i) each **Scheme Policy's Policy Value** as at the **Implementation Date** will be increased to produce an **Uplifted Policy Value**;
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**); and
 - (iii) any **With-Profits Switching Rights** will be removed.
- (d) After the **Scheme** is implemented:
- (i) if an individual takes their benefits in any circumstances, the benefits payable will be the total value of the **Scheme Policy's Units** in the **Unit-Linked Fund(s)** at the date that the benefits are taken; and
 - (ii) it will no longer be possible to exercise **With-Profits Switching Rights**.

17.3 International Flexible Protection Plans – written in GBP or US Dollar

- (a) General Notes:
- (i) these policies are contracts between individual **Policyholders** and the **Equitable**;
 - (ii) they provide life cover for a defined period and allow **Policyholders** to make with-profits investments during that period; and
 - (iii) their terms can be reviewed and extended.

- (b) Currently:
- (i) if a **Policyholder** withdraws their accumulated fund in circumstances where the **Policyholder** is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by making a withdrawal at the end of the policy's term), the amount payable has a guaranteed minimum value. This will be the higher of (all or the relevant part of):
 - (A) the **Scheme Policy's Guaranteed Fund**; and
 - (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**;
 - (ii) if a **Policyholder** withdraws only part of their accumulated fund, then the value of the relevant **Scheme Policy's Guaranteed Fund** and **Policy Value** will be reduced by an appropriate amount;
 - (iii) if a **Policyholder** dies before the end of the policy term, the amount payable will be the higher of (depending on the particular **Policyholder's** terms):
 - (A) the **Scheme Policy's Guaranteed Fund** at the date of death;
 - (B) the **Scheme Policy's Policy Value** at the date of death plus any **Capital Distribution Amount**; and
 - (C) any guaranteed minimum death benefit;
 - (iv) if a **Policyholder** withdraws their accumulated fund in circumstances where the **Policyholder** is not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by surrendering the policy), the amount payable will not have a guaranteed minimum value. The amount payable will be the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**; and
 - (v) if the **Scheme Policy's Policy Value** reduces to nil then premiums will increase.
- (c) When the **Scheme** is implemented:
- (i) the **Scheme Policy's Policy Value** as at the **Implementation Date** will be calculated and increased to produce an **Uplifted Policy Value**; and
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**).

- (d) After the **Scheme** is implemented:
 - (i) if an individual takes their benefits at any time, the amount payable will be the value of the **Units** in the **Unit-Linked Fund(s)** at that date;
 - (ii) if a **Policyholder** dies before the end of the policy term, the amount payable will be the higher of (depending on the particular **Policyholder's** terms):
 - (A) the value of the **Units** in the **Unit-Linked Fund(s)** as at the date of death; and
 - (B) any guaranteed minimum death benefit; and
 - (iii) **Units** in the **Unit-Linked Fund(s)** will be cancelled from time to time (where required) to reflect changes in mortality costs. If this reduces the **Policy Value** to nil then premiums will increase.

17.4 International Investment Plans – written in GBP or US Dollar

- (a) General Notes:
 - (i) these policies are contracts between individuals and the **Equitable**; and
 - (ii) some of these policies allow contributions to be made on a with-profits or unit-linked investment approach, and some include **With-Profits Switching Rights**.
- (b) Currently:
 - (i) if an individual takes their benefits in circumstances where the individual is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by making a withdrawal on or after a specified date), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the **Scheme Policy's Guaranteed Fund**; and
 - (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**; and
 - (ii) if an individual takes their benefits in circumstances where they are not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by making a withdrawal on or after a specified date), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the individual's **Policy Value** plus any **Capital Distribution Amount**.

- (c) When the **Scheme** is implemented:
 - (i) each **Scheme Policy's Policy Value** as at the **Implementation Date** will be increased to produce an **Uplifted Policy Value**;
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**); and
 - (iii) any **With-Profits Switching Rights** will be removed.
- (d) After the **Scheme** is implemented:
 - (i) if an individual takes their benefits in any circumstances, the benefits payable will be the total value of the **Scheme Policy's Units** in the **Unit-Linked Fund(s)** at the date that the benefits are taken; and
 - (ii) it will no longer be possible to exercise **With-Profits Switching Rights**.

17.5 Guernsey / Jersey Personal Pension Plans

- (a) General Notes:
 - (i) these policies are contracts between individuals and the **Equitable**; and
 - (ii) these policies allow contributions to be made on a with-profits or unit-linked investment approach, and some include **With-Profits Switching Rights**.
- (b) Currently:
 - (i) if an individual takes their benefits in circumstances where the individual is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example on retirement or death), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the **Scheme Policy's Guaranteed Fund**; and
 - (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**;
 - (ii) if an individual takes their benefits in circumstances where they are not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by surrendering the relevant **Scheme Policy** or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the individual's **Policy Value** plus any **Capital Distribution Amount**.

- (c) When the *Scheme* is implemented:
- (i) each *Scheme Policy's Policy Value* as at the *Implementation Date* will be increased to produce an *Uplifted Policy Value*;
 - (ii) the *Uplifted Policy Value* will be exchanged for *Units* in a *Unit-Linked Fund(s)* (either as chosen by the *Scheme Policyholder* or, if no choice is made, under the *Automatic Investment Option*); and
 - (iii) any *With-Profits Switching Rights* will be removed.
- (d) After the *Scheme* is implemented:
- (i) if an individual takes their benefits in any circumstances, the benefits payable will be the total value of the *Scheme Policy's Units* in the *Unit-Linked Fund(s)* at the date that the benefits are taken; and
 - (ii) it will no longer be possible to exercise *With-Profits Switching Rights*.

IRISH PRODUCTS

18. IRISH PERSONAL PENSION PLAN

- (a) General Notes:
- (i) these policies are contracts between individuals and the *Equitable*;
 - (ii) these policies allow contributions to be made on a with-profits or unit-linked investment approach, and some include *With-Profits Switching Rights*.
- (b) Currently:
- (i) if an individual takes their benefits in circumstances where the individual is entitled to rely on the contractual guarantees in the relevant *Scheme Policy* (for example on retirement or death), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the *Scheme Policy's Guaranteed Fund*; and
 - (B) the *Scheme Policy's Policy Value* plus any *Capital Distribution Amount*;
 - (ii) if an individual takes their benefits in circumstances where they are not entitled to rely on the contractual guarantees in the relevant *Scheme Policy* (for example, by surrendering the relevant *Scheme Policy* or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the *Equitable* and is currently the individual's *Policy Value* plus any *Capital Distribution Amount*.

- (c) When the *Scheme* is implemented:
- (i) each *Scheme Policy's Policy Value* as at the *Implementation Date* will be increased to produce an *Uplifted Policy Value*;
 - (ii) the *Uplifted Policy Value* will be exchanged for *Units* in a *Unit-Linked Fund(s)* (either as chosen by the *Scheme Policyholder* or, if no choice is made, under the *Automatic Investment Option*); and
 - (iii) any *With-Profits Switching Rights* will be removed.
- (d) After the *Scheme* is implemented:
- (i) if an individual takes all or part of their benefits in any circumstances, the benefits payable will be (all or part of) the total value of the *Scheme Policy's Units* in the *Unit-Linked Fund(s)* at the date that the benefits are taken;
 - (ii) it will no longer be possible to exercise *With-Profits Switching Rights*.

19. IRISH INDIVIDUAL PENSIONS

- (a) General Notes:
- (i) these are contracts between trustees of pension schemes and the *Equitable*; or
 - (ii) policies between individuals and the *Equitable*; these policies allowed an employer to accumulate pension benefits on a "money purchase" basis for specific employees; and
 - (iii) these had some variations in benefits (mentioned briefly below where relevant) but key provisions and the *Scheme's* effect on them are essentially similar; and
 - (iv) some include *With-Profits Switching Rights*.
- (b) Currently:
- (i) if a trustee or individual takes their benefits in circumstances where they are entitled to rely on the contractual guarantees in the relevant *Member Policy Component* or *Scheme Policy* (for example on retirement or death), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the *Member Policy Component* or *Scheme Policy's Guaranteed Fund*; and
 - (B) the *Member Policy Component* or *Scheme Policy's Policy Value* plus any *Capital Distribution Amount*;
 - (ii) if an individual dies, there would also be payable to the trustee, in addition to (a) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and

- (iii) if a trustee or individual takes their pension benefits in circumstances where the trustee is not entitled to rely on the contractual guarantees in the relevant **Member Policy Component** or **Scheme Policy** (for example, by surrendering the relevant **Scheme Policy** or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the **Member Policy Component** or the individual's **Policy Value** plus any **Capital Distribution Amount**.
- (c) When the **Scheme** is implemented:
- (i) Each **Member Policy Component** or **Scheme Policy's Policy Value** as at the **Implementation Date** will be increased to produce an **Uplifted Policy Value**;
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**); and
 - (iii) any **With-Profits Switching Rights** will be removed.
- (d) After the **Scheme** is implemented:
- (i) if a trustee or individual takes all or part of their benefits in any circumstances, the benefits payable will be (all or part of) the total value of the **Member Policy Component** or **Scheme Policy's Units** in the **Unit-Linked Fund(s)** at the date that the benefits are taken;
 - (ii) if an individual dies there would be also payable to the individual, in addition to (a) above, any insured benefit, such as a without-profits life insurance death benefit of a specified amount; and
 - (iii) it will no longer be possible to exercise **With-Profits Switching Rights**.

20. IRISH PERSONAL RETIREMENT BOND

- (a) General Notes:
- (i) these are contracts between individual policyholders and the **Equitable**;
 - (ii) these policies allowed trustees to accumulate pension benefits on a "money purchase" basis; and
 - (iii) they were purchased by one lump sum premium, representing the individual member's transfer value out of the occupational pension scheme.
- (b) Currently, the following benefits are payable for each **Scheme Policy**:

- (i) if the individual policyholder takes their benefits in circumstances where they are entitled to rely on the contractual guarantees in the relevant **Scheme Policy** the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the **Scheme Policy's Guaranteed Fund**; and
 - (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**;
 - (ii) if the **Policyholder** takes their pension benefits in circumstances where they are not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by surrendering the relevant **Scheme Policy** or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the **Policy Value** plus any **Capital Distribution Amount**.
- (c) When the **Scheme** is implemented:
- (i) each **Scheme Policy's Policy Value** as at the **Implementation Date** will be increased to produce an **Uplifted Policy Value**;
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**); and
 - (iii) any **With-Profits Switching Rights** will be removed.
- (d) After the **Scheme** is implemented:
- (i) if the individual **Policyholder** takes all or part of their benefits in any circumstances, the benefits payable will be (all or part of) the total value of the **Scheme Policy's Units** in the **Unit-Linked Fund(s)** at the date that the benefits are taken; and
 - (ii) it will no longer be possible to exercise **With-Profits Switching Rights**.

21. IRISH FLEXIBLE INCOME PLAN

- (a) General Notes:
- (i) these are contracts between individual policyholders and the **Equitable**;
 - (ii) the policies allow individuals to manage the way in which their accumulated pension fund is paid out via investment in an Irish Approved Minimum Retirement Fund (AMRF) or Approved Retirement Fund (ARF) managed by the **Equitable**; and

- (iii) they include **With-Profits** segments and **Unit-Linked** segments. Separate policies will be issued for AMRF and ARF investments.

(b) Currently:

- (i) if an individual takes some or all of their benefits in circumstances where the individual is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example on death), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the appropriate proportion of the **Scheme Policy's Guaranteed Fund**; and
 - (B) the appropriate proportion of the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**; and

- (ii) if an individual takes their pension benefits in circumstances where the individual is not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by surrendering the relevant **Scheme Policy** or encashing the policy other than on anniversaries or in proportions not provided contractually), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the **Equitable** and is currently the individual's **Policy Value** plus any **Capital Distribution Amount**.

(c) When the **Scheme** is implemented:

- (i) each **Scheme Policy's Policy Value** as at the **Implementation Date** will be increased to produce an **Uplifted Policy Value**; and
- (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**).

(d) After the **Scheme** is implemented:

- (i) if an individual takes their benefits in any circumstances, the benefits payable will be the total value of the **Scheme Policy's Units** in the **Unit-Linked Fund(s)** at the date that the benefits are taken.

22. IRISH MAJOR MEDICAL CASH PLAN

(a) General Notes:

- (i) these policies are contracts between individual policyholders and the **Equitable**;
- (ii) they provide insurance for medical expenses during a defined period; and
- (iii) their terms can be reviewed and extended.

(b) Currently:

- (i) if a specified medical event happens resulting in certain specified surgery being carried out that results in a valid claim, then the appropriate benefit will be payable;
- (ii) if a **Policyholder** survives to the end of the policy's term or dies during the policy's term, then the amount payable will be the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**; and
- (iii) the **Scheme Policy's Policy Value** will be adjusted from time to time (where required) to reflect changes in medical benefit costs. If this reduces the **Policy Value** to a value that is not sufficient then premiums will increase.

(c) When the **Scheme** is implemented:

- (i) the **Scheme Policy's Policy Value** as at the **Implementation Date** will be calculated and increased to produce an **Uplifted Policy Value**; and
- (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**).

(d) After the **Scheme** is implemented:

- (i) if a specified medical event happens that results in a valid claim, then the appropriate benefit will be payable;
- (ii) if a **Policyholder** survives to the end of the policy's term or dies during the policy's term, then the amount payable will be the value of the **Units** in the **Unit-Linked Fund(s)**; and
- (iii) **Units** in the **Unit-Linked Fund** will be cancelled from time to time (where required) to reflect changes in medical benefit costs. If this reduces the **Policy Value** to nil then premiums will increase.

23. IRISH FLEXIBLE PROTECTION PLAN

(a) General Notes:

- (i) these policies are contracts between individual policyholders and the **Equitable**;
- (ii) they provide life cover for a defined period and allow policyholders to make with-profits investments during that period, some of which may provide for a variety of options for further investment and flexibility of life cover; and
- (iii) their terms can be reviewed and extended.

- (b) Currently:
- (i) if a **Policyholder** takes their accumulated fund in circumstances where the **Policyholder** is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, at the end of the policy's term), the amount payable has a guaranteed minimum value. This will be the higher of (all or the relevant part of):
 - (A) the **Scheme Policy's Guaranteed Fund**; and
 - (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**;
 - (ii) if a **Policyholder** takes only part of their accumulated fund, then the value of the relevant **Scheme Policy's Guaranteed Fund** and **Policy Value** will be reduced by an appropriate amount;
 - (iii) if a **Policyholder** dies before the end of the policy term, the amount payable will be the higher of:
 - (A) the **Scheme Policy's Guaranteed Fund** at the date of death;
 - (B) the **Scheme Policy's Policy Value** at the date of death plus any **Capital Distribution Amount**; and
 - (C) any guaranteed minimum death benefit;
 - (iv) if a **Policyholder** takes their accumulated fund in circumstances where the **Policyholder** is not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by surrendering the policy), the amount payable will not have a guaranteed minimum value. The amount payable will be the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**; and
 - (v) if the level of premium reviewed by the **Society** is regarded as adequate, the plan continues for the same sum assured and premium. If the level of the premium is inadequate on such a review, the sum assured is reduced or the premium may be increased to maintain the sum assured.
- (c) When the **Scheme** is implemented:
- (i) the **Scheme Policy's Policy Value** as at the **Implementation Date** will be calculated and increased to produce an **Uplifted Policy Value**; and
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**).
- (d) After the **Scheme** is implemented:

- (i) if an individual takes their benefits at any time before death, the amount payable will be the value of the **Units** in the **Unit-Linked Fund(s)** at that date;
- (ii) if a **Policyholder** dies before the end of the policy term, the amount payable will be the higher of:
 - (A) the value of the **Units** in the **Unit-Linked Fund(s)** as at the date of death; and
 - (B) any guaranteed minimum death benefit; and
- (iii) **Units** in the **Unit-Linked Fund(s)** will be cancelled from time to time (where required) to reflect changes in mortality costs (as applicable). If this reduces the **Policy Value** to nil then premiums will increase.

24. IRISH WITH-PROFITS BOND

- (a) General Notes:
- (i) these are contracts between individual **Policyholders** and the **Equitable**; and
 - (ii) they allow **Policyholders** to make investments on a with-profits basis and to make partial withdrawals from time to time without losing the benefit of investment guarantees.
 - (iii) their terms can be reviewed and extended.
- (b) Currently:
- (i) if a **Policyholder** withdraws all or part of their accumulated fund in circumstances where the **Policyholder** is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by making a withdrawal on or after a specified date), the amount payable has a guaranteed minimum value. This will be the higher of (all or the relevant part of):
 - (A) the **Scheme Policy's Guaranteed Fund**; and
 - (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**;
 - (ii) if a **Policyholder** withdraws only part of their accumulated fund, then the value of the relevant **Scheme Policy's Guaranteed Fund** and **Policy Value** will be reduced by an appropriate amount;
 - (iii) if a **Policyholder** dies before withdrawing all of their accumulated fund, the amount payable will be the higher of (depending on the particular **Policyholder's** terms):
 - (A) the **Scheme Policy's Guaranteed Fund** at the date of death;
 - (B) the **Scheme Policy's Policy Value** at the date of death plus any **Capital Distribution Amount**; and

- (C) any guaranteed minimum death benefit; and
- (iv) if a **Policyholder** withdraws all or part of their accumulated fund in circumstances where the **Policyholder** is not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by making a withdrawal before a specified date), the amount payable will not have a guaranteed minimum value. The amount payable will be (all or the relevant part of) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**.
- (c) When the **Scheme** is implemented:
 - (i) the **Scheme Policy's Policy Value** as at the **Implementation Date** will be calculated and increased to produce an **Uplifted Policy Value**; and
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**).
- (d) After the **Scheme** is implemented:
 - (i) a **Policyholder** can at any time withdraw all or part of their accumulated fund, which will be the value of the **Units** in the **Unit-Linked Fund(s)** as at the date of withdrawal. If a **Policyholder** withdraws part of their accumulated fund, then **Units** of this value in the **Unit-Linked Fund(s)** will be cancelled; and
 - (ii) if a **Policyholder** dies before withdrawing all of their accumulated fund, the amount payable will be the higher of (depending on the particular policyholder's terms):
 - (A) the value of the **Units** in the **Unit-Linked Fund(s)** as at the date of death; and
 - (B) any guaranteed minimum death benefit.

25. IRISH REGULAR SAVINGS PLAN

- (a) General Notes:
 - (i) these are contracts between individual **Policyholders** and the **Equitable**; and
 - (ii) they allow **Policyholders** to make regular investments on a with-profits basis and to make partial withdrawals at certain specific times without losing the benefit of guaranteed returns on their investments.

- (b) Currently:
 - (i) if a **Policyholder** withdraws all or part of their accumulated fund in circumstances where the **Policyholder** is entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by making a withdrawal on a specific anniversary date of the **Scheme Policy's** start date), the amount payable has a guaranteed minimum value. This will be the higher of (all or the relevant part of):
 - (A) the **Scheme Policy's Guaranteed Fund**; and
 - (B) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**;
 - (ii) if a **Policyholder** withdraws only part of their accumulated fund, then the value of the relevant **Scheme Policy's Guaranteed Fund** and **Policy Value** will be reduced by an appropriate amount;
 - (iii) if a **Policyholder** dies before withdrawing all of their accumulated fund, the amount payable will be the higher of (depending on the particular **Policyholder's** terms):
 - (A) the **Scheme Policy's Guaranteed Fund** at the date of death;
 - (B) the **Scheme Policy's Policy Value** at the date of death plus any **Capital Distribution Amount**; and
 - (iv) if a **Policyholder** withdraws all or part of their accumulated fund in circumstances where the **Policyholder** is not entitled to rely on the contractual guarantees in the relevant **Scheme Policy** (for example, by making a withdrawal on a date that is not a specific anniversary date of the **Scheme Policy's** start date), the amount payable will not have a guaranteed minimum value. The amount payable will be (all or the relevant part of) the **Scheme Policy's Policy Value** plus any **Capital Distribution Amount**.
- (c) When the **Scheme** is implemented:
 - (i) the **Scheme Policy's Policy Value** as at the **Implementation Date** will be calculated and increased to produce an **Uplifted Policy Value**; and
 - (ii) the **Uplifted Policy Value** will be exchanged for **Units** in a **Unit-Linked Fund(s)** (either as chosen by the **Scheme Policyholder** or, if no choice is made, under the **Automatic Investment Option**).

- (d) After the *Scheme* is implemented:
- (i) a *Policyholder* can at any time withdraw all or part of their accumulated fund, which will be the value of the *Units* in the *Unit-Linked Fund(s)* as at the date of withdrawal. If a *Policyholder* withdraws part of their accumulated fund, then *Units* of this value in the *Unit-Linked Fund(s)* will be cancelled;
 - (ii) if a *Policyholder* dies before withdrawing all of their accumulated fund, the amount payable will be the higher of (depending on the particular *Policyholder's* terms):
 - (A) the value of the *Units* in the *Unit-Linked Fund(s)* as at the date of death; and
 - (B) any guaranteed minimum death benefit.

(B) the *Member Policy Component's Policy Value* plus any *Capital Distribution Amount*,

- (ii) if an individual dies, before taking retirement benefits, there would also be payable in addition to (i) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and
- (iii) if an individual takes their pension benefits in circumstances where the trustee is not entitled to rely on the contractual guarantees in the relevant *Member Policy Component* (for example, by surrendering the relevant *Member Policy Component* or transferring out of the relevant scheme), the benefits payable will not have a guaranteed minimum value. The amount payable is at the discretion of the *Equitable* and is currently the *Member Policy Component's Policy Value* plus any *Capital Distribution Amount*.

26. IRISH GROUP PENSION PRODUCTS

- (a) General Notes:
- (i) these policies are contracts between trustees of group pension schemes and the *Equitable*. Individual scheme members generally have no contractual relationship with the *Equitable* regarding their pension, and so their membership of a group pension scheme doesn't give them a vote on the *Proposal*;
 - (ii) group pension products insure liabilities that scheme trustees have to pay individual pension scheme members;
 - (iii) group pension products relate to trustees' liability to the whole pension scheme, but benefits are calculated and paid to trustees in relation to each member (i.e. for each *Member Policy Component*); and
 - (iv) some group pension products allow contributions to be made on a with-profits or unit-linked investment approach, and some include *With-Profits Switching Rights*.

- (b) When the *Scheme* is implemented:
- (i) each *Member Policy Component's Policy Value* as at the *Implementation Date* will be increased to produce an *Uplifted Policy Value*;
 - (ii) the *Uplifted Policy Value* will be exchanged for *Units* in a *Unit-Linked Fund(s)* (either as chosen by the *Scheme Policyholder* or, if no choice is made, under the *Automatic Investment Option*); and
 - (iii) any *With-Profits Switching Rights* will be removed.
- (c) After the *Scheme* is implemented:

- (i) if an individual takes their benefits in any circumstances, the benefits payable will be the total value of the *Member Policy Component's Units* in the *Unit-Linked Fund(s)* at the date that the benefits are taken;
- (ii) if the individual dies before taking retirement benefits there would also be payable in addition to (i) above, any insured benefit, such as a surviving spouse annuity or a without-profits life insurance death benefit of a specified amount; and
- (iii) it will no longer be possible to exercise *With-Profits Switching Rights*.

26.1 Group Additional Voluntary Contributions Plan and Group Money Purchase Plan

- (a) Currently the following benefits are provided to trustees for each *Member Policy Component* for with-profits investments:
- (i) if an individual takes their benefits in circumstances where the trustee is entitled to rely on the contractual guarantees in the relevant *Member Policy Component* (for example on retirement or death), the benefits payable have a guaranteed minimum value. The amount payable will be the higher of:
 - (A) the *Member Policy Component's Guaranteed Fund*; and

Appendix IV

Details of the change to Unit Linked Funds

After the *Implementation Date*, all *Scheme Policies* will become *Unit-Linked Policies* with the underlying investment in the policy being in a *Unit-Linked Fund*. This section explains what *Unit-Linked Policies* are and how the change from *With-Profits Policies* to *Unit-Linked Policies* will work.

1. What is a Unit-Linked Fund?

- 1.1 A *Unit-Linked Fund* is a notional fund maintained in the insurer's records for the purpose of calculating the benefits payable under each *Unit-Linked Policy*. The insurer offers a number of different *Unit-Linked Funds* to *Unit-Linked Policyholders* and you can choose which fund is right for you.
- 1.2 The *Unit-Linked Funds* are managed in accordance with *FCA* regulations and industry best practice.
- 1.3 The aim of *Unit-Linked Funds* is to provide an investment return on your investment. Some *Unit-Linked Funds* invest in assets or investments which are considered to be low risks but are likely to provide a lower return than those with higher risk. Details of the different *Unit-Linked Funds* offered by the *Equitable* (and which would be available from *Utmost* if the *Transfer* goes ahead), including the investment profile and risk of each fund, can be found in the *Investment Choice Pack* to be sent to *Scheme Policyholders* shortly. These will also be available on our *Website*. It's important you make choices which reflect how you feel about risk over the timeframe you're planning to invest for.
- 1.4 Each *Unit-Linked Fund* is divided into *Units*. The fund will hold enough *Units* on a daily basis to cover all the *Units* allocated to *Policyholder's Unit-Linked Policies*. Each *Unit-Linked Fund* has a daily price calculated in accordance with *FCA* regulations and industry best practice.

2. What is a Unit-Linked Policy?

- 2.1 A *Unit-Linked Policy* creates a direct link between the liability of the insurer to each *Unit-Linked Policyholder* and the value of that *Unit-Linked Policyholder's Units*.
- 2.2 *Units* are notional shares of a *Unit-Linked Fund*. As the value of each *Unit-Linked Fund* may go up or down the liability of the insurer to each *Unit-Linked Policyholder* can also change. The value of a *Unit-Linked Policy* is not guaranteed. Although *Unit-Linked Policyholders* do not own any part of a *Unit-Linked Fund* or its related accounts, the assets backing these liabilities are held in separate custody accounts.
- 2.3 The insurer has the right to deduct certain annual charges from *Unit-Linked Policyholders* to cover its management expenses and other investment costs relating to the *Unit-Linked Funds*. These charges are reflected in the *Unit Price*. Charges are reviewed at least annually to make sure they are fair.

3. How are Units allocated?

- 3.1 *Unit-Linked Policyholders'* premiums are used to purchase *Units* in accordance with the terms of the relevant *Unit-Linked Policies*. The insurer maintains a separate account in its records for each *Unit-Linked Policy*. Each account records the number of *Units* allocated to that *Unit-Linked Policy*. *Unit-Linked Policyholders* may request that the insurer change the *Unit-Linked Funds* to which *Units* in their *Unit-Linked Policy* account are allocated. Subject to any restrictions or charges contained in the relevant *Unit-Linked Policy*, *Unit-Linked Policyholders* can request:
 - (a) to be allocated *Units* in a particular *Unit-Linked Fund* in return for payment of premiums. These *Units* will then be added to the *Unit-Linked Policy's* account;
 - (b) to sell 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 is then reflected in the *Unit-Linked Policy's* account; and/or
 - (c) to surrender all, or part, of the benefits secured by their *Unit-Linked Policy*, subject to the specific terms of their *Unit-Linked Policy*. Upon full or partial surrender, the *Unit-Linked Policyholder* is paid an amount equal to the total value of the surrendered *Units*. The number of *Units* contained in the *Unit-Linked Policy's* account is then reduced by the number of *Units* surrendered.

4. How are Units valued?

- 4.1 The insurer calculates the price of each *Unit* in accordance with *FCA* regulations and industry best practice, taking into account any charges and expenses. In high-level terms, it is the total value of the relevant *Unit-Linked Fund* divided by the number of *Units* in that fund. To achieve best practice there are certain elements of discretion used and these are outlined in the Guide to Unit-Linked Funds on the website at www.equitable.co.uk.
- 4.2 The value of *Units* will go up or down depending on the performance of the investments held by the *Unit-Linked Fund* each day.

- 4.3 The *Unit-Linked Funds* are priced each working day at 12.00 pm. Our *Website* (and after the *Implementation Date*, *Utmost's* website) will be updated with the new price overnight and is available to view the following day.
- 4.4 The total value of all *Units* in a *Unit-Linked Policy's* account represents the total amount available to pay the *Unit-Linked Policyholder's* entitlements under the relevant *Unit-Linked Policy*. This amount does not include any *Insurance Event Benefits* which are not affected by the *Scheme*.

5. The change to your Policy from with-profits to unit-linked

- 5.1 If you are a *Scheme Policyholder*, you will receive an *Investment Choice Pack* shortly with more detail about the *Unit-Linked Funds* offered by the *Equitable*.
- 5.2 If you move your benefits away from the *Equitable* or switch them to *Unit-Linked Funds* before the *Implementation Date*, you will not receive the *Uplift*. You do not have to keep your benefits invested with the *Equitable* and, subject to the terms of your policy, you can choose, at any point before or after the *Implementation Date*, to transfer your benefits away from the *Equitable*, for example, to a provider of with-profits benefits.
- 5.3 We encourage you to read the information in the *Investment Choice Pack* carefully and, if you wish to keep your benefits invested with the *Equitable*, choose the *Unit-Linked Fund(s)* which you consider appropriate for your investment needs. This is a personal decision and it is important that you exercise your choice. You also have the right to change your choice at any time in the future.

6. Choice of Unit-Linked Funds

- 6.1 The *Investment Choice Pack* contains an *Investment Choice Form* which you can use to tell us which *Unit-Linked Fund(s)* you choose to invest in.
- 6.2 If the *Equitable* receives your choice on the *Investment Choice Form* before 13 December 2019, the *Units* relating to your *Scheme Policy* will be allocated in accordance with the instructions contained in your form. This will happen as soon as reasonably practicable, having regard to, among other things, market conditions.
- 6.3 You can request a change to your choice of *Unit-Linked Funds* at any time.

7. What happens if you do not exercise your choice?

- 7.1 If the *Equitable* doesn't receive your choice of *Unit-Linked Fund(s)* on the *Investment Choice Form* before 13 December 2019, then after the *Implementation Date* your *Unit-Linked Policy* will be invested in the *Secure Cash Investment* for six months and then gradually transition to the *Automatic Investment Option* over the following six months. Your *Unit-Linked Policy* will also be invested in this way if your completed *Investment Choice Form* is submitted before this date but the instructions on it are illegible or unclear.
- 7.2 The *Automatic Investment Option* provides a default investment strategy depending on your type of policy and, for most policy types, your age. It is not tailored for any individual or group(s) of *Scheme Policyholders*. We encourage you to actively consider your needs and make your own choice of *Unit-Linked Fund(s)* which is appropriate for you, rather than relying on this default.

8. Exit from the Automatic Investment Option

- 8.1 It is important to remember that, at any time, you can submit an *Investment Choice Form* or such form as *Utmost* may from time to time make available for these purposes, after which the affected *Scheme Policies* shall as soon as reasonably practicable (having regard to, among other things, market conditions) be removed from the *Automatic Investment Option* and allocated to the selected *Unit-Linked Fund(s)* in accordance with the instructions in those forms.

9. Allocation to the Automatic Investment Option

- 9.1 If your *Scheme Policy* is invested in accordance with the *Automatic Investment Option*, the uplifted value of each *Scheme Policy* shall as soon as reasonably practicable be applied to purchase *Units* in the *Secure Cash Investment*. Your *Scheme Policy* will remain invested in the *Secure Cash Investment* for six months after the *Implementation Date*. Further detail on the *Secure Cash Investment* is available in the *Investment Choice Pack*.
- 9.2 After six months following the *Implementation Date*, the *Secure Cash Investment Units* shall (subject to market conditions from time to time) be sold gradually and the value of the sold *Units* shall be applied to purchase *Units* in *Automatic Investment Option Funds* described below. This shall be done with the objective that, by the end of this second six month period, all *Units* in the *Secure Cash Investment* shall have been sold and replaced with *Units* in the relevant *Automatic Investment Option Funds*.

9.3 The *Unit Price* of *Secure Cash Investment Units* will not reduce below the level at the *Implementation Date*, but the value of these *Units* may be eroded by the effects of inflation. You can remove your *Scheme Policy* from the *Automatic Investment Option* at any point.

10. Automatic Investment Option Funds

10.1 *Automatic Investment Option Funds* vary by policy type and policyholder age. They are not tailored for any individual *Scheme Policyholders*, although they are intended to be suitable for a typical policyholder that may enter the *Automatic Investment Option*. This is why we encourage you to make your own choice of *Unit-Linked Fund(s)*, based on your needs and personal circumstances, rather than relying on this default.

10.2 The *Automatic Investment Option Funds* are the following: the *Irish Managed Fund*, the *Multi-Asset Moderate Fund*, the *Multi-Asset Cautious Fund*, the *Money Market Fund*, the *USD Global Equity Fund* and the *USD Global Bond Fund*. Further detail on each of these funds is available in your *Investment Choice Pack*.

10.3 The *Automatic Investment Option Funds* to which *Scheme Policies* in the *Automatic Investment Option* are allocated (after an initial six month period in the *Secure Cash Investment*) will be as follows:

- (a) Life policies are allocated to the *Multi-Asset Moderate Fund*.
- (b) *International Dollar Policies* are allocated as follows:
 - (i) 60% of the value of the relevant *Scheme Policy* is allocated to the *USD Global Equity Fund*; and
 - (ii) 40% of the value of the relevant *Scheme Policy* is allocated to the *USD Global Bond Fund*.
- (c) *Irish With-Profits Policies* are allocated to the *Irish Managed Fund*.

10.4 *Pension Policies* (and, for *Group Pension Policies, Member Policy Components*) are allocated to *Automatic Investment Option Funds* depending on the age of the *Policyholder*.

- (a) Aged under 55 years: The *Units* allocated to a person of this age shall be in the *Multi-Asset Moderate Fund* only.
- (b) Aged between 55 and 65 years: There is a gradual allocation from the *Multi-Asset Moderate Fund* to the *Multi-Asset Cautious Fund*.
- (c) Aged between 65 and 75 years: *Units* shall be allocated to the *Multi-Asset Cautious Fund* only.
- (d) Aged between 75 and 85 years: There is a gradual allocation from the *Multi-Asset Cautious Fund* to the *Money Market Fund*.
- (e) Aged over 85 years: *Units* shall be allocated to the *Money Market Fund* only.

10.5 More detail on the general objectives for *Pension Policies* in the *Automatic Investment Option* is contained in Schedule 2 of the *Scheme Document*, in Appendix V.

10.6 We will send you an *Investment Choice Pack* in the near future, which will provide you with details of these funds. If you did not make a choice, your investment would automatically be allocated to the *Automatic Investment Option* for your policy.

Appendix V
The Scheme Document

[Claim Number]

**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 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 Sub-Policy Value means 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);

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 10th 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) 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;
- (b) 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 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, TNI IRG;

Recent Policy Increase Amount means, in relation to a Scheme 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, in relation to each Scheme Policy, the sum of its Eligible Sub-Policy Values plus:

- (a) its Policy Uplift Amount; and
- (b) its Recent Policy Increase 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, 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.

Appendix VI Summary of the Policyholder Independent Expert's Report



High Court of Justice

Summary Report of the Independent Expert in relation to the proposed Scheme of Arrangement under Part 26 of the Companies Act 2006

High Court of Justice

Equitable Life Assurance Society

Summary Report of the Independent Expert in relation to the proposed Scheme of Arrangement under Part 26 of the Companies Act 2006

KPMG LLP

This summary report contains 33 pages including appendices.



High Court of Justice

Summary Report of the Independent Expert in relation to the proposed Scheme of Arrangement under Part 26 of the Companies Act 2006

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1 Introduction

1.1 Introduction

In order to ensure continuing solvency, the Society must hold back assets in order to meet its statutory capital requirements. Since the Society is in *run-off*, the requirement to hold these assets back means that it will become difficult to distribute assets fairly and quickly amongst the with-profits policyholders over time. In addition, as the number of policies reduce, it becomes difficult to reduce expenses in line with how policies *run-off*, and expenses per policy could rise.

Equitable Life Assurance Society ('ELAS' or 'the Society' or 'Equitable Life') has therefore proposed a Scheme of Arrangement ('the *Scheme*') under Part 26 of the Companies Act 2006 to convert the UK and Irish ELAS with-profits policies into unit-linked policies. Additionally, ELAS has proposed that Utmost Life and Pensions becomes the sole *Member* of ELAS via a change in the articles of association, and that almost all of the policies in ELAS will be transferred to Utmost Life and Pensions via a *Part VII Transfer* under the Financial Services and Markets Act 2000. This transfer is considered by another Independent Expert, and does not form part of my scope. Irish law governed and German law governed policies are excluded from the *Part VII Transfer* and will remain in ELAS.

In return for giving up their right to a future claim on with-profits assets and any valuable *Investment Guarantees*, and being converted to unit-linked, with-profits *Scheme Policyholders* will receive an uplift to their policy. Note that throughout this report, when 3.5% Guaranteed Investment Return ('GIR') policies are referred to in the text, those references also relate to the few 2.5% GIR policies that exist.

If the required majorities of *Scheme Creditors* vote in favour of the *Scheme*, and *Members* vote to change the articles of association, and the transfer goes ahead, then it would have the following impacts on:

UK, Irish and International with-profits policyholders:

- *Investment Guarantees*, including any guaranteed increases, will be removed
- some guarantees (e.g. Guaranteed Minimum Pensions) will be maintained
- policies will be converted to unit-linked
- *Members* of the Society will, as a result of the conversion to unit-linked policies and the change in the articles of association, lose all membership rights
- the unit-linked policies will have a value reflecting the value of their policy enhanced by a fair share of assets available for distribution
- policyholders will be offered a choice of investment options for their new unit-linked policies
- Utmost Life and Pensions will become the sole *Member* of ELAS
- UK and international business (i.e. policies written for residents of Guernsey, Jersey and other countries outside of the UK, Germany and Ireland) will be transferred to Utmost Life and Pensions under the *Part VII Transfer*.



High Court of Justice

Summary Report of the Independent Expert in relation to the proposed Scheme of Arrangement under Part 26 of the Companies Act 2006

German UK-style with-profits policyholders (not part of the Scheme):

These policies are German with-profits policies which are issued under German law with benefits and rights to participate in the profits and losses of ELAS in a similar way to UK with-profits policies in-force as at the *Implementation Date*.

Although not part of the *Scheme*, if the *Scheme* goes ahead, ELAS will change how it manages the German UK-style with-profits policies as follows:

- the value of with-profits policies will be uplifted to reflect a fair share of with-profits assets available for distribution
- *Investment Guarantees* will be maintained as will any other guarantees
- *Members* of the Society will, as a result of the change in the articles of association, lose all membership rights
- market returns with no material smoothing will be applied to the policies in the future
- Utmost Life and Pensions will become the sole *Member* of ELAS.

ELAS has confirmed that the other German with-profits policies (German-style with profits policies) are not entitled to the uplift, and their benefits are unaffected by the *Scheme*. As a result of their policy terms, these contracts are effectively managed as if they were non with-profits policies, in accordance with a business plan agreed with German regulators.

The *Scheme* would have no impact on all other non with-profits policies.

The *Scheme* and the *Part VII Transfer* are expected to be implemented as at 1 January 2020.

ELAS has appointed me, with the approval of the Financial Conduct Authority ('FCA'), as the Policyholder Independent Expert ('PIE'), and my role covers the impact of the *Scheme* on its policyholders. My role includes consideration of the fairness of the whole *Scheme* for all with-profits policyholders of Conventional With-Profits ('CWP') policies and Recurrent Single Premium ('RSP') policies, including members of the Free Standing Additional Voluntary Contributions ('FSAVC') scheme, life RSP policies and individual and group RSP pensions. It also includes the impact of the *Scheme* on those policyholders who are excluded from the *Scheme* (i.e. German with-profits policies, unit-linked policies and non-profit policies).

My Independent Expert's report is primarily addressed to the High Court, in order to give the High Court my opinion as PIE on the effects of the *Scheme* on the ELAS policyholders. I recognise that the High Court will use this report in connection with the discharge of its statutory functions concerning the *Scheme*.

This summary of my Independent Expert's report is for inclusion in the documentation to be distributed or otherwise made available to policyholders, as envisaged in SUP 18.2.48G.

I will also produce a *supplementary report*, to be issued in advance of the *Sanction Hearing*. My *supplementary report* is a report produced after this report, and before the *Implementation Date*, to consider the impact of events or decisions that have occurred subsequent to the release of this report.



1.2 Independence and qualifications

I am a Fellow of the Institute and Faculty of Actuaries in the UK and have over 28 years of experience of working in the life insurance industry. I am the holder of a Chief Actuary (Life) practising certificate issued by the Institute and Faculty of Actuaries which permits me to carry out certain reserved actuarial functions relating to life insurance business in the UK.

I have carried out this work as a Partner of KPMG LLP in the UK. Neither I nor any member of my family is a policyholder of Equitable Life. Neither I nor any member of my family has any other financial relationship with Equitable Life. KPMG LLP has carried out no other work for Equitable Life during the period covered by my work as the PIE for this *Scheme*.

Neither I nor any member of my family is a policyholder of Utmost Life and Pensions or any company of Utmost Group of Companies, the owner of Utmost Life and Pensions. Neither I nor any member of my family hold any shares or financial interest in any Utmost Group of Companies or Oaktree Capital Management, a firm that provides capital to Utmost Group of Companies. I utilise the Hargreaves Lansdown platform, but do not own any shares or other interests in Hargreaves Lansdown. Neither I nor any member of my family holds any shares or financial interest in Jardine Lloyd Thompson, who will be providing guidance and support to Equitable policyholders.

1.3 Reliance and limitations

In carrying out my work I have relied on the accuracy and completeness of information and data provided to me by the Society, both written and oral. I have considered the information for consistency and reasonableness based on my general knowledge of the life insurance industry but unless specifically stated I have not otherwise verified the information.

At the same time I have relied on the Society's internal systems and controls in place when producing the inputs for my analysis (data as at 31 December 2017 and 31 December 2018), and have not carried out a specific review of these.

I have also relied upon the governance structures of the Society, which includes the use of external independent reviews and internal peer reviews, along with formal sign offs, challenge at senior committee levels and second and third line of defence reviews. Specifically, I have relied on the fact that the Society has a Board of Directors, the majority of whom are independent of the Society with no financial interest in the outcome of the *Scheme* and who have specific regulatory and fiduciary responsibilities by being both company directors and approved persons under the insurance regulatory regime. The governance structure of the Society also includes a With-Profits Sub-Committee, with an independent actuary as a member, that considers matters affecting the with-profits policyholders, and provides a further check in terms of such matters. Finally I have also relied upon the fact that the executive management team has no financial incentive in relation to the outcome of the *Scheme*.

I am not an expert in legal matters and hold no qualifications in UK law (insurance regulations or otherwise). I am not therefore in a position to opine on legal matters. However given the nature of the role that I have been asked to perform, it is important that I understand the context of the Society's proposals. In order to ensure that I have an understanding of these legal issues, the options available to me are either to retain my own legal advisors to provide advice to me and carry out a legal review, or to utilise the advice of the Society's legal advisors, Freshfields Bruckhaus Deringer LLP ('Freshfields'), and the counsel that they consulted, on a strictly



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confidential basis and without any waiver of the Society's legal professions privilege in that advice.

For all relevant matters I considered each one individually but I did not consider that it was necessary for me to obtain independent legal advice for my role. I consider that it was appropriate for me to utilise the advice provided by Freshfields and the counsel consulted by the Society. My rationale for this is:

- Freshfields is a large international law firm and their staff and partners have deep experience in UK insurance law. This experience covers Schemes of Arrangement more generally as well as ones involving UK insurance companies. It is my opinion that they have appropriate qualifications and knowledge relevant to this proposed *Scheme*;
- The information from Freshfields that I have utilised is largely factual and, in particular, covers the terms and conditions of policies that are relevant to the structure of the *Scheme*. I am satisfied that the information and analysis provided by Freshfields is not materially different to the information and analysis that I would have received if I were to have retained my own legal advisors in respect of the proposed *Scheme*;
- The counsel consulted are experts in their fields and I am satisfied that the opinions they provided are not materially different to any opinion I would have obtained were I to have retained separate counsel in respect of the proposed *Scheme*.

It is important to note that Freshfields and the counsel consulted by the Society have not been retained by me and therefore have no liability to me for any information and analysis they have provided which has been made available to me.

I have consulted Freshfields in relation to the legal effect of the *Scheme* in England and other jurisdictions and the mechanisms for the approval of the *Scheme*.

Aspects of the financial position of the Society pre-*Scheme*, specifically the Best Estimate Liabilities and assumptions underlying these, have been subject to external audit. While other components of the financial projections that have been considered in the analysis in my report have not been subject to external audit, they have been subject to a formal review process within the Society. I am satisfied that it is reasonable to rely on the accuracy of these figures.

Where the transfer of assets to Utmost Life and Pensions and its related companies will take place post *Scheme*, I have relied on the governance arrangements at the Society and, in particular, the relevant independent reviews of any transfers of assets to ensure that they are in compliance with the *Part VII Scheme Document* that will be in place.



2 Executive summary and conclusions

2.1 Overall conclusions on the Scheme

I have reviewed the proposed *Scheme* and the corresponding voting arrangements, and I have considered all of the relevant aspects which may impact the policyholders of ELAS.

The *Scheme* ensures that all of the available assets for distribution are distributed amongst the eligible with-profits policyholders as soon as possible. This deals with the *tontine* effect which occurs with the *run-off* of closed with-profits funds, namely that increasing amounts of capital are distributed to policyholders staying for a longer duration, as assets are held back to cover the capital requirements.

Note that increasing amounts of capital may not necessarily be distributed to policyholders staying for a longer duration. Capital must be held in respect of the risks that the with-profits fund continues to face, but if those risks materialise the associated costs will have to be met by that capital and, in ELAS' case, any excess costs not met by that capital would have to be met by reducing policyholder benefits (through a reduction in the Capital Enhancement Factor in the first instance). The *Scheme* mitigates the risk of this happening.

Overall, I conclude that the *Scheme* is fair. I consider it appropriate that in order to fully distribute all of ELAS' available assets in the form of an uplift to the *Policy Value*, the removal of the *Investment Guarantees* (including any guaranteed annual increase) and switching rights is required. I consider that conversion to unit-linked is an appropriate solution.

My conclusions in respect of the effects of the Scheme on the Scheme Policyholders are summarised below:

- The Society has considered the likely relevant alternatives to the *Scheme*, including sale, merger, outsourcing, full wind-up, and conversion to non-profit, with a view to ensuring the most appropriate option is taken. Based on my analysis, which is outlined in my full report, I conclude that the *Scheme* is the most appropriate option for policyholders to consider against *run-off*.
- The Society currently distributes capital (the capital distribution) to with-profits policies via the Capital Enhancement Factor ('CEF'). The structure of the proposed uplift available under the proposed *Scheme* is consistent with the way the CEF is currently applied to *Policy Values*, and to CWP policies, and is a fair approach.
- I agree with the Society's reasons for not compromising the guarantees in respect of Guaranteed Minimum Pensions ('GMPs'), Guaranteed Annuity Rates ('GARs'), and certain insurance benefits, noting that it is not legally possible to compromise the GMPs. The impact on the uplift of not compromising the GARs and insurance benefits is not materially different from that if they were to be compromised.
- I have considered the differences in the extent to which different groups of policyholders could be better off under the *Scheme*. I conclude that the uplift is a fair outcome.
- I consider the approach to calculating the assets available for distribution to be appropriate.



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- The assumptions and judgements used in the calculation of the uplift and *run-off* calculations are reasonable, and in particular I note there is no management bias in relation to treating one type of policyholder differently to another.
- The models used in the calculation of the uplift and fairness tests have been through appropriate checks and governance.
- For sterling based funds, the investment options and charges in place for the first six months after the *Implementation Date* are reasonable, and in line with market practice. After these six months, for pension policyholders that do not make an investment choice, the funds are assumed to transition to an age based investment in either a *Multi-Asset Moderate Fund*, *Multi-Asset Cautious Fund* or the *Money Market Fund*, over a further six months, which I consider to be reasonable. The charges on these funds are in line with what can be seen in the market.
- I have considered the default funds, and additional investment funds that are being developed, and believe these to adequately cover a range of potential risk appetites that policyholders may have, and in particular, I consider the broad asset mixes within the default funds to be appropriate.
- Euro and US dollar denominated *Scheme Policies* will have a limited choice of funds to choose from. Given the very small size of the relevant funds it is not economic for all ELAS policyholders to finance multiple funds being set up, and at the same time the ongoing costs of management which the Irish and Euro policyholders would have to bear in the fund would also become large and uncompetitive in such funds. In such a situation it seems sensible in my view to offer both a low risk option for the affected policyholders and an option that provides some potential for growth.
- The Irish *Scheme Policies* investing in the *Irish Managed Fund* will be exposed to more currency risk than currently. I understand the rationale for the choices that are offered, and confirm that *Scheme Policyholders* have had clear communications with regard to the limited choices and risks attached.
- Utmost Life and Pensions will guarantee that the charges on the *Secure Cash Investment Fund* will not exceed 50bps, and will not be higher than the return (i.e. the unit price will not decrease below that at the *Implementation Date*). The annual management charges on the unit-linked funds will not exceed 100bps in any circumstances, and the charges will be no more than 75bps except under certain circumstances. I consider this to be fair.
- The criteria against which the Society checks the fairness of the uplift are reasonable, and consistent between groups of policyholders.
- The timelines and arrangements for voting are as I would expect.
- I have considered the analysis performed by Freshfields to determine that policyholders can form a single class, and I have not found any reason to regard this analysis and conclusion as inappropriate.
- I agree with the Society's analysis that the trustees of group schemes are the *Creditors* and *Members* of the Society. I also agree that it is impractical to allow each member of a group scheme (where the trustee is a policyholder) to vote. I note however that it is Equitable's intention to allow group policies to split their vote if they wish. This allows for a more accurate and fair representation of beneficiary views.
- In my view, the Society has spent an appropriate level of resource on trying to trace policyholders where it does not have valid addresses, and I consider the actions by the Society to be fair. In addition, the materiality of the dormant assets is currently low. Experience shows that customers contact the Society when they want to take their benefits.



I therefore consider it likely that the dormant assets will remain low, noting that this may not be the case. I consider the Society's approach to the treatment of these policies to be reasonable.

- Those policies which expire through death or mandatory contractual termination between the *Sanctions Hearing* (assuming the *Scheme* is approved) and the date that the uplift and other changes under the *Scheme* are implemented, when the policyholder is unable to change this situation, will receive the uplift. I consider the approach to these policies (*legacy policies*) to be fair.
- I consider it fair to apply the uplift to the premiums paid between 31 December 2014 and 31 December 2017. I also agree that those policyholders who are still paying premiums at the cut-off date of 31 December 2017 should be compensated for the potential future loss of GIRs on the premiums they may have carried on paying into the future.
- Parallel court schemes are being carried out in both Guernsey and Jersey to cover policies in those jurisdictions, and I consider it fair that the terms of the transfer are the same as that used for the *Scheme Policyholders*.
- I will conclude on the processes and governance surrounding the calculation of the uplift, and I will confirm whether they are adequate to ensure that the results are complete, accurate and consistent with the intended methodology, in my *supplementary report*.

My conclusions in respect of the effects of the *Scheme* on the German UK-style policyholders:

- The reasons for not bringing these policyholders into the *Scheme* are valid.
- The treatment of these policyholders is fair both in respect of these policyholders and on those who are in the *Scheme*. In particular, the allocation of assets to these German UK-style with-profits policyholders is fair.
- I consider that the draft Principles and Practices of Financial Management ('PPFM') provides adequate protection for policyholders.

My conclusions in respect of the effects of the *Scheme* on the German-style with-profits and non-profit, including unit-linked policyholders:

The Chief Actuary has confirmed that there is no material adverse impact on benefit expectations of the Society's non-profit policies, including unit-linked, and German-style with-profits policies, as a result of the *Scheme*. I have considered the report prepared by the Chief Actuary, and agree with his conclusions.

Other areas for consideration:

Assuming that the *Scheme* is approved by the Court and voted for by the policyholders, there is a risk that the uplift changes potentially materially for *Scheme Policyholders*, between the date of calculating the uplift disclosed to policyholders via their personal illustrations, and the *Implementation Date*. The timing of when policyholders voluntarily exit could also have an impact on the uplift; if fewer policyholders leave than expected, then the uplift will be spread over more policies and hence be lower (and vice versa). I consider that the *Scheme* will, however, still be fair and reasonable, and the expected likelihood of a material change in the uplift is low.



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The risk that arises due to market fluctuations is largely mitigated as the assets are expected to all be in cash at that stage.

If the *Scheme* does not proceed for any reason, then I conclude that there will be no material effect on benefit expectations and that there will be no material effect on the security of benefits. However, the existing issues that exist currently under *run-off* will continue to exist.

Of the communications and personalised projections I have reviewed, the Society has incorporated my comments and I am satisfied that this communication is appropriate for policyholders and communicates information in an unbiased way.

I consider the level of support available in respect of guidance and advice to be appropriate, the subsidies available to be fair, and the costs involved to not be material in relation to the overall uplift.

2.2 The rationale for the *Scheme*

In order to ensure continuing solvency, the Society must hold back assets in order to meet its statutory capital requirements. It must also invest in lower risk investments which have a lower expected return, in order to avoid potential swings in solvency due to the more volatile returns that higher risk investments exhibit. Since the Society is in *run-off*, the requirement to hold these assets back means that it will become more difficult to distribute assets fairly and quickly amongst the with-profits policyholders over time. There is also a risk that more policyholders delay retirement, and the taking of their policy benefits, making the *Investment Guarantees* more onerous, thereby making it harder to distribute the assets fairly and quickly. The financial impact of this risk is higher when interest rates are low, as they are today, and where policies have longer to go. In addition, as the number of policies reduce, it becomes difficult to reduce expenses in line with the *run-off*, and expenses per policy could rise.

Part of these assets are distributed through the capital distribution which is applied when the policyholder takes their benefits.

The capital distribution is set by ELAS such that there is an acceptably low risk of having to cut future distributions in order to protect the interests of policyholders taking benefits in the longer-term. However, judgement is required to avoid the development of any *tontine*. Setting a capital distribution at too low a level works against the interests of policyholders taking benefits in the short-term by withholding capital from leavers and exacerbates the development of a *tontine*.

There is, therefore, an inevitable tension between achieving a stable level of capital distribution, and distributing capital as soon as possible.

The *Scheme* aims to deal with these issues, as the assets which cannot currently be distributed will be allocated to the with-profits policies, which will then immediately convert to unit-linked policies. When a policyholder chooses to take their benefits after the *Implementation Date*, these amounts will form part of their benefits. For all with-profits policies, this increased benefit if taken as at the *Implementation Date*, is higher than they would receive if the *Scheme* did not go ahead (based on the current level of capital distribution).

Additionally, under the *Scheme*, policyholders can choose an investment fund appropriate to their needs, with the potential of earning additional returns by investing in higher risk assets than are currently invested in by the with-profits fund. For example, equities are expected to earn higher returns than bonds over the longer term, but equity returns are more volatile with a



higher likelihood of going down in value. Such investments, with the possibility of achieving higher returns, are not held by the Society for its with-profits business due to the capital that would have to be retained to protect the *Investment Guarantees* against the chance that asset values might fall.

I consider it appropriate that in order to fully distribute all of ELAS' available assets in the form of an uplift to the Policy Value, the removal of the Investment Guarantees (including any guaranteed annual increase) and switching rights is required. I consider that conversion to unit-linked is an appropriate solution.

Further detail can be found in section 6.1 of my full report, and my analysis can be found in section 10 of my full report.

2.3 Process and timelines

In order for the Court to be able to sanction the *Scheme*, ELAS must determine whether policyholders affected by the *Scheme* constitute a single class or multiple classes. The Society has proposed that all policyholders who will be subject to the *Scheme* can form a single class of *Creditors*. The relevant legal test requires that a class must be “*confined to those persons whose rights are not so dissimilar as to make it impossible for them to consult together with a view to their common interest*”, having regard to how those legal rights are treated under the *Scheme*.

For group pension schemes, in most cases it will be the trustees of the group schemes who have the legal right to vote on the *Scheme* rather than the scheme members. Group scheme trustees are able to split their vote in a way that represents the preferences of their members.

There are two parts to the *Proposal*:

Part one is:

- to increase with-profits *Policy Values* with an immediate one-off amount
- to remove any *Investment Guarantees* and switching rights
- to convert with-profits policies to unit-linked policies.

Part two is to transfer almost all of the Equitable's business to Utmost Life and Pensions.

This would happen through three separate processes which are expected to occur simultaneously:

1. The Scheme of Arrangement

The *Scheme* is an agreement between the Equitable and its *Scheme Policyholders*. It is a legal process, supervised by the Court, which can only go ahead if it is approved by a vote of the *Scheme Policyholders*, the change to the articles of association is approved by eligible *Members* (see below) and the *Scheme* and *Part VII Transfer* are approved by the Court.

2. Change to the articles of association

Eligible *Members* will be asked to vote, at an Extraordinary General Meeting ('EGM'), on the proposal to make Utmost Life and Pensions the sole *Member* of the Society, following the conversion of the non-German with-profits *Members* to unit-linked.



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3. *Part VII Transfer* of the Society and almost all its policies to Utmost Life and Pensions

The Transfer is a legal process which will need approval from the Court before it can go ahead. The *Scheme* will not go ahead if the Court does not approve the *Part VII Transfer*. Under the *Part VII Transfer*, UK *Scheme Policies* will be transferred to Utmost Life and Pensions immediately after conversion to unit-linked policies. Almost all other ELAS policies will also transfer to Utmost Life and Pensions at the same time under the *Part VII Transfer*.

The voting arrangements, and timelines are set out below:

Date	Target Milestone
22 July 2019 (Jersey w/c 29 July 2019)	Convening Hearing (first court hearing)
30 September 2019	Calculation Date
1 November 2019	Policyholders' Meeting
1 November 2019	EGM
22 and 25 November 2019	Sanction Hearing (second court hearing)
Week commencing 25 November 2019	Scheme Effective Date
1 January 2020	Implementation Date

The **Convening Hearing** - the Society will ask the Court for:

- (i) permission to call a meeting of the *Scheme Policyholders* (the *Policyholders' Meeting*)
- (ii) confirmation of the class analysis, i.e. that the *Scheme Policyholders* can vote as one class and
- (iii) approval of the proposed method of notifying *Scheme Policyholders* of that meeting.

The policyholder *Decision Pack*, including a personalised illustration and the voting form, will be issued after the *Convening Hearing*, along with a detailed explanation of the terms of the *Scheme* and details of the *Policyholders' Meeting*.

The **Calculation Date**

- The *Secondary Percentage Uplifts* (the additional uplift percentage applied above the *Primary Percentage Uplift* to reflect the policyholders' *residual value of guarantees* which are being given up) and fairness adjustments are fixed as at the *Calculation Date*.

The **Policyholders' Meeting**

- If the *Scheme Policyholders* vote in favour (in the requisite majorities) at the *Policyholders' Meeting* and the conditions of the *Scheme* are met, the *Scheme* needs to be subsequently approved at the second court hearing (the *Sanction Hearing*).
- There will be an EGM vote held immediately after the *Scheme* vote, in the same location, to approve the changes to the articles of association. This must be passed in order for the *Scheme* to go ahead.
- Group scheme trustees will have a single vote at the *Policyholders' Meeting*, but they have the option to split the value of that vote by percentage in a way that represents the preferences



of their scheme members. Regarding the vote on the articles of association, group schemes can have up to 10 votes (one vote per £1,000 sum assured up to a maximum of 10), which they can split in favour or against the change to the articles of association, however they cannot split their vote if they only have one vote.

- Group scheme trustees are entitled to split the element of their vote in any proportion that they see fit, in order to best reflect the underlying beneficial interests of the members. The voting mechanics implicitly allow for this. Where group trustees split their vote, then for the vote count their single vote will be counted twice, once for and once against the Scheme, whilst their Voting Value will be split in the chosen proportions.

The Scheme Effective Date

The date on which the *Scheme* order is delivered to the Registrar of Companies in England and Wales for registration in accordance with the *Scheme*.

The **Implementation Date** will be

- (a) the date on which the substantive aspects of the *Scheme* (uplift, *Scheme Policies* become unit-linked, and the removal of *Investment Guarantees* and switching rights) come into effect;
- (b) the date the change to the Equitable's Articles of Association becomes effective;
- (c) the date the *Part VII Transfer* becomes effective; and
- (d) the date on which the *Primary Percentage Uplifts* (the minimum level initial percentage uplift that each *Scheme Policyholder* would receive) are fixed.

2.4 Impact of the Scheme on with-profits policyholders

The effect of the *Scheme* for *Scheme Policyholders* is to remove *Investment Guarantees* and convert the with-profits policies to unit-linked policies. The aim is to create a fairer and more equitable distribution of assets. A necessary step to achieve that is the removal of the *Investment Guarantees*. *Members* of the Society will, as a result of the change in the articles of association, lose all membership rights.

The outcome for policyholders will depend on the expected date that they will take their benefits (which may depend on age), and the type of policy and benefit. For example, death benefits on CWP policies cannot be reduced from the benefit available immediately pre-*Scheme*, and RSP policies with valuable *Investment Guarantees* will be compensated for giving up these *Investment Guarantees*. The outcomes are discussed in more detail below, and further detail can be found in section 6.3 of my full report and my analysis can be found in section 10.2 of my full report.

2.4.1 RSP and CWP policies

In return for giving up rights to a future claim on with-profits assets and for giving up *Investment Guarantees*, all assets available for distribution (less costs) will be distributed to *Scheme Policyholders* in the form of an uplift to their current *Policy Value* for RSP policies, and surrender value for CWP policies.



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For CWP policies the minimum death benefit is maintained at the level immediately pre-*Scheme*, and does not change over time, even if the value of the unit-linked policy reduces to zero, as long as the policyholder continues paying the current contractual premiums.

There are many considerations, both positive and negative, to take into account when considering the impact on the potential benefits. Although the *Scheme* does address the issues around the *tontine*, it does mean that with-profits policyholders will be giving up their *Investment Guarantees*, and it is possible that, in some instances, they could get back less than they would have done under *run-off*.

In concluding whether the *Scheme* was fair in the round, I considered the following impacts on *Scheme Policyholders*:

- Those policyholders who expect to maintain their policy for longer, and who may have benefitted more from the *tontine* effect, such that in the longer-term they may potentially be better off under *run-off*, are exposed to significant uncertainty as to the value that will be received under *run-off*. There is also a risk that more policyholders may defer taking their benefits, and as such there would be less to distribute, so that policyholders remaining longer may not benefit as much from the *tontine* as they may have anticipated.
- If the *Scheme* does not go ahead, the Society will have to address the developing *tontine*, and there is uncertainty in relation to:
 - when any actions to address the *tontine* will occur
 - what form any actions to address the *tontine* will take
 - the impact of any expense levels on the fund
 - whether any future buyer for the Society would be found, and what it would charge for providing the capital support.
- With-profits policyholders will be giving up their *Investment Guarantees*, and it is possible, under some instances, they could get back less than they would have done under *run-off*. This depends on, amongst other things, the investment decisions they make, and returns achieved post *Scheme*. Although there are scenarios where policyholders may get back less than they would have done under *run-off*, the Society has used fairness indicators to assess that the allocation of the uplift is fair. My views on these can be found in section 11.4 of my full report. ***In my view the Secondary Uplift is fair compensation for giving up the Investment Guarantees, and it reflects the reserves that the Society would itself hold in respect of the potential claims.***
- Policyholders who have maintained their premium paying status will lose any *Investment Guarantees* they might have received on future premiums. Premiums paid between 31 December 2014 and 31 December 2017 receive no capital distribution, but the uplift will apply to these premiums. The uplift on premiums paid between 31 December 2014 and 31 December 2017 materially covers the value of lost *Investment Guarantees* on the expected future premiums and, in the few cases where it does not, the Society will include an addition to the *Secondary Uplift* to compensate for this.
- Policyholders will have more control over the way the uplifted value of their policy is invested, and this uplift is significantly more than the current 35% CEF (i.e. the capital distribution) available now. Part of the uplift will be given in exchange for the value of the *Investment Guarantees* that the policyholder is giving up, and as such, a risk averse policyholder could choose to invest in less risky assets to better match their risk appetite and maintain more certainty around the benefits they receive, but gain the flexibility of when the value can be taken. In the normal course (i.e. without the *Scheme*) the *Investment*



Guarantee is available once pension policyholders reach a specified age (on or after this date), on specified dates for life policies, or on death or maturity for CWP policies. It should be noted that a less risky asset strategy could result in low returns which could be less than inflation.

- The CEF is variable and is not guaranteed, so there is no certainty that it would be paid in time, or at what level, if the Society continued in *run-off*.
- Policyholders whose market consistent value of *Investment Guarantees* after the *Primary Percentage Uplift* is higher than the uplifted *Policy Value* (i.e. they have a *residual value of guarantees*), gain by getting this value with effect from the *Implementation Date*, and the funds will be available immediately (or after age 55 for pensions policies). In the normal course (i.e. without the *Scheme*) the *Investment Guarantee* is available once pension policyholders reach a specified age (on or after this date), on specified dates for life policies, or on death or maturity for CWP policies. A further benefit is that the *Investment Guarantees* are valued at a time of historically low interest rates.
- Policyholders who have no *residual value of guarantees* will benefit from getting an uplift which is significantly more than is likely to be received in the short to medium term (around 5 – 10 years) under the existing *run-off* plan.
- Similarly, policyholders who are expected to take their benefits in the near future (under 5 years), whether by choice or due to retirement or maturity, are expected to be better off as the CEF is unlikely to reach the level of the uplift in the next 12 years.
- Overall, the current asset mix of the with-profits fund has a low expected return due to being comprised of mainly gilts and some corporate bonds. As a result of the *Scheme*, policyholders will have the option of investing in assets with a higher potential return, but with the risk of higher volatility.

2.4.2 GARs, GMPs and certain insurance benefits

Guaranteed Minimum Pensions ('GMPs'), Guaranteed Annuity Rates ('GARs'), and certain insurance benefits, including CWP death benefits, are not being compromised. However, the *Investment Guarantees* on these policies will be compromised and, in exchange for giving up these *Investment Guarantees*, these policyholders will receive an immediate uplift to *Policy Values*.

The Society has decided not to compromise GARs, which will apply to the unit value in the same way that it applied to the *Policy Value* pre-*Scheme*. The CWP death benefit will be the greater of the death benefit as at the *Implementation Date*, and the *Policy Value*.

The Society has decided not to compromise insurance benefits, which remain materially the same as pre-*Scheme*. For CWP policies the minimum death benefit is maintained at the level immediately pre-*Scheme*, and does not change over time, even if the value of the unit-linked policy reduces to zero, as long as the policyholder continues paying the current contractual premiums.

GMP benefits cannot be compromised, and would continue to apply to the policies post *Implementation Date* and transfer to Utmost Life and Pensions

I agree with the Society's reasons for not compromising the guarantees in respect of Guaranteed Minimum Pensions ('GMPs'), Guaranteed Annuity Rates ('GARs'), and certain insurance benefits, noting that it is not legally possible to compromise the GMPs.



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The impact on the uplift of not compromising the GARS and insurance benefits is not materially different from that if they were to be compromised.

2.4.3 German UK-style with-profits policies

The Society considers that, under German law, German policyholders would not be able to be the subject of a Scheme of Arrangement. Instead the German UK-style with-profits policies will remain in a separate ring-fenced with-profits fund within the ELAS legal entity.

All German UK-style with-profits policies in force at *Implementation Date*, that had a claim on the surplus in the ELAS with-profits fund as at 31 December 2017, will be allocated their share of assets, their *Policy Values* will increase by an amount equivalent to the *Primary Uplift*, and their guarantees will be maintained. The German UK-style with-profits policies will remain in an ELAS with-profits sub-fund, and inter-fund reinsurance arrangements will be put in place to ensure the assets are notionally ring-fenced. This is because policyholders are entitled to the assets specifically backing their policies but not the general surplus within ELAS post-*Scheme*. Only the German UK-style with-profits policies are entitled to share in the assets in that notional ring-fenced fund so that they are not exposed to any of the liabilities and risks of ELAS outside that notional ring-fenced fund.

The assets backing GARs, the *Investment Guarantees* and the German-style with-profits policies will also be held in the ELAS with-profits fund, and the ELAS main fund bears the risks associated with these liabilities via an inter-fund reinsurance arrangement.

It is noted that German policies do not have switching rights.

My conclusions in relation to the approach to the German UK-style business, are as follows:

1. ***I agree that this business should not be part of the Scheme.***
2. ***I consider that the valuation of this business in respect of the impact on the assets available for distribution is reasonable.***
3. ***I consider the approach to determining the benefits on this business post Scheme to be fair.***
4. ***The allocation of capital to UK-style German with-profits is done via an enhancement to Policy Values (equivalent to the Primary Percentage Uplift) and these assets are allocated to a notionally ring-fenced fund in the ELAS with-profits sub-fund. Any assets held to meet the residual value of guarantees are used to cover the Investment Guarantees, and as such are not used to enhance Policy Values. I consider this to be fair.***
5. ***I consider that the draft PPFM provides adequate protection for policyholders.***

2.4.4 Investment options and charges

From now up until the *Implementation Date*, the Society will continue to adopt a cautious investment approach. At the *Implementation Date* UK unit-linked policyholders will be given a range of fund choices, based on the Society's current range of unit-linked funds plus at least four new funds.



All policyholders will have their funds invested in the *Secure Cash Investment Fund* before or at the *Implementation Date*. Policyholders who do not select an investment fund at the *Implementation Date*, will have their funds invested in the *Secure Cash Investment Fund* for the first six months. The *Secure Cash Investment Fund* will consist of a cash fund with a maximum annual management charge of 50bps, under which the unit price is guaranteed not to reduce below the price on the *Implementation Date* until the funds are transferred out of that fund. This will provide policyholders sufficient time to consider where their investments should be in the long term, without the risk of losing money. With-profits policyholders who make no fund choice within six months, will be gradually moved over the next six months into a default strategy constructed from one or more of the new funds or the *Money Market Fund*.

For these policyholders who do not select an investment fund at *Implementation Date*, Utmost Life and Pensions shall provide sufficient information in respect of the alternative funds the policyholder can invest in to allow them to elect an alternative fund should policyholders wish to do so. As such, Utmost Life and Pensions shall agree a policyholder communication strategy with the Society which will include communication with the policyholders at least twice during the first six months. I will comment on this agreement within my *supplementary report*.

The annual management charges on the unit-linked funds will not exceed 100bps in any circumstances. These charges will be no more than 75bps unless one of the following applies:

- The charge on the existing unit-linked fund at the *Implementation Date* is more than 75bps
- Utmost Life and Pensions' costs increase materially due to regulatory action that also results in other life companies increasing their annual management charges

I note that there are some risks associated with the proposed arrangements for implementing the investment choices of policyholders immediately following the *Implementation Date*. In particular, I note that policyholders could lose out from dilution because of the large scale purchases of unit funds (and hence underlying assets), though ELAS is taking steps to minimise or prevent any such losses.

ELAS considered reducing the uplift to pay for the effect of dilution, but decided that this would be unfair since such estimated costs would have a prudence margin in them. Therefore, it is proposed that the policies incur any dilution as and when they occur post *Scheme*. When calculating the amounts required to pass the fairness indicators, a best estimate allowance will be made for these costs.

I note that the investment proposition has also been developed to ensure that the assets can be invested over a period of time, with the aim of minimising the likely impact. Policies invested in the default options remain in the *Secure Cash Investment Fund* for six months and are then transferred over a six month period to the automatic investment option funds. Policyholders will have the option to transition into their chosen investment fund over a shorter period.

For one group scheme (NHS), the trustees have given ELAS authority to take investment requests directly from members. However, for other 'trust-based' schemes the contract is with the 'Creditor' who is the trustee and that is generally the employer. Therefore, ELAS can only act on investment choices provided by the trustees. I note that the trustee can specify investment choice at the scheme member level.



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I consider this to be fair. It allows those policyholders who require time to consider their options to maintain their funds, with the certainty that the price will not reduce below the price on the Implementation Date. Clearly a different time period could have been chosen which may also be considered fair, but I consider that whilst interest rates are currently low, greater than nine months (the average period for transition) may be too long to be invested in a cash fund.

I have considered the default strategies, and additional investment funds that are being developed, and believe these to adequately cover a range of potential risk appetites that policyholders may have. In particular, I consider the broad asset mixes within the default strategies to be appropriate.

I note that there is limited fund choice for the euro and USD denominated funds. This is due to the low volumes, and I consider this to be reasonable under the circumstances.

I consider the approach of allowing for a best estimate of any potential impact of dilution within the fairness indicator tests to be appropriate. I consider that the Society has taken appropriate steps to develop the investment proposition with the aim of minimising the risk of loss from any potential impact of dilution, in particular, the availability of a transition period for fund switching.

Utmost Life and Pensions will guarantee that the charges on the Secure Cash Investment Fund will not exceed 50bps, and will not be higher than the return (i.e. the fund price will not decrease below that at the Implementation Date). The annual management charges on the unit-linked funds will not exceed 100bps in any circumstances, and the charges will be no more than 75bps except under certain circumstances. I consider this to be fair.

2.5 Calculation of uplift

2.5.1 Assets available for distribution

The first step in determining the uplift involves calculating the total assets that are available for distribution.

I have considered the approach used to derive the assets available to be distributed. There are few areas of judgement within this calculation which I have considered, and I consider the judgements to be appropriate and the approach to be reasonable and as I would expect.

Further detail can be found in section 7.1 of my full report and my analysis can be found in section 11.1 of my full report.

2.5.2 Structure of the uplift

The Society has decided to apply the uplift to the *Policy Value* as at the *Implementation Date*. For CWP policies the surrender value is used as a proxy for a *Policy Value*.

The total assets available for distribution are allocated to the policyholders in the form of a *Primary Percentage Uplift* plus compensation for the *residual value of guarantees* (the *Secondary Uplift*). The *Primary Percentage Uplift* represents compensation for giving up a right to a claim on the with-profits assets (this is approximately 90% - 95% of the distribution). The



Secondary Uplift represents *residual value of guarantees* plus any fairness adjustments. A set of fairness criteria are then tested, and a small adjustment is made across all policyholders to ensure the criteria are met.

Secondary Uplifts and fairness adjustments will be calculated as at the *Calculation Date* (30 September 2019) – *Primary Uplifts* will be calculated as at the *Implementation Date* (1 January 2020).

The expected uplifts based on data as at 31 December 2018, by each age band and broad product type, as proposed by the Society are:

- 72% for life RSP and 0% GIR policies,
- 72% in over 95% of CWP cases, and the range goes up to 167%.
- ranging from 72% to 135% for those policyholders with 3.5% GIRs, depending on the level of the residual guarantee, with younger policyholders generally having higher uplifts reflecting the fact that they are giving up future GIRs over a longer period.

It should be noted that the actual *Primary Uplift* as at 31 December 2019 could be more or less than 72% depending on the investment returns over 2019. More recent policyholder communications set out an expected range of 60% to 70%, and 68% is now closer to the expected value. The main reason for the value being lower than that as derived from 31 December 2018 data is that *Policy Values* have increased by 2% over the period.

For RSP policies, allocating the uplift using the Policy Value as a base is consistent with how the CEF is allocated. I consider the approach to be appropriate, and do not consider there to be a viable alternative for the allocation of the uplift.

I have discussed the consistency between RSP *Policy Values* and CWP surrender values at length with the Society. ***I conclude that the CWP surrender basis is materially aligned to the calculation of Policy Values for RSP business, and as such is an appropriate proxy to the RSP Policy Value.***

Overall I conclude that the uplift, as determined, is the most appropriate option for the policyholders to consider against run-off.

I consider it fair to apply the uplift to the premiums paid between 31 December 2014 and 31 December 2017. I also agree that those policyholders who are still paying premiums at the cut-off date of 31 December 2017 should be compensated for the potential future loss of GIRs on the premiums they may have carried on paying into the future. This compensation is mostly covered by the uplift on the premiums paid between 31 December 2014 and 31 December 2017 (the CEF is not payable on premiums paid after 31 December 2014). Any shortfall will be compensated for via the Secondary Uplift.

Further detail can be found in section 7.2 of my full report and my analysis can be found in section 11.2 of my full report.

2.5.3 Key assumptions and judgements

There are two key areas in relation to the *Scheme* where calculations using judgement are performed. The first is the calculation of the uplift, and the second is in the analysis which



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compares the benefits which may have been achieved under *run-off*, with those which may be achieved under the *Scheme*.

The Society uses an approach that is consistent with generally accepted actuarial practice when calculating the value of a guarantee (sometimes known as an embedded option).

The cost of residual guarantees makes an allowance for when the policyholder is expected to take their benefits. The surrender and retirement assumptions used are based on the Society's most recent (pre-*Scheme* announcement) experience, and reflect the different experience between group and individual business. No allowance has been made for future changes to policyholder behaviour, but smoothing is used to ensure that uplifts are consistent between ages.

I consider the approach taken to calculating the cost of residual guarantees to be appropriate. I have also been given access to the most recent experience data and consider the assumptions to be appropriate.

I conclude that I support the use of the 35% CEF as the starting level of CEF in the projections since this is the CEF which is currently being applied, and there is no evidence to suggest that an alternative would result in a different uplift structure.

My review has not identified any areas which would lead me to conclude that the models are not appropriate for use. Further detail can be found in section 7.3 of my full report and my analysis can be found in section 11.3 of my full report.

2.5.4 Governance around the calculation of the uplift.

In practice, some items within the calculation of the uplift are calculated at a different date to the *Implementation Date*, and there are some approximations within the calculation. In addition, the methodology used to calculate the assets available for distribution as at the *Implementation Date* is not derived straight from the *Solvency II* own funds. This is because the own funds amounts are not available in time.

I have had extensive discussions around the methodology for calculating the uplift and the governance around the calculations, including the extensive independent reviews being carried out on the processes in place, but this work is still ongoing.

I will conclude on the processes and governance surrounding the calculation of the uplift, and I will confirm whether they are adequate to ensure that the results are complete, accurate and consistent with the intended methodology, in my supplementary report.

2.6 Fairness assessment

In order to determine whether the allocation of the uplift amongst policyholders is fair, the Society has set out six fairness indicators against which it has assessed the uplift. Three of the indicators pass by virtue of the way the uplifts are derived. Should the other fairness criteria fail, the *Secondary Uplift* is adjusted accordingly to cover the cost of meeting the fairness criteria. Some of the fairness tests require testing the projected benefits forgone against those that are estimated to be received under the *Scheme*.

I have considered the fairness indicators set out by the Society (listed in section 2.6.1). In addition to these, I have considered further significant analysis to assess fairness.



My fairness analysis is based on uplifts as at 31 December 2018 (see section 11 of my full report) and 31 December 2017 (see Appendix 1 of my full report). I do not expect my conclusions to change between 31 December 2018 and the *Implementation Date* but I will confirm this in my *supplementary report*.

Further detail can be found in section 7.4 of my full report, and my analysis of fairness can be found in section 11 and Appendix 1 in my full report.

2.6.1 ELAS' fairness criteria

2.6.1.1 RSP policies

The Society has set out the following six indicators to assess the fairness of the allocation of the uplift:

- i. At the *Implementation Date*, all policyholders have an uplifted value in excess of the higher of *Policy Value* including CEF and the underlying guarantee.
- ii. The present value of a policyholder's GIR is the minimum level payable at the *Implementation Date*.
- iii. Using a *medium risk* managed fund post *Scheme* uplift, all policyholders should be better off on a best estimate basis at specific future dates.
- iv. All policyholders who invest their uplifted policy in assets which earned a rate of return of 0% per annum will still have a value in excess of their GIR in 5 years' time.
- v. All policyholders who invest their uplifted value in assets which earned a rate of return of 1.5% per annum would have a value in excess of their GIR after 10 years, or the expected date of claim, if earlier.
- vi. For policyholders who do not specifically choose a fund link post *Implementation Date*, the value of their investment is guaranteed for six months.

2.6.1.2 CWP policies

Fairness indicators may need to be interpreted in different ways for CWP policies. I have set out below any deviations from indicators i to vi for CWP policies:

- i. At the *Implementation Date*, all policyholders have an uplifted value in excess of the surrender value they would have received under *run-off*.
- ii. The present value of future guaranteed benefits (less future premiums) under *run-off* is the minimum level payable at the *Implementation Date*.
- iii. For endowments, using a *medium risk* managed fund post uplift, all policyholders should be better off on a best estimate basis at maturity date. For whole of life and Flexible Savings Plans ('FSP'), the death benefits for all policyholders should be greater on a best estimate basis at expected date of death than under *run-off*.
- iv. For endowments, all policyholders who invest their uplifted *Policy Value* in assets assumed to earn 0% per annum, whose policies mature within the next 5 years, will at maturity have a value in excess of the total of their sum assured and declared *reversionary bonus* under *run-off*. For whole of life and FSP, all policyholders who invest in assets assumed to earn 0% per annum, and who die within 5 years, will receive a value at least as high as the sum assured plus declared *reversionary bonus* under *run-off*.



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- v. For endowments, all policyholders whose policies mature between 5 and 10 years' time will, assuming a rate of return of 1.5% per annum, at maturity have a value in excess of the total of their sum assured and declared *reversionary bonus* under *run-off*. For whole of life and FSP, all policyholders who die within 10 years will, assuming 1.5% per annum return, receive a value at least as high as the sum assured plus declared *reversionary bonus* under *run-off*.
- vi. For policyholders who do not specifically choose a fund link post *Implementation Date*, the value of their investment is guaranteed for six months.

The *Scheme* has been designed so that indicators i, ii and vi of the above six fairness indicators always pass for all policies in scope of the *Scheme*. The remaining three fairness indicators (i.e. iii, iv and v) are hence used to ensure that policyholders receive a fair outcome from the *Scheme*.

It is worth noting that for RSP life policies which have review dates, fairness indicators iii, iv, and v above may be tested on a very short projection, depending on the review date. Given that these policies have 0% GIRs (and as such, are uplifted only by the *Primary Uplift*), I have satisfied myself that these tests would be passed at longer durations. In addition the policies can be repriced at review dates, and as such it makes little sense to project past these dates.

At the review date, the uplifted *Policy Value* instead of the *Policy Value* with CEF will be used to determine whether any re-pricing is required. The policyholder may be able to either maintain the same level of cover while reducing their premiums or increase the level of cover and maintain the same level of future premiums. However, since future returns are uncertain and depend upon the investment performance of the selected fund there is an element of uncertainty impacting future reviews.

I have considered the above fairness indicators and conclude that I consider them to be appropriate. I have seen the results of the fairness tests, and can confirm that where any group of policyholders failed any of the tests (iii, iv and v), the Society has allocated an additional uplift such that the test is passed.

Clearly some of the indicators used are artificial, for example it is not possible to achieve a return of exactly 1.5% over 10 years, as tested in indicator v. It is important to consider that the key purpose of the fairness indicators is to adjust the uplift in the event that one or more of these indicators fail. Setting different tests would reallocate the uplift between policyholders as there is only one pot of money. In coming to my conclusion I bore in mind that there are a range of tests which could be considered reasonable, and as such there is a range of different *Secondary Uplifts* which may also be reasonable. The indicators set by the Society are in my view reasonable and practical.

2.6.2 Additional fairness criteria that I have considered

In addition to the Society's fairness criteria, I performed further detailed analysis on the extent to which RSP pension and CWP policyholders may be better off post *Scheme*.

The *Extent Better Off* is the percentage difference between (i) the projected benefits that a policyholder might achieve through the unit-linked investment if the *Scheme* is implemented and (ii) the projected benefits if the *Scheme* is not effected and future experience follows best estimate assumptions for the *run-off* of the fund.

I have excluded the RSP life business in my analysis as these policies are only modelled to the next review date, which may be a very short projection. As such, I consider any analysis would not add much value to my additional tests. I would expect RSP life business to have similar



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results to RSP pensions (0%) with short durations, and these show that the expectation is that policyholders are expected to be better off under the *Scheme*.

For my additional analysis, I have considered the extent by which groups of RSP pension policyholders are better off at the following dates:

- Ages at retirement (55, 60, 65, 70, 75)
- Retirement age (now), i.e. exit at 31 December 2017 or 2018, and immediate termination as if contractual terms apply.

For CWP policies, the dates taken were the maturity date, or the expected date of death (or 30 years if earlier) for whole of life policies.

The analysis performed for the data as at 31 December 2017 projected forward the uplifted *Policy Value*, using three different investment choices:

- 1 The Society's best estimate assumptions for post *Scheme* investments are based on a *medium risk* managed fund (Equity 55%, Property 10%, Fixed Interest 30% (split 20/80 between gilts and corporate bonds), and Cash 5%) and annual management charges of 0.75%
- 2 Cautious – 30% Gilts, 30% Bonds – A rated, 30% Equities, 10% Cash and annual management charge 0.75%
- 3 Cash – 100% cash investment mix and annual management charge 0.5% - this is materially similar to the *Money Market Fund*, except the guarantee of no reduction in the value on the Implementation Date in the first six months is not modelled.

Two different *run-off* projections are considered:

- 1 Base Scenario – In this scenario the *run-off comparator* assumes full *run-off* for 30-years and the remaining assets at that point are then fully distributed to the in-force policies.
- 2 Scenario 1 – In this scenario the *run-off comparator* assumes full *run-off* for 30-years and the remaining assets at that point are not distributed fully but will continue to be run off, i.e. this scenario ignores the *tontine* effect to some degree.



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For 31 December 2018 data, ELAS provided *Extent Better Off* results for the following investment choices:

- *Medium risk* managed fund (Equity 55%, Property 10%, Fixed Interest 30% (split 20/80 between gilts and corporate bonds), and Cash 5%) and annual management charge 0.75%.
- *Age Related Transition* as set out below:

All business is invested in a cash fund for the first year of the projection. UK and International Sterling pension RSP policyholders are then invested based on an age related asset mix, as set out below:

Age	Medium Risk Fund	Cautious Fund	Cash Fund
55 years and under	100%	0%	0%
Over 55 years up to 65 years	gradual reduction from 100% to 0%	gradual increase from 0% to 100%	0%
Over 65 years up to 75 years	0%	100%	0%
Over 75 years up to 85 years	0%	gradual reduction from 100% to 0%	gradual increase from 0% to 100%
Over 85 years	0%	0%	100%
Asset mix	equity 55%, property 10%, fixed interest 30% (split 20/80 between gilts and corporate bonds), and cash 5%	30% gilts, 30% bonds, 30% equities, 10% cash	100% cash
Annual management charge	0.75%	0.75%	0.5%

Source: ELAS

I have not repeated my analysis for 2018 data for the base scenario *run-off* projection, i.e. the scenario where the remaining assets at that point are distributed fully. The messages from this run are similar to the run without the distribution except it highlighted the distortion of the *tontine* happening at once, in 30 years' time, and as such I consider it adequate to show the results of this for the 2017 data only.

The full results of my additional fairness tests are shown in section 11.5 of my full report, and I have summarised my considerations and conclusions below.

2.6.3 Results of my analysis assuming benefits are taken straight away (the 'now' scenario)

I have considered the various with-profits policy types, policyholder ages, *Extent Better Off* results, and uplifts. My conclusions are as follows:

The differences in the Extent Better Off reflect the nature of the relationship between run-off and the Scheme and are not due to any inherent unfairness in the uplift approach.

Overall, based on the explanations as to the differences between the Extent Better Off results, I consider the uplifts to be fair.



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2.6.4 Results of my analysis assuming benefits are taken at age 55, 60, 65, 70, 75

I have considered the various with-profits policy types, policyholder ages, *Extent Better Off* results, and uplifts. My conclusions are as follows:

I consider it fair that the individual pensions business appears slightly better off under the Scheme, compared with run-off, than group policyholders.

This reflects the fact that the value of the residual guarantees are higher for individual pensions due to the fact that they are expected to take their benefits later, and the uplift allows for this. The *Extent Better Off* projections do not make this distinction.

Assuming policyholders invest in the same investment choice, younger policyholders with 3.5% guarantees have higher *Extent Better Off* results under the *Scheme* than those with 0% guarantee. No account is taken within the uplift of the fact that the 0% GIRs are losing out more over time on potential increases in CEF compared to 3.5% GIRs. ***Given that this situation is part of the same issue as the tontine, I do not consider that it would be fair to compensate for this. For ages over 51 the differences are not material (5% and under). I consider this to be a fair outcome.***

For very young ages (under 40), policyholders mainly have higher *Extent Better Off* results under the *Scheme* than the next age up in the age brackets. This is because the investments are invested in higher yielding assets for longer which outweighs the potential projected benefits from the *tontine*. As noted previously, I do not consider this to be unfair as I do not consider the *tontine* to be fair, however clearly policyholders need to consider carefully their own position before deciding how to vote and what investment choices to make.

The *Extent Better Off* results for older policyholders are higher than for many younger policyholders when invested in both investment choices, the *medium risk* managed fund and the *Age Related Transition*.

The differences between the Extent Better Off results by age are a function of many things. In particular the results for younger ages are volatile and depend heavily on the investment return assumptions and the projected release of the CEF under run-off. This was highlighted by the relationship between the ages changing between the December 2017 analysis and the December 2018 analysis. I do not consider these features to be due to any unfairness in the way the uplift is calculated.

Policyholders should consider the asset mix post *Scheme*, which reflects their appetite for risk and their expected term to taking their benefits.

Even though the Society has ensured there are some safeguards in its fairness indicators, there are still some scenarios (e.g. depending on how they choose to invest) where policyholders appear worse off after the *Scheme*.

The biggest negatives are for the *Age Related Transition* risk strategy for ages 46-60 retiring at 70 and 75.

The older policyholders have less time to be impacted by lower investment returns in the *Age Related Transition* strategy, and are also unlikely to benefit from the *tontine* under the projected *run-off*. As such they remain better off under the *Scheme*. The 46-60 year olds are investing



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for around 15-35 years, and under *run-off* they would benefit from the projected *tontine* (the release of CEF).

Under the *Age Related Transition* strategy (see section 2.6.2 above), the under 40s are invested in higher yielding assets for longer and this outweighs the potential of benefitting from the *tontine*.

I conclude that some younger policyholders being potentially worse off under the Scheme, in comparison to run-off, allowing for the tontine effect, does not result in the proposed distribution being an unfair outcome. In addition, the Scheme provides more certainty against the risk of many policyholders with valuable guarantees deferring taking retirement benefits, thereby reducing available capital. Younger policyholders also need to consider their own circumstances, and the fact that they may exit prior to the tontine effect, or indeed, in reality the tontine may not be there at the time they take their benefits.

2.7 Policyholder communications

Of the communication I have reviewed, the Society has incorporated my comments and I am satisfied that this communication is appropriate for policyholders and communicates information in an unbiased way.

Some communications are still being developed, and I will comment on any further communications I review in my *supplementary report*.

In particular, in my view, the individual projections showing the potential benefits under run-off reflect a reasonably likely scenario in relation to the potential projected CEF. I agree that the projections should not allow for the potential tontine as I consider that this could be misleading. The wording accompanying the illustrations clearly conveys the fact that the projections may not be borne out in the future, highlighting the key areas that the results are sensitive to.

I consider the Society's strategy with regards to the method of communication (direct mail, websites and the use of newspapers) to be appropriate.

The expertise provided by Jardine Lloyd Thompson has ensured that the communications have been developed in a concise, and timely way, and that they contain all the relevant information. ***I consider the use of Jardine Lloyd Thompson to assist with developing the communications to be an appropriate use of policyholder assets.***

I consider the communications to group trustees, with regards to the vote and where to find information, to be clear.

With regard to the production of the personal projections, I have considered the governance around the process for calculating the projections, including the testing plans and sign-off processes. ***I consider the governance and checks around the process to be adequate to ensure that the calculations are produced in line with the documented methodology and assumptions.***

I have reviewed the wording which is included in the illustrations and consider that it makes it clear that the actual uplift could be different to that used in the projections.



Further detail can be found in section 8 of my full report, and my analysis can be found in section 12 of my full report.

2.8 Guidance and advice

Guidance is given to policyholders in order to help them understand the *Scheme*, and the subsequent *Part VII Transfer*, the implications for their policy and to assist in making their decision as to how to vote on the *Scheme*. This is highly dependent on their individual circumstances, including the value of their policy and the *Investment Guarantees* they are giving up. This differs from advice, which aims to provide a recommendation to policyholders about how to vote and/or which funds to invest their unit-linked policy in if the *Scheme* goes ahead.

Although it is expected that a significant proportion of policyholders will be able to form their view on the vote and/or investment decisions without any help, the offer of guidance and advice is available to all *Scheme Policyholders*, and ***I consider it fair that guidance and advice is provided.***

Advice on the vote is to be subsidised, and it is a matter of judgement as to whether advice on the vote should be subsidised, given the free guidance that will be made available. There are advantages and disadvantages to subsidising this advice, and in my view it would be acceptable for the Society to not subsidise this advice as any costs would impact the assets available for distribution, and hence the uplift. ***The Society has decided to provide some subsidy towards advice on the vote, and I understand the reasoning for this and consider this an appropriate approach since the costs involved do not have a material impact on the uplift.***

I have considered whether it is fair to all policyholders to use policyholder assets to pay for guidance and advice. In coming to my conclusion, I have taken account of the results of surveys conducted by the Society which suggest that some policyholders will want either guidance or advice or possibly both. Given the immaterial impact to the uplift and the results of the survey, ***I consider it fair to use policyholder assets to pay for guidance and advice.***

The services to be provided with regards to the investment advice are:

- Web based (Type 1) advises the policyholders on a restricted unit-linked investment fund choice with Utmost Life and Pensions.
- Telephone advice (Type 2) advises the policyholders on a restricted unit-linked investment fund choice with Utmost Life and Pensions.
- Full advice on investments held with the Society and other providers (Type 3).

I consider the spectrum of advice to be appropriate. Different policyholders will have different needs depending on the size of their Policy Value compared to the rest of their wealth.

I have considered whether the guidance and advice package, overall, provides sufficient support to policyholders, and is accessible to policyholders. In coming to my conclusions, I have taken account of experienced third party input into the development of the guidance (Jardine Lloyd Thompson) and on advice to be given (Jardine Lloyd Thompson for advice on the vote, and Hargreaves Lansdown on investment advice). I consider the guidance and advice to be informative, providing a full picture of the Society's proposals, including key information which is tailored and presented to the policyholders in a way that is most relevant to them.



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Based on the draft documents I have reviewed, I consider the overall guidance and advice package to be comprehensive, informative, and not misleading.

I have also taken account of the testing performed on the communications, which involved policyholder feedback on draft communications. In addition, I have considered how the availability of guidance and advice has been communicated to policyholders, via the various policyholder communications. **In my view, the overall guidance and advice package provides appropriate support to policyholders, and the options are clearly presented to policyholders.**

I have considered the timing for which the advice period runs, and have taken account of restrictions due to specific dates within the process. **I agree that the window for the advice period should run from the date that the Decision Pack is issued. This is because policyholders need to have read the content to be able to then fully understand the guidance. It is not practical for the advice to continue after the Implementation Date as the cost would need to be provided for out of the assets to be distributed, and any difference between the actual and expected costs would eventually fall to Utmost Life and Pensions which would be unfair.**

In relation to investment advice being provided by Hargreaves Lansdown, there are a number of financial advisors who could have been chosen to give advice. The Society took me through its selection process, and I considered the criteria that it used to choose the advisor. I consider the approach taken to be reasonable, and in particular, I considered how the choice would be viewed by policyholders. I would expect the majority of policyholders to know of Hargreaves Lansdown, which is in my view a well-known FTSE 350 reputable firm with a wealth of experience. **I consider the appointment of Hargreaves Lansdown as the advice provider to be an acceptable choice.**

In relation to the Scheme vote, Jardine Lloyd Thompson had already been engaged to assist with the guidance, as it has previous experience in this area. I consider it appropriate and cost effective to utilise Jardine Lloyd Thompson to provide both guidance and to give advice on the Scheme vote since it will have access to all relevant information, and will have already considered the key aspects as part of the guidance work.

The cost to the Society across all the advice and guidance is expected to be in the region of £12 million to £15 million.

The expected total cost of advice translates to around 0.8% of the uplift. I consider this to be a reasonable contribution and not in aggregate material enough to impact my assessment of fairness in relation to all with-profits policyholders.

If advice is to be subsidised, and made available, it is my view that it should be accessible for all Scheme Policyholders; which it is. However, I also think that the cost should not be material to the amount of the uplift available under the Scheme. The fact that the non-vulnerable policyholders have to contribute as well should avoid any policyholders taking the advice just for the sake of it. **I agree that the non-vulnerable Scheme Policyholders should pay towards the cost of advice if taken.**



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A summary of the policyholder charges and subsidies is set out below:

	Paid by policyholder	Paid by the Society	Total Cost
	£	£	£
Jardine Lloyd Thompson – Voting Advice	95	based on fixed contract	N/A
Financial Advisor ('FA') – Existing	Policyholder pays FA direct less subsidy	Up to £355	FA fee
Hargreaves Lansdown – Online Type 1	50	150	200
Hargreaves Lansdown – Telephone Type 2	95	355	450
Hargreaves Lansdown – Type 3* - Full Advice	345*	450	795

Source: ELAS

*1% of the Policy Value with a minimum of £795, less the subsidy of £450

In order to maintain fairness between those taking advice and those not, I consider it fair that the subsidy for Type 3 advice is proportionately lower than for Types 1 and 2.

For Scheme voting advice provided by Jardine Lloyd Thompson, the amount payable by the policyholder is £95. ***I consider this to be a relatively low cost for obtaining advice. However, I note that the cost to the Society of subsidising this advice is also relatively low (at around £2.3 million of the total expected cost of £12 million to £15 million). I consider this to be fair subsidy to make. The take-up rate for this advice is expected to be low and related to vulnerable customers, who will not have to pay. I note that the £2.3 million costs will have taken the low expected take-up rate into account.***

I agree with the Society's reasons for not giving customers choosing to use new FAs a subsidy. Those customers who want to take advice from their existing FAs receive a subsidy of £355 which I consider to be fair.

As part of the guidance call flow, Jardine Lloyd Thompson has built in controls and trigger points to identify vulnerability during the call and at the end of the call, to test if a policyholder understands the proposals. If, at any stage, it considers that the policyholder is vulnerable, advice on the vote and investment advice will be offered without charge.

I have reviewed the approach taken by the Society to vulnerable customers, and I consider it to be appropriate.

I have reviewed the approach taken by the Society to customers living outside the UK, and I consider it to be appropriate. Non-UK based policyholders account for



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approximately 3% of in-force with-profits policyholders, hence the risk of a poor customer outcome by choosing an unregulated non-UK FA to provide advice is limited.

I note that the Society is not providing the same financial assistance to group schemes as it is to individual policyholders as it considers that most group schemes have employee benefit consultants or advisors, and would expect these advisors to provide trustees with professional advice if required. However, telephone support via Jardine Lloyd Thompson will be provided. **I have reviewed the transcript of the guidance call and consider it to be appropriate.** Group trustees will be provided with support from ELAS on a range of areas they may require assistance on, including support with developing a template they may want to use to send details of illustrations to their members.

The *Proposal* presents a risk of policyholders becoming the target of scammers, fraudulent activity via criminal means or immoral FA behaviours. The Society includes a leaflet within the *Investment Choice Pack* warning policyholders of the risks when making important decisions and they also plan to include the warnings on their website. **I have reviewed this leaflet and I consider that it provides sufficient information to warn the policyholders against scams and frauds, including how to spot a scam and what to do if the policyholder suspects they are being scammed.** In addition, I agree with the Society that the guidance package should reduce the number of policyholders who feel they need to seek advice before making their choices, therefore reducing the risk of immoral FAs becoming involved.

Trevor Jones
Fellow of the Institute of Actuaries
Partner, KPMG LLP



3 Appendix 1 – Abbreviations

Abbreviation	Meaning
bps	Basis Points (100bps = 1%)
CEF	Capital Enhancement Factor
CWP	Conventional With-Profits
EGM	Extraordinary General Meeting
ELAS	Equitable Life Assurance Society
FA	Financial Advisor
FCA	Financial Conduct Authority
FSAVC	Free Standing Additional Voluntary Contributions
FSP	Flexible Savings Plans
GAR	Guaranteed Annuity Rate
GIR	Guaranteed Investment Return
GMP	Guaranteed Minimum Pensions
PIE	Policyholder Independent Expert
PPFM	Principles and Practices of Financial Management
RSP	Recurrent single premium policies. Note that any reference in the report to Regular Savings Plans is in full, and not abbreviated



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4 Appendix 2 – Glossary

Term	Meaning
Age Related Transition	A UK investment strategy under which policyholders are invested in an asset mix which is dependent on their age. <i>Age Related Transition</i> will occur automatically for pension policies if the policyholder does not specify their investment choice within 6 months of <i>Implementation Date</i> .
Calculation Date	The date before the <i>Implementation Date</i> when some of the calculations for the <i>Scheme</i> are carried out. The <i>Secondary Uplifts</i> are fixed as at this date. This date is expected to be 30 September 2019.
Convening Hearing	The first court hearing for the <i>Scheme</i> . If the court is satisfied with the initial <i>Proposals</i> , such as the proposed classes, permission is given to proceed with the next stages of the process.
Creditors	The <i>Creditors</i> hold <i>Scheme Policies</i> . This includes the Trustees and individual policyholders. It also includes individuals to whom a policy has been assigned and members of the FSAVC scheme, where the Society is the trustee.
Decision Pack	Communication sent out to policyholders containing: <ul style="list-style-type: none"> - cover letter - explanatory booklet A, which will highlight the key features of the <i>Proposal</i> and details of where they can go to get help and support - explanatory booklet B, which provides technical information on the <i>Scheme</i>, including summaries of: the terms of the <i>Scheme</i>, the Transfer and the Independent Expert reports - voting pack – including voting forms and notice of the EGM - personal illustration containing the potential uplift amount and projections indicating what the future could look like with and without the <i>Proposal</i>
Extent Better Off	The percentage difference between (i) the projected benefits that a policyholder might achieve through unit-linked investment if the <i>Scheme</i> is implemented and (ii) the projected benefits if the <i>Scheme</i> is not effected and future experience follows best estimate assumptions for the <i>run-off</i> of the fund.
Guaranteed Fund	The <i>Guaranteed Fund</i> on Recurrent Single Premium contracts is the accumulation of premiums paid less charges plus any declared regular bonuses, increased by the GIR.
Implementation Date	The date at which: <ol style="list-style-type: none"> (a) the key aspects of the <i>Scheme</i> (<i>Policy Values</i> are uplifted, With-Profits policies become unit-linked policies, and <i>Investment Guarantees</i> are removed) would be implemented; (b) the change to the Equitable's Articles of Association will become effective; (c) the Transfer will be implemented. This is expected to be 1 January 2020.



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Term	Meaning
Investment Choice Pack	Policyholder communication pack which sets out information to help policyholders: <ul style="list-style-type: none"> — understand the different investment options available to them from <i>Implementation Date</i>, and the range of unit-linked funds available — understand the different risks and charges — assess their risk appetite — understand who Utmost Life and Pensions are and their relationship with JPMorgan — details on where to get further guidance and support, including advice on the unit-linked investments — an investment choice form to document and inform the Society of what funds they have chosen
Investment Guarantee	The Equitable's obligation under a <i>Scheme Policy</i> to pay benefits determined by amounts which have been paid in premiums and when they were paid. <i>Investment Guarantees</i> do not include benefits which are payable only on the occurrence of specified life events (such as death or survival, or being diagnosed with a particular medical condition, or undergoing specified hospital surgery). <i>Investment Guarantees</i> do not include GARs or GMPs.
Irish Managed Fund	A unit-linked fund option for Irish <i>Scheme Policies</i> after the <i>Implementation Date</i> that invests in shares (including European and global equities) and fixed interest securities (bonds) and has higher potential risk and reward than the <i>Irish Money Market fund</i> . This fund is primarily invested in sterling, and as such it has significant foreign exchange rate risk.
Irish Money Market Fund	A unit-linked fund option for Irish <i>Scheme Policies</i> after the <i>Implementation Date</i> that invests in assets with a very short maturity, usually issued by governments, financial institutions or large companies, providing a high level of capital security and liquidity.
Money Market Fund	A new unit-linked fund option for unit-linked policies after the <i>Implementation Date</i> that invests in securities with a very short maturity, usually issued by governments, financial institutions or large companies
medium risk	The Society's best estimate assumption for the post <i>Scheme</i> investment fund mix, at the point that analysis was carried out.
Member	The <i>Members</i> of the Society are its owners. Membership is linked to having a with-profits policy in force. This includes trustees of group policies. Trustees are both the <i>Member</i> and the policyholder on policies which provide benefits to underlying beneficiaries.
Multi-Asset Cautious Fund	A new unit-linked fund option for unit-linked policies after the <i>Implementation Date</i> that invests across a wide range of equity and bond markets (and other assets) providing investors with a high level of diversification, and with lower risk/potential return (around 30% in shares).
Multi-Asset Moderate Fund	A new unit-linked fund option for unit-linked policies after the <i>Implementation Date</i> that invests across a wide range of equity and bond markets (and other assets) providing investors with a high level of diversification, and with moderate risk/potential return (around 60% in shares).
Part VII Scheme Document	The document setting out the terms of the <i>Part VII Transfer</i> .
Part VII Transfer	A transfer of policies from one insurer to another effected under <i>Part VII</i> of Financial Services and Markets Act 2000 (FSMA) or equivalent legislation in other jurisdictions as appropriate.



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Term	Meaning
Policy Value	For RSP with-profits policies, <i>Policy Values</i> reflect premiums paid less charges and the investment return on underlying assets. They increase with a smoothed return, which has been 2% per annum for several years. Conventional with-profits policies do not have a <i>Policy Value</i> , but an equivalent measure is used. References to <i>Policy Value</i> in this report include the equivalent measure used for this business.
Policyholders' Meeting	A meeting held for <i>Scheme Policyholders</i> where they will vote on the <i>Scheme</i> .
Primary Percentage Uplift	The minimum level initial percentage uplift to with-profits <i>Policy Values</i> that each <i>Scheme Policyholder</i> would receive.
Primary Uplift	The base uplift applied to the qualifying <i>Policy Values</i> of all <i>Scheme Policies</i> under the <i>Scheme</i> . This is expected to be between 60% and 70% of qualifying <i>Policy Values</i> .
Proposal	The proposed transfer of all of the Society's business and associated assets from the Society to Utmost Life and Pensions under the Part VII.
residual value of guarantees	The difference, where applicable, between the total market consistent value of guarantees and the uplifted value post <i>Scheme</i> .
reversionary bonus	Regular bonuses that can be declared on a discretionary basis to increase the <i>Guaranteed Fund</i> on Recurrent Single Premium contracts or the sum assured on conventional with-profits contracts. No <i>reversionary bonus</i> has been declared by the Society since 1999.
run-off	A process by which an insurance company no longer enters into new policies, but continues to meet its obligations under existing policies.
run-off comparator	The basis used by the Society to project benefits assuming no <i>Scheme</i> occurred.
Sanction Hearing	The second court hearing for the court to consider whether to sanction the <i>Scheme</i> . This is expected to take place on 22 and 25 November 2019. <i>Creditors</i> have a right to make representations to this hearing.
Scheme	The Scheme of Arrangement, made in accordance with Part 26 of the Companies Act 2006.
Scheme Effective Date	The date at which the <i>Scheme</i> order is delivered to the Registrar of Companies in England and Wales for registration in accordance with the <i>Scheme</i> . The <i>Scheme</i> will not become effective unless the <i>Scheme</i> is approved by a vote of the <i>Scheme Policyholders</i> at the <i>Policyholders' Meeting</i> , the Court sanctions the <i>Scheme</i> , the change to the Equitable's Articles of Association is approved by a vote of the <i>Members</i> at the EGM and change in control approval is obtained by Utmost Life and Pensions. The Equitable currently expects the <i>Scheme Effective Date</i> to be week commencing 25 November 2019.
Scheme Policies	These are policies within the scope of the <i>Scheme</i> . They are all policies with rights to share general surplus of the Society except German with-profits policies. This includes some policies that currently only have unit-linked investments but have a contingent right to share general surplus of the Society through a right to switch into a with-profits investment.
Scheme Policyholders	The holders of <i>Scheme Policies</i> .



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Term	Meaning
Secondary Percentage Uplift	The additional percentage uplift above the <i>Primary Percentage Uplift</i> that a <i>Scheme Policyholder</i> would receive to reflect the <i>residual value of guarantees</i> . For some policies this percentage will be zero. This is calculated as at the <i>Calculation Date</i> .
Secondary Uplift	The additional uplift applied above the <i>Primary Uplift</i> to reflect the policyholders' <i>residual value of guarantees</i> , where applicable. The same approach is used to calculate these for all <i>Scheme Policies</i> , and for some <i>Scheme Policies</i> the <i>Secondary Uplift</i> will be zero.
Secure Cash Investment Fund	This is a temporary cash fund that all policies will be invested in when converted from with-profits to unit-linked, and transferred to Utmost Life and Pensions. Policyholder savings will gradually transition to their chosen investments in the timeline they have selected. If <i>Scheme policyholders</i> do not make an investment choice, their unit-fund will be invested in the secure cash investment for six months, and then gradually transition over the next six months to the automatic investment option. Whilst savings are in the secure cash investment, the unit price is guaranteed not to decrease below the price on the <i>Implementation Date</i> , although its value is unlikely to keep pace with inflation.
Solvency II	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.
supplementary report	A report produced after this report, and before the <i>Implementation Date</i> , to consider the impact of events or decisions that have occurred subsequent to the release of this report.
Tontine	Occurs with the <i>run-off</i> of closed with-profits funds when increasing amounts of capital are distributed to policyholders staying for a longer duration, as assets are held back to cover the capital requirements.

Appendix VII

Notice of EGM

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (EGM) of The Equitable Life Assurance Society (the Equitable) will be held on 1 November 2019 at Central Hall Westminster, Storey's Gate, London SW1H 9NH. The EGM will commence immediately upon the conclusion of a meeting of certain of the Equitable's with-profits policyholders, which will start at 10:00 a.m. on the same date and at the same venue.

Members of the Equitable who are eligible to vote at the EGM (in accordance with the Equitable's Articles of Association (the Articles)) will be asked to consider and vote on the resolution below, which will be proposed as a special resolution.

SPECIAL RESOLUTION

THAT, immediately after the provisions of clause 1.5 of the scheme of arrangement between the Equitable and certain with-profits policyholders of the Equitable under Part 26 of the Companies Act 2006 have taken effect:

- a) the draft articles of association attached to this resolution be adopted as the articles of association of the Equitable in substitution for, and to the exclusion of, the Equitable's existing articles of association; and
- (b) Utmost Life and Pensions Limited be appointed as the new sole member of the Equitable.

By order of the Board

Jean Fleet

Secretary

31 July 2019

The Equitable Life Assurance Society,
Walton Street, Aylesbury, England, HP21 7QW

NOTES TO THE NOTICE OF EXTRAORDINARY GENERAL MEETING

1. All Members of the Equitable are invited to attend the EGM, whether or not they are entitled to vote. However, only Members entitled to vote in accordance with the Articles may take part in the meeting. To be entitled to vote at the EGM, a Member must hold a with-profits policy in his or her own name which has participated in the Equitable's profits continuously since before 1 January 2018 and which has a 'total sum assured' (as defined in the Articles) of at least £1,000.
2. All Members can appoint a proxy, who need not be a With-Profits Policyholder or a Member, to attend the EGM on their behalf. The proxy will have the same rights as the Member by whom they have been appointed. Proxies may only be appointed using the Voting Form (in the case of a Member who is eligible to vote) or a Non-Voting Proxy Form (in the case of a Member who is not eligible to vote), in each case provided by the Equitable.
3. It is anticipated that, in accordance with Regulation 21 of the Articles, the chairman of the EGM will declare that the vote will be conducted by poll. Accordingly, in accordance with the provisions in Regulation 24(4) of the Articles, the number of votes to which each Member shall be entitled shall be the number arising from their 'total sum assured' (as defined by the Articles) held by that Member on 14 October 2019.
4. A Voting Form is included in the voting pack you will have received from the Equitable. The Voting Form provided with the voting pack sets out the number of votes which each Member was entitled to as at 22 June 2019. If necessary, this number will be updated with any changes as at 14 October 2019. If you have received a Non-Voting Proxy Form with this notice, but you subsequently become entitled to vote because your 'total sum assured' (as defined in the Articles) increases to at least £1,000 by 14 October 2019, we will write to you again and send you a Voting Form.
5. For Members who are not eligible to vote, please note the Non-Voting Proxy Form does not constitute an instrument or electronic communication deemed to confer authority to speak, vote or demand a poll at the EGM for the purposes of Regulation 26(5) of the Articles.
6. If you have any general queries about the meeting, please contact us at:
 - a. Postal address: The Equitable Life Assurance Society, Walton Street, Aylesbury, HP21 7QW.
 - b. Email: enquiries@equitable.co.uk

ARTICLES OF ASSOCIATION
of
The Equitable Life Assurance Society

I. Interpretation

*Interpretation
Clause*

1. In these Regulations, unless excluded by the subject or context:

“Act” means Companies Act 1985 including any statutory modification or re-enactment thereof and any Act or Acts of Parliament substituted therefor for the time being in force, and in case of any such substitution the references in these Regulations to the provisions of the Act shall be read as references to the provisions substituted therefor in the new Act or Acts of Parliament; except as defined below and unless the context otherwise requires, words and meanings which have a special meaning assigned to them in the Act shall have the same meaning in these Regulations.

“Actuary” means the actuary required to be appointed for the purposes of Regulation ~~65~~64;

“address” in relation to electronic communications, includes a number or address used for the purposes of sending or receiving documents or information by electronic means;

“AGM” means an annual general meeting of the Society and references to an AGM include any adjourned such meeting;

“Board” means the board of directors for the time being of the Society;

“Board Meeting” means a meeting of the Directors duly constituted in accordance with the Regulations and references to Board Meetings include adjourned such meetings;

“Committee” means a committee appointed as provided by Regulation ~~58~~57;

“Companies Act 2006” means the Companies Act 2006, including any modification or re-enactment of it for the time being in force;

“Directors, Auditors, Chairman, Deputy Chairman, Chief Executive and Secretary” means respectively the directors, auditors, chairman, deputy chairman, chief executive and company secretary for the time being of the Society;

“electronic communication” means a document or information which is sent or supplied in electronic form for the purposes of section 1168 Companies Act 2006;

“electronic means” has the meaning given by section 1168(4) Companies Act 2006;

“EGM” means any General Meeting other than an AGM and references to an EGM include any adjourned such meeting;

“General Meeting” means a general meeting of the Society and references to a General Meeting include any adjourned such meeting;

“Main Fund” means the main (non-profit) fund of the Society containing all the assets of the Society other than those allocated to the With-Profits Fund;

“Member” has the meaning ascribed under Regulation 2;

“month” means calendar month;

“Office” means the registered office of the Society;

~~“Participating Policy” means a Policy which for the time being confers a present entitlement to participate in the profits of the Society;~~

~~“Policy” means a policy of assurance and/or annuity which has been or shall hereafter be effected with the Society;~~

“Regulations” means the articles of association for the time being of the Society;

“the Society” means The Equitable Life Assurance Society;

“With-Profits Actuary” means the person or persons appointed from time to time to perform the with-profits actuary function of the Society;

“With-Profits Fund” means the with-profits fund of the Society containing assets ring-fenced in respect of the with-profits policies of the Society; and

words importing the singular number include the plural number; words importing the plural number include the singular number; words importing the masculine gender include the feminine gender; ‘person’ includes a corporation, and words connoting persons (other than the word ‘individual’) shall be similarly construed; ‘writing’ includes printing, lithography, and other usual substitutes for writing, including an electronic communication; and the wording in the margins of, and the headings in, these Regulations are included for convenience only and do not affect the meaning of the Regulations.

II. ~~Members~~Member

~~Qualification of Members~~Membership of the Society.

~~2. (1) The Members of the Society at any time shall be the following persons:~~

~~(a) every person who in his own sole name has effected or shall hereafter effect any Policy which at the said time is a Participating Policy; and~~

~~(b) every person who, being one of any two or more persons who in their own joint names have effected or shall hereafter effect any Policy which at the said time is a Participating Policy, is the first named in that Policy of such of those persons as shall at the said time be living;~~

~~(2) A person’s membership of the Society shall ipso facto cease upon the death of that person, and, subject to the provisions of paragraph (1) (b) of this Regulation, the right to membership of the Society shall not be in any way transferable or transmissible.~~

~~(3) If any person is for the time being entitled in accordance with paragraph (1) of this Regulation to be a Member of the Society by virtue of only one Policy, then that person’s membership of the Society shall ipso facto cease in the event that that Policy shall be surrendered, or shall lapse beyond the possibility of revival, or shall for any reason cease to be a Participating Policy.~~

~~(4) For the purposes of paragraph (3) of this Regulation the date upon which any particular Policy shall lapse beyond the possibility of revival shall be determined in accordance with such regulations for the time being in force as shall have been or shall from time to time hereafter be approved by the Board.~~

~~(5) For the purposes of paragraphs (1) (b) and (2) of this Regulation a corporation shall be deemed to die if and when it is dissolved, and not in any other circumstances.~~

~~(6) No person shall be capable of becoming or being a Member of the Society other than in accordance with and subject to the preceding paragraphs of this Regulation.~~

2. Utmost Life and Pensions (company number 10559664) Limited shall be the sole Member of the Society.

~~3. No proceedings taken or resolution passed at any General Meeting, or on any poll demanded at any such General Meeting, shall be invalidated by reason of the fact that any person present and/or voting at such General Meeting or on such poll (whether in person or by proxy) is not entitled to be or has ceased to be a Member of the Society in accordance with the provisions of Regulation 2.~~

Limitation of liability of ~~Members~~ Member.

~~43. Every Policy shall be granted by the Society on the terms that the Society shall only be liable thereunder to the extent of its assets and property from time to time existing, and that no The sole Member of the Society, and no other person who is at any time in any way interested in any Policy, shall be liable to any call or contribution, whether in any liquidation of the Society or otherwise howsoever, for satisfying any claim or demand under or in respect of the Policy so granted, whether by the grantee thereof or by any other person for the time interested therein shall not be liable for or incur any personal responsibility for any debts due or to become due by the Society, and all creditors and other persons having claims against the Society shall be entitled to make such claims effectual only against the funds of the Society and shall in no case or event whatsoever be entitled to make any demand or claim against the sole Member of the Society.~~

III. Meetings

General Meetings when to be held.

~~54. The Society shall in every year, hold a General Meeting as its AGM in addition to any other General Meetings in that year, and shall specify the meeting as such in the notices calling it. Such meeting shall be held before the end of September. Subject as aforesaid any AGM shall be held at such time and place as the Board shall appoint.~~

~~65. All General Meetings other than AGMs shall be called EGMs.~~

Extraordinary General Meetings how to be convened.

~~76. EGMs shall be convened:~~

- ~~(1) by the Board whenever it thinks fit; or~~
- ~~(2) on a requisition pursuant to Section 368303 of the Companies Act 2006; or~~
- ~~(3) subject to the provisions of Regulation 87, on a requisition of any five Directors ("Directors' Requisition"); or~~
- ~~(4) subject to the provisions of Regulation 8, on a requisition of at least 500 Members each of whom has the right to vote in accordance with Regulation 24(2) on the date the requisition is deposited at the Office ("Members' Requisition").~~

~~87. If the requisition is a Directors' Requisition or a Members' Requisition then the following provisions shall apply:~~

- ~~(1) the requisition must state whether that it is a Directors' Requisition or a Members' Requisition and it must state the objects of the EGM;~~
- ~~(2) the requisition must be signed by the requisitionists and deposited at the Office;~~
- ~~(3) no business other than that stated in the requisition as the objects of the EGM shall be transacted;~~
- ~~(4) the Board need not convene an EGM if it reasonably decides that the EGM's only purpose would be to deal with business substantially the same as business discussed at a General Meeting during the previous two years, or to be discussed at another General Meeting within the next three months; or that the right to requisition was being used to seek publicity for defamatory matter or for frivolous or vexatious purposes; and the Board has taken reasonable steps to inform the requisitionists of its decision;~~
- ~~(5) if the Board reasonably decides that any (but not all) of the objects of the EGM stated in the requisition are objects which fall under Regulation 87(4), the~~

requisition (if it is otherwise valid) will be treated as valid only in relation to the remaining objects; and

- (6) unless the Board has decided that it need not convene an EGM under Regulation ~~87~~(4), then if it does not within forty-two days from the date of the deposit of the requisition proceed to convene an EGM, then the requisitionists may themselves convene an EGM, but any EGM so convened shall not be held after the expiration of three months from the said date; and
- ~~(7) the provisions of sub-sections (5) to (8) (inclusive) of Section 368 of the Act shall be deemed to apply mutatis mutandis.~~

~~98.~~ For the purposes of any requisition made under Regulation ~~76~~, the Board shall be deemed not to have duly convened an EGM if it does not give such notice thereof as is required by Regulation ~~109~~.

Notice of General Meetings.

~~109.~~ Every General Meeting shall be called by twenty-one days' notice in writing at the least. The notice shall be exclusive of the day on which it is served or deemed to be served and also of the day for which it is given, and shall specify the place, the day and the hour of the General Meeting, and in case of special business the general nature of the business. The notice shall be given in manner hereinafter mentioned or in such other manner (if any) as may be prescribed by the Society in General Meeting to such persons as are under these Regulations entitled to receive such notices from the Society.

Business to be transacted at General Meetings.

~~110.~~ All business shall be deemed special that is transacted at an EGM, and also all that is transacted at an AGM, with the exception of the consideration of the accounts, balance sheets, and the reports of the Directors and Auditors, the election of Directors in the place of those retiring, and the appointment of, and the fixing of the remuneration of, the Auditors.

~~11A. Members may require the Society by a requisition in writing to:~~
~~(1) give to Members entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that AGM (a "Members' Resolution"); and~~
~~(2) circulate to Members entitled to have notice of any General Meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that General Meeting (a "Members' Statement"); either (i) subject to and in accordance with Sections 376 and 377 of the Act or (ii) subject to and in accordance with the provisions of Regulation 11B below.~~

~~11B. (1) If a requisition is made pursuant to this Regulation 11B then the requisition (whether in respect of a Members' Resolution or a Members' Statement) must:~~
~~(a) state that it is a requisition made pursuant to this Regulation 11B and must be signed by at least 500 Members each of whom has the right to vote in accordance with Regulation 24(2) on the date the requisition is deposited at the Office;~~
~~(b) be deposited at the Office at least eight weeks before the date of the AGM.~~
~~(2) Notice of a Members' Resolution shall be given, and any Members' Statement shall be circulated, to Members entitled to have notice of an AGM sent to them, by serving a copy of the Members' Resolution or Members' Statement on each such Member in the manner permitted for service of notice of an AGM under Regulation 10.~~
~~(3) The Board need not give notice of a Members' Resolution or circulate a Members' Statement if it reasonably decides that the only purpose of the Members' Resolution or the Members' Statement would be to deal with business substantially the same as business discussed at a General Meeting during the previous two years, or to be discussed at another General Meeting within the next three months; or that the right to requisition pursuant to this Regulation 11B is being used to seek publicity for defamatory matter or for frivolous or vexatious purposes and the Board has taken reasonable steps to inform the requisitionists of its decision.~~

Proceedings at General Meetings.

~~12~~11. Save as provided by the Act, no business (other than business which is not special business) shall be transacted at any General Meeting, unless the general nature of such business shall have been specified in the notice convening such General Meeting in accordance with Regulation ~~10~~9.

Proceedings to be valid.

~~13~~12. The accidental omission to give notice to any person entitled under these Regulations to receive notice of a General Meeting, or the non-receipt by any such person of such notice shall not invalidate the proceedings at that General Meeting.

Minutes of General Meetings to be kept.

~~14~~13. The Board shall keep proper minutes of the proceedings at every General Meeting.

Quorum.

~~15~~14. The quorum for any General Meeting shall ~~(save as specified in Regulation 17) be twenty or more members personally present and for the time being entitled in accordance with Regulation 24(2) to vote at General Meetings, (including any adjourned General Meeting) shall be the sole Member.~~

Adjournment of General Meetings.

~~16~~15. If at the time fixed for any General Meeting (not being an adjourned General Meeting held pursuant to this Regulation) the quorum required by Regulation ~~15~~14 be not present, the General Meeting shall thereupon stand adjourned to such time and place as the chairman of the General Meeting shall appoint, provided that no such adjournment shall be to a date more than twenty-eight days after that of the General Meeting from which the adjournment takes place.

~~17. At any adjourned General Meeting held pursuant to Regulation 16 those Members who are present and are for the time being entitled in accordance with Regulation 24(2) to vote at General Meetings, whatever may be their number, shall form a quorum.~~

~~18~~16. (1) The chairman of any General Meeting may in his discretion, at any time during the proceedings thereof, and without the consent of the General Meeting, adjourn such General Meeting to such time and place as he shall think fit, provided that no such adjournment shall be to a date more than twenty-eight days after that of the General Meeting from which the adjournment takes place.

(2) Without prejudice to his powers under paragraph (1) of this Regulation the chairman of any General Meeting may with the consent of the General Meeting, and shall if so directed by the General Meeting, adjourn such General Meeting from time to time and from place to place.

~~19~~17. No business shall be transacted at any adjourned General Meeting other than the business left unfinished at the General Meeting from which the adjournment took place. When a General Meeting is adjourned for thirty days or more pursuant to Regulation ~~18~~16(2), notice of the adjourned General Meeting shall be given as in the case of an original General Meeting. Save as aforesaid it shall not be necessary to give notice of any adjourned General Meeting or of the business to be transacted at any adjourned General Meeting.

Person to be chairman of General Meetings.

~~20~~18. The Chairman or, if he be unable or unwilling to serve, a Deputy Chairman or, if he (or, if more than one, they both) be unable or unwilling to serve, such person as the Directors present shall appoint shall be chairman at any General Meeting, but if no such chairman be appointed, or if the chairman so appointed shall be unable or unwilling to serve when the General Meeting is ready to proceed to business, the ~~Members present in person or by proxy and entitled to vote (whether themselves forming a quorum or not)~~sole Member or

its proxy or duly authorised corporate representative may, by resolution, appoint a person to take the chair at such General Meeting.

Mode of voting.

2119. At any General Meeting a resolution put to the vote of the ~~General Meeting~~ meeting shall be decided on a show of hands (which may be conducted electronically if the chairman of the General Meeting so directs) unless ~~(other than in the case of a resolution relating to the election of a chairman of the General Meeting or to an adjournment thereof)~~ a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman of the General Meeting, ~~or by any five Members present in person or by proxy and having the right to vote at the General Meeting, or by any Member or Members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the Members having the right to vote at the General Meeting or by the sole Member or its proxy or duly authorised corporate representative.~~ Unless a poll be so demanded a declaration by the chairman of the General Meeting that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Society shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution. The demand for a poll may be withdrawn.

2220. A demand for a poll shall not prevent the continuance of a General Meeting for the transaction of business other than the matter on which the poll has been demanded.

Mode of taking poll.

2321. If a poll be duly demanded it shall be taken in such manner (including electronically) and at such time and place as the chairman of the General Meeting shall direct. The result of a poll shall be deemed to be the resolution of the General Meeting at which the poll was demanded.

Qualification for voting.

22. No person, other than the sole Member or its duly appointed proxy or authorised corporate representative, may (unless otherwise authorised by the Directors) attend, vote or speak at any general meeting.

24. (1) In this Regulation:

(a) the expression 'the relevant policies', in relation to any Member as at any date, means and includes every Policy:

- (i) by virtue of which that Member is at that date entitled in accordance with Regulation 2(1) to be a Member of the Society; and
- (ii) which was granted by the Society before the commencement of the calendar year which ended on the 31st December next preceding that date; and
- (iii) which has been a Participating Policy at all times from and including such commencement; and

(b) the expression 'total sum assured' in relation to any Member as at any date ('the Relevant Date'), means the sum which is obtained:

- (i) by multiplying by ten the aggregate of the respective annual amounts as at the Relevant Date of all annuities (exclusive of any bonus additions and any annuities which themselves are or represent bonus additions) then secured by the relevant policies; and
- (ii) by adding to the amount resulting from such multiplication the aggregate of the respective total sums (other than annuities and exclusive in every case of all bonus additions) which as at the Relevant Date are assured by the relevant policies.

Provided always that the annual amount of any annuity which is secured as at the Relevant Date by any of the relevant policies, being an annuity in respect of which such Policy does not as at the Relevant Date confer a present entitlement to participate in the profits of the Society, shall not be taken into account for the purposes of clause (i) of this sub-paragraph (b); and the amount of any sum (not being an annuity) which is assured as at the Relevant Date by any of the relevant policies, being a sum in respect of which such Policy does not as at the Relevant Date confer any such present entitlement as aforesaid, shall not be taken into account for the purposes of clause (ii) of this sub-paragraph (b).

Provided further that if any such annual amount or total sum as is referred to in clause (i) or

(as the case may be) clause (ii) of this sub-paragraph (b) shall be denominated in any currency other than Pounds Sterling ('Relevant Foreign Currency') by any of the relevant policies, then in calculating the total sum assured for the purposes of this Regulation such annual amount or (as the case may be) total sum shall be deemed to be converted into Pounds Sterling at the Appropriate Rate of Exchange;

(c) the expression 'the Appropriate Rate of Exchange', in relation to any Relevant Foreign Currency, means:

(i) the lower of the two commercial spot rates of exchange for London trading, for converting the Relevant Foreign Currency into Pounds Sterling, prevailing at or around the end of London trading on the Conversion Date, as quoted in the edition of the *Financial Times* next following the Conversion Date; or

(ii) if there is no such quotation in that edition of the *Financial Times*, or if for any other reason the Board is of the opinion that it is not practicable to apply clause (i) of this sub-paragraph (c), then such other rate of exchange as at the Conversion Date, for converting the Relevant Foreign Currency into Pounds Sterling, as the Board shall in its absolute discretion consider to be appropriate; and

(d) the expression 'the Conversion Date', in relation to any Relevant Date, means the last London business day prior to the commencement of the calendar month (being one of the twelve named months in a calendar year) next preceding the Relevant Date;

(2) No Member shall be entitled to vote at any General Meeting, or on any poll, unless as at a date to be specified in the notice of the General Meeting (such date to be determined by the Board and being not more than one month prior to the General Meeting) the total sum assured in relation to such Member is not less than £1,000.

(3) On a show of hands every Member present in person and for the time being entitled to vote in accordance with paragraph (2) of this Regulation shall have one vote and no more.

(4) On a poll every Member present in person or by proxy and for the time being entitled to vote in accordance with paragraph (2) of this Regulation shall have such number of votes as shall be obtained by dividing by £1,000 the total sum assured in relation to such Member as at a date to be specified in the notice of the relevant General Meeting (such date to be determined by the Board and being not more than one month prior to the General Meeting), and if the number resulting from such division is not an integral number by rounding the same down to the nearest integral number. Provided always that no Member shall be entitled to more than ten votes on a poll.

(5) If any question shall arise as to whether any Member is entitled to vote on any show of hands or on any poll, or as to the number of votes to which any Member is entitled on any poll, the question shall be determined by the chairman of the General Meeting at which the show of hands takes place or (as the case may be) at which the poll is demanded, and the decision of such chairman on the question shall be final and conclusive for all purposes.

~~2523.~~ Any corporation which is a ~~The sole Member~~ of the Society may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any General Meeting or poll, and any person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as ~~that corporation sole Member as the sole Member~~ could exercise if it were an individual Member of the Society. A corporation which is ~~The sole Member~~ present at any General Meeting or poll by a representative so authorised shall for all the purposes of these Regulations be deemed to be present in person at the General Meeting or poll.

~~25A.~~ If a Member who would be entitled to vote at a General Meeting is a patient under mental health legislation or is subject to an order of a court having jurisdiction to protect people unable to manage their own affairs, the person appointed under that legislation or by that court to act for the Member may act as representative of the Member at a General Meeting and may vote, whether on a show of hands or on a poll or by proxy, on behalf of the Member provided that evidence to the satisfaction of the Board of the authority of the person claiming to exercise the right to vote is provided to the Society.

Any such evidence must:

- (a) be deposited at the Office or such other place within the United Kingdom as is specified in the notice convening the General Meeting not less than 48 hours before the time for holding the General Meeting at which the representative proposes to vote; or
- (b) in the case of a poll taken more than 48 hours after it was demanded, be delivered as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll; or
- (c) in the case of a poll not taken forthwith but taken not more than 48 hours after it was demanded, be delivered at the General Meeting at which the poll was demanded in such manner as shall be approved by the chairman of the General Meeting, and evidence which is not deposited in a manner so permitted shall be disregarded.

Proxies.

- ~~26~~24. (1) On a poll ~~votes may be given personally or by proxy~~ the sole Member or its proxy or duly authorised corporate representative shall have one vote.
- (2) The appointment of a proxy, whether by means of an instrument or contained in an electronic communication, shall be executed in such manner as may be approved by or on behalf of the Board from time to time. Subject thereto, the appointment of a proxy shall be in writing (unless the Board determines otherwise) and executed by the appointor or his attorney or, if the appointor is a corporation, executed by a duly authorised officer, attorney or other authorised person or under its common seal or in any other manner authorised by its constitution.
- ~~(3) [Not used]~~
- ~~(4) [Not used]~~
- ~~(3)~~ (5) The instrument or electronic communication appointing a proxy shall be deemed to confer authority to speak at the General Meeting and to demand or join in demanding a poll. It shall also confer the right to vote on a show of hands but any person so voting shall have one vote and no more.
- ~~(4)~~ (6) A vote given in accordance with the terms of an instrument of proxy or electronic communication appointing a proxy shall be valid, notwithstanding the previous ~~death, insanity or (in the case of a corporation) dissolution of the principal or the revocation of the proxy or of the power of attorney or other authority under which the proxy was executed, provided that no intimation in writing of such death, insanity, dissolution or revocation verified or authenticated to the satisfaction of the Board shall have been received by the Society at the Office before the commencement of the General Meeting or poll at which the proxy is used.~~
- ~~(5)~~ (7) No instrument or electronic communication appointing or purporting to appoint a proxy to vote at more than one General Meeting shall be valid for any purpose whatsoever, but nothing in this paragraph ~~(7)~~ shall prevent an instrument or electronic communication from appointing a proxy to vote at a General Meeting and also at any adjournment of that same General Meeting.
- ~~(6)~~ (8) The Board may in its discretion provide for instruments of proxy to be obtained, by the ~~Members for the time being entitled in accordance with Regulation 24(2) to vote~~ sole Member, at such time or times before any General Meeting or poll and at such place or places as the Board may determine, and the Board shall also have a discretion to send instruments of proxy, and issue invitations contained in electronic communications, to the ~~Members~~ sole Member for the time being so entitled at any time or times before any General Meeting or poll, but the Board shall not be under any obligation to make any such provision as aforesaid or to send out instruments of proxy as aforesaid in relation to any General Meeting or poll. ~~Notwithstanding anything contained in this paragraph (8) the Board shall not, for the purpose of any General Meeting, issue or cause to be issued at the Society's expense, to some only of the Members entitled to be sent a notice of such General Meeting and to vote thereat by proxy, invitations to appoint as proxy a person or one of a number of persons specified in the invitations.~~

Appointment and form of proxies.

- ~~27~~25. (1) Instruments of proxy shall be in such form or forms as the Board may approve. Subject thereto, the appointment of a proxy may be:
- (a) by means of an instrument; or

(b) contained in an electronic communication, if the Board so determines. The Board may, if it thinks fit, but subject to the provisions of the Companies Act 2006, at the ~~Company's~~ Society's expense send forms of instrument of proxy for use at any General Meeting with the notice of that General Meeting and issue invitations contained in electronic communications in relation to any General Meeting. Delivery of an instrument or, where applicable, the sending of an electronic communication appointing a proxy shall not preclude the sole Member from attending and voting in person at the meeting or poll concerned.

(2) The instrument or, where applicable, electronic communication appointing a proxy and any authority under which it is executed or a copy of such authority certified notari- ally or in some other way approved by the Board must:

(a) be deposited at the Office or such other place within the United Kingdom or, in the case of an electronic communication, such address as is specified in the notice convening the General Meeting or any instrument of proxy or any invitation to appoint a proxy which is sent out by the Society in relation to the General Meeting not less than 48 hours before the time for holding the General Meeting at which the person named in the instrument or electronic communication proposes to vote; or

(b) in the case of a poll taken more than 48 hours after it is demanded, be delivered as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll; or

(c) in the case of a poll not taken forthwith but taken not more than 48 hours after it was demanded, be delivered at the General Meeting at which the poll was demanded in such manner as shall be approved by the chairman of the General Meeting.

and an instrument of proxy which is not deposited or delivered in a manner so permitted or approved shall be disregarded.

A vote given or poll demanded by proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous termination of the authority of the person voting or demanding a poll unless notice of the termination was received by the Society at the Office or at such other place or address at which the instrument of proxy or, as applicable, electronic communication appointing the proxy was duly deposited or delivered before the commencement of the General Meeting at which the vote is given or the poll demanded or (in the case of a poll taken otherwise than on the same day as the General Meeting) the time appointed for taking the poll.

Validity of vote. ~~28~~26. No objection shall be made to the validity of any vote except at the General Meeting or poll at which such vote shall be tendered, and every vote whether given personally ~~or~~ by proxy or by duly authorised corporate representative not disallowed at such General Meeting or poll shall be deemed valid for all purposes whatsoever of such General Meeting or poll. ~~The provisions of Regulation 24(5) shall apply to any such objection.~~

Chairman to have casting vote. ~~29. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the General Meeting at which the show of hands takes place or (as the case may be) at which the poll is demanded shall have a casting vote, in addition to any vote or votes which he may have in his capacity as a Member.~~

Overflow arrangements at General Meetings. ~~29A. If, in the case of any General Meeting, the chairman of the General Meeting believes that the principal meeting location ("Principal Place") will not accommodate all those who wish, and are entitled, to attend the General Meeting, he may arrange for some of those who are entitled to attend to be accommodated in one or more overflow locations ("Overflow Location"), notwithstanding the specification in the notice of the location of the General Meeting. There shall be reciprocal vision and sound links between the Principal Place and any Overflow Location and between each Overflow Location and between such links after the General Meeting starts shall not affect the validity of the General Meeting. For the purpose of all other provisions of these Regulations any such General Meeting shall be treated as being held and taking place at the Principal Place.~~

Register of Members.

30. For not less than two hours during the period between 9 am and 5 pm on each business day (as defined by the Act) the register of Members of the Society ("Register") shall (except when it is closed under the provisions of the Act) be open to inspection by any Member without charge. Any Member may require a copy of the Register, or any part of it, on payment of a fee prescribed by the Act; and the Society shall cause any copy so required by a Member to be sent to him within the period prescribed by the Act against receipt of such payment.

IV. Directors

Number.

3127. Until otherwise determined by the Society in General Meeting, the number of Directors shall be not more than twelve nor less than six.

Qualification.

3228. No person shall be qualified to be or become a Director unless all necessary regulatory approval has been given and not withdrawn. The election or appointment of a Director shall not be effective unless and until the Society has received such regulatory approval.

Vacation of office of Director.

3329. The office of a Director shall be vacated if:

- (i) he ceases to be qualified under Regulation **3228**; or
- (ii) he ceases to be a Director by virtue of any provision of the Act or he becomes prohibited by law from being a Director; or
- (iii) he becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- (iv) he becomes of unsound mind or a patient for any purpose of any statute relating to mental health and the Board resolves that his office be vacated; or
- (v) he resigns his office by notice to the Society; or
- (vi) he shall for more than six consecutive months have been absent without permission of the Board from Board Meetings held during that period and the Board resolves that his office be vacated; or
- (vii) he is removed by resolution of an EGM.

Retirement of Directors.

3430. At each AGM one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office; but, if there is only one Director who is subject to retirement by rotation, he shall retire.

Subject to the provisions of the Act, the Directors to retire by rotation shall be those who have been longest in office since they were last elected or re-elected or since their appointment became effective if later, but as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Provided always that each Director must retire not later than at the third AGM taking place after the AGM at which he was last elected or re-elected.

3531. A Director retiring in the manner provided by Regulation **3430** shall be immediately eligible for re-election.

3632. A retiring Director shall, for all the purposes of the General Meeting at which he retires, be considered to continue in office until the conclusion of such General Meeting.

Election of Directors.

3733. At any AGM the Society may fill any vacancy, which is created thereat by the retirement of a Director at the AGM under Regulation **3430** or **4036**, by electing a person to such office, and in default the Director so retiring shall if offering himself for re-election be deemed to have been

re-elected to such office, unless at such AGM it is expressly resolved not to fill such office or unless a resolution for the re-election of such Director shall have been put to the AGM and lost.

The Society in General Meeting may also from time to time by ordinary resolution make any appointments to the Board to bring the number of Directors up to a number not exceeding the maximum number permitted by the Regulations.

3834. Notwithstanding any vacancy in the number of the Directors by death, resignation or otherwise, the business of the Society shall, until such vacancy be supplied, be carried on by the remaining Directors in the same manner and with the same force and validity in every respect as if no such vacancy existed.

Calling of Board Meetings.

3935. Any Director or the Chief Executive may, and the Secretary at the request of a Director or the Chief Executive shall, call a Board Meeting. A Board Meeting must be called by reasonable notice in writing (which includes by electronic communication), in person or by telephone.

Written notice of a Board Meeting sent to an address that a Director has given for that purpose will be treated as properly given to the Director. The notice need not state the business to be conducted at the Board Meeting. Waiver of notice of a Board Meeting by a Director shall be effective even if it is given after that Board Meeting has taken place.

Vacancies to be filled.

4036. The Board shall have power at any time and from time to time to appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors shall not at any time exceed the maximum number permitted by these Regulations. Any Director so appointed shall hold office until the next following AGM when he shall retire but be immediately eligible for re-election and shall not be taken into account in determining the Directors who are to retire by rotation at such AGM.

Persons eligible as Directors.

4137. No person, other than a Director retiring at the AGM, shall be eligible for election as a Director at any AGM, unless he shall have sent to the Office notice in writing of his candidature to be received at least one month, and not more than two months, after the 31 December immediately preceding the AGM, such notice being also signed by ~~50 Members, who are for the time being entitled in accordance with Regulation 24(2) to vote at General Meetings~~ the sole Member, recommending the election of the candidate, nor shall ~~at the sole~~ Member so recommend more than one candidate for each vacancy.

Board Meetings.

4238. The Directors may meet together for dispatch of business, adjourn and otherwise regulate their Board Meetings as they think ~~fit~~ and may determine the quorum necessary for the transaction of business and, until otherwise determined, four Directors shall be a quorum.

Chairman of Board.

4339. There shall be a Chairman of the Board, who shall be elected at a Board Meeting from among the Directors.

Deputy Chairman of Board.

4440. There shall be a Deputy Chairman, or two Deputy Chairmen, of the Board, each of whom shall be elected at a Board Meeting from among the Directors.

Chairman of Board Meetings.

4541. Unless he is unwilling to do so, the Chairman shall preside at every Board Meeting at which he is present. If the Chairman is not present, or is unwilling to preside, a Deputy Chairman present, if willing, shall be the chairman of the Board Meeting. In the absence or unwillingness to act of the Chairman and any Deputy Chairman, the Directors present shall choose one of their number to be chairman of the Board Meeting.

Chief Executive. [4642](#). The Board shall appoint a Chief Executive who may or may not be a Director (who will be called “Chief Executive” or by such other title as the Board decides).

Appointment of agents, officers, employees and professional advisers. [4743](#). The Board may from time to time appoint agents, officers, employees and professional advisers as it thinks necessary. The Board may entrust to and confer upon such agents, officers, employees or professional advisers such powers as the Board thinks fit, upon such terms and conditions and with such restrictions as the Board thinks fit. The Board may from time to time revoke, withdraw, alter or vary all or any of such powers. Unless these Regulations explicitly state otherwise and to the extent permitted by law, the Board may delegate any of its powers to such agents, officers, employees or professional advisers.

[48](#). [Not used]

Questions at Board Meetings, how to be decided. [4944](#). Questions arising at any Board Meeting shall be decided by a majority of votes and in case of equality of votes the chairman of the Board Meeting shall have a second or casting vote.

Board Meetings may exercise authorities of the Board. [5045](#). A Board Meeting at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the Regulations vested in or exercisable by the Board generally.

Meetings may be held with Directors at different locations. [50A46](#). A Board Meeting or a Committee meeting may be held using equipment that enables the Directors taking part to hear and speak to each other even if some or all of them are at different locations. Each Director so participating in a meeting is deemed to be present at that meeting for the purposes of these Regulations. A meeting held in this way is deemed to take place where the largest group of participating Directors is assembled or, if no such group is readily identifiable at the place where the chairman of the meeting participates. Provided that a quorum is able to take part at all times during the meeting, breakdown of any equipment after the meeting starts shall not affect the validity of the meeting.

Board resolutions in writing. [50B47](#). A resolution in writing signed by all of the Directors entitled to receive notice of a Board Meeting or all the members of a Committee shall be as valid and effectual as if it had been passed at a Board Meeting or (as the case may be) a Committee meeting duly convened and held and may consist of several documents in like form each signed by one or more Directors.

Acts to be valid. [5148](#). All acts done by the Board or by a Committee or by any person acting as a Director, shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of such Directors or persons acting as aforesaid, or that they or any of them were disqualified under Regulation [3329](#), be as valid as if every such person had been duly appointed and was qualified as a Director.

Minutes of Board Meetings. [5249](#). The Board shall cause minutes to be made, in books provided for the purpose, of all appointments of officers made by the Board, of the names of the Directors present at each Board Meeting and Committee meeting, and of the resolutions and proceedings at all such meetings as aforesaid.

Seals. [5350](#). (1) The Board shall provide a Common Seal for the Society, and may from time to

- time destroy the same and substitute a new Common Seal instead thereof.
- (2) The Board shall provide for the safe custody of the Common Seal.
 - (3) The Common Seal shall only be used by the authority of the Board or of a Committee or of a sole Director authorised by the Board in that behalf.
 - (4) The Board may determine who shall sign any document to which the seal is affixed and unless otherwise so determined it shall be signed by a Director or by such other person as the Board may from time to time appoint and countersigned by the Secretary or by such other person as aforesaid.

- 53A51.** (1) Any document which is signed by one Director and by the Secretary, or by two Directors, and is expressed (in whatever form of words) to be executed by the Society, shall have the same effect as if executed under the Common Seal of the Society.
- (2) No document which is so expressed and/or which makes it clear on its face that it is intended by the person or persons making it to be a deed shall be signed pursuant to paragraph (1) of this Regulation without the authority of the Board or of a Committee or of a sole Director authorised by the Board in that behalf.
 - (3) The provisions of paragraphs (1) and (2) of this Regulation are in addition and without prejudice to the provisions of Regulation **5350**.

53B52. The Society may exercise the powers conferred by the Act with regard to having official seals, and such powers shall be vested in the Board.

Powers of the Board.

5453. The business of the Society shall be managed by the Board, which may exercise all such powers of the Society as are not, by the Act, or by these Regulations, required to be exercised by the Society in General Meeting, subject, nevertheless, to any of these Regulations, to the provisions of the Act, and to such regulations, being not inconsistent with the aforesaid Regulations or provisions, as may be prescribed by the Society in General Meeting; but no regulation made by the Society in General Meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

55. [Not used]

Interest in contracts with the Society, etc.

- 5654.** (1) A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Society shall declare the nature of his interest at a Board Meeting in accordance with Section **317177** of the [Companies Act 2006](#).
- (2) A Director shall not vote in respect of any contract or arrangement in which he is directly or indirectly interested, and if he shall do so his vote shall not be counted, nor shall he be counted in the quorum present at the Board Meeting, but neither of these prohibitions shall apply to or in respect of:
 - (i) any contract or arrangement with any company in which a Director is interested only as a nominee of the Society, or as a holder of shares or other securities in or of that company; or
 - (ii) any determination or decision of the Board which is made pursuant to any one or more of the provisions of paragraphs (2), (3) and (4) of Regulation **6159**; or
 - (iii) any policy of assurance and/or annuity which has been or which is proposed to be effected with the Society by a Director, or which has been or is proposed to be effected with the Society by some person other than a Director but in which a Director is directly or indirectly interested.
 - (3) A Director may hold any other office or place of profit under the Society (other than the office of Auditor) for such period and on such terms (as to remuneration and otherwise) as the Board may determine, and no Director or intending Director shall be disqualified by his office from contracting with the Society either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Society in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to

account to the Society for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relations thereby established.

- (4) Any Director may act by himself or his firm in a professional capacity for the Society, and he or his [firm](#) shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as Auditor to the Society.

Powers in Clause F of Memorandum.

5755. The Board shall not exercise any of the powers given by sub-clause F of the Memorandum of Association without the sanction of a special resolution of the Society.

Board may appoint Committees.

- 5856.** (1) The Board may at any time and from time to time appoint Committees consisting of such member or members of its body as it shall think fit, and delegate any of its powers (not being a power which by virtue of the Act or any of these Regulations is only capable of being exercised by the Board) to any Committee so appointed; and the Board may at any time dissolve any such Committee or revoke any such delegation.
- (2) Any such Committee may elect a chairman of its meetings; if at any such meeting no such chairman has been elected, or such a chairman has been elected but is not present within five minutes after the time appointed for holding the meeting, the members of the Committee present may choose one of their number to be chairman of that meeting.
- (3) Any such Committee may meet and adjourn as it thinks proper. Questions arising at any meeting of any such Committee shall be determined by a majority of the votes cast thereon by the members of the Committee present thereat, and in the case of an equality of votes the chairman of the meeting shall have a second or casting vote.
- (4) Any such Committee shall in the exercise of the powers delegated to it conform to any regulations which may from time to time be imposed on it by the Board.

Money received, how to be dealt with.

- 5957.** (1) The Board shall cause all money received or to be received for or on account of the Society to be paid to the credit of the Society at such bank or banks as the Board may from time to time think fit.
- (2) All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine.

Receipts for money, how to be signed.

6058. Whenever any money or other property shall be paid, transferred or delivered to the Society, a receipt in writing therefor, signed on behalf of the Society by such person or persons as the Board may from time to time by resolution determine, shall constitute an effectual discharge of the person or persons paying, transferring or delivering the same.

Remuneration of Directors.

- 6159.** (1) The Directors' fees payable in respect of any period of twelve months ending on a 31 May shall not exceed in aggregate such maximum sum as the Society in General Meeting may from time to time (and whether before or after the date with effect from which this Regulation is adopted) by ordinary resolution prescribe. Any maximum sum so prescribed shall remain in force until such time as the same shall be altered by virtue of a subsequent ordinary resolution of the Society in General Meeting.
- (2) The aggregate amount of the fees to be payable to the Directors in respect of any period of twelve months ending on a 31 May shall be such amount (not exceeding the maximum sum prescribed pursuant to paragraph (1) of this Regulation and for the time being in force) as the Board in its absolute discretion shall from time to time determine.

- (3) In any case where the Board has, pursuant to paragraph (2) of this Regulation, determined the aggregate amount of the fees to be payable to the Directors in respect of any particular period of twelve months ending on a 31 May, the Board may nevertheless at any time and from time to time after such determination increase or reduce such aggregate amount to such sum (not exceeding the maximum sum prescribed pursuant to paragraph (1) of this Regulation and for the time being in force) as the Board may in its absolute discretion decide.
- (4) Subject to paragraph (5) of this Regulation, the aggregate amount of the fees to be payable to the Directors in respect of any particular period of twelve months ending on a 31 May, as determined pursuant to paragraph (2) of this Regulation (and where appropriate as increased or reduced pursuant to paragraph (3) of this Regulation), shall be paid and divided amongst the Directors in such respective proportions and at such time or respective times and generally in such manner as the Board shall from time to time in its absolute discretion decide.
- (5) Unless and to the extent that the Society in General Meeting may otherwise from time to time determine, no Director shall be paid any fee for his services as such a Director in respect of any period during which he shall be a full time employee of the Society.
- (6) Every Director shall be bound to account to the Society for all fees received or receivable by him as a director of any company which is for the time being a subsidiary of the Society.

Interest in companies promoted by the Society.

~~63~~60. Subject to Regulation ~~33~~29 and to Regulation ~~64~~59(6) a Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Society or in which the Society may be interested as shareholder or otherwise and no such Director shall be accountable to the Society for any remuneration or other benefit received by him as a director or officer of or from his interests in such company unless the Society in General Meeting otherwise directs.

Directors' expenses.

~~63~~61. The Directors may be paid all travelling, hotel and other expenses properly incurred ~~by~~ in connection with their attendance at Board Meetings, Committee meetings or General Meetings or otherwise in connection with the discharge of their duties.

Pensions.

- ~~63A~~62. (1) The Board shall have power to establish and maintain, or procure the establishment and maintenance of, any pension or superannuation funds (whether contributory or otherwise) for the benefit of, and to give or procure the giving of donations, gratuities, pensions, allowances and emoluments to, and to make payments for or towards the insurance or assurance of, any persons who are or were at any time in the employment or service of the Society, or of any body corporate which is a subsidiary of the Society or is controlled by the Society, or who may be or have been Directors or officers of the Society, or of any such body corporate as aforesaid, and the wives, widows, families, relations and dependants of any such persons as aforesaid, and may do any of the matters aforesaid, either alone or in conjunction with any such body corporate as aforesaid.
- (2) Subject always, if the Act shall so require, to particulars with respect to any proposed payment being disclosed to the ~~Members~~sole Member of the Society and to such proposed payment being approved by the Society in General Meeting, any Director who, pursuant to any exercise by the Board of any of the powers conferred upon it by paragraph (1) of this Regulation, shall receive (directly or indirectly) any donation, gratuity, pension, allowance, emolument or other benefit of any kind, shall be entitled to retain the same for his own use and benefit and shall not be liable to account for the same to the Society.
 - (3) No donation, gratuity, pension, allowance, emolument or other benefit of any kind, which may be received (directly or indirectly) by any Director pursuant to any exercise by the Board of any of the powers conferred upon it by paragraph (1) of this Regulation, shall be regarded, for the purposes of any of the provisions of Regulation ~~64~~59, as a Director's fee which has been paid to or received by that Director.

V. Annual and Valuation Accounts

Accounts, how to be started.

64~~63~~. A revenue account and balance sheet of the affairs of the Society shall be made out and stated for every year up to the night of the 31st of December, and the result thereof shall be produced at and laid before the next ensuing AGM, and such accounts shall be made up in accordance with the provisions of the Acts of Parliament for the time being in force relating to Assurance Companies and when passed at a General Meeting shall be deemed and taken to be accurate and correct, and shall, notwithstanding any subsequent discovery of any error therein, be binding and conclusive on ~~all the Members~~sole Member.

64. The board shall at such intervals as it may deem expedient, but at least once in every year, cause an investigation to be made into the financial condition of the Society, including a valuation of its assets and liabilities, by the Actuary.

VI. Property and Investments

Valuations and divisions of surplus Property of the With-Profits Fund, how to be managed.

65. The board may from time to time manage the funds of the Society's With-Profits Fund in accordance with the applicable Principles and Practices of Financial Management from time to time. Any changes to long-term asset mix relating to the With-Profits Fund shall be made subject to the recommendations of the With-Profits Actuary and in accordance with the Society's governance arrangements in respect of the With-Profits Fund from time to time.

~~65. (1) The Board shall, at such intervals as it may deem expedient, but at least once in every year, cause an investigation to be made into the financial condition of the Society, including a valuation of its assets and liabilities, by the Actuary. Provided that in the valuation of the assets the values thereof be not estimated beyond the market prices (if any) of the same, unless for reasons to be set out in the Directors' report to the Members upon the results of the valuation.~~

~~After making such provision as it may think sufficient for such liabilities, and any special or other reserve it may think fit, the Board shall, at a Board Meeting, declare what amount of the surplus (if any) shown by such valuation may, in its opinion, be divided by way of bonus, and it shall apportion the amount of such declared surplus by way of bonus among the holders of the Participating Policies on such principles, and by such methods, as it may from time to time determine. The Board may pay or apply the bonus so apportioned to each holder of a Participating Policy, either by way of reversionary bonus (that is to say, by way of addition to the sum assured when it shall become a claim), cash payment, reduction of premium for the whole of life or any less period, or in any other way it and any holder of a Participating Policy may agree.~~

~~(2) The Board (after obtaining such report or reports from the Actuary as it may in its discretion consider to be necessary or desirable in the circumstances) may, in cases where Participating Policies become claims in the interval between two valuations, pay such interim or additional or special bonuses as it shall think fit.~~

~~(3) The amount of any bonus which may be declared or paid pursuant to paragraph (1) or paragraph (2) of this Regulation and the amount (if any) to which any holder of a Participating Policy may become entitled under any mode of payment or application of any such bonus, shall be matters within the absolute discretion of the Board, whose decision thereon shall be final and conclusive.~~

66. The board may from time to time invest the funds of the Society's Main Fund in such manner as it may in its discretion determine.

VI. Property and Investments

Property of the Society, how to be invested.

66. The Board may from time to time invest the funds of the Society in such investments and in such manner as it may in its discretion determine, and the Board shall have the like discretion to retain and from time to time to vary and transpose the investments in which the funds of the Society are for the time being invested. Without prejudice to the generality of the foregoing, the Board shall have power at its discretion to invest the funds of the Society (a) in the purchase or on the security of freehold or leasehold properties (b) in loans on the security of any policies issued by the Society or any other life assurance office; and (c) by way of underwriting any issue of any stock, shares, bonds or securities of any kind.

VII. Indemnity

Indemnity of Directors and others.

67. Subject to the provisions of, and so far as may be consistent with, the Act, every Director, Agent, Auditor, Chief Executive, Actuary, Secretary and other officer for the time being of the Society shall be indemnified out of the assets of the Society against any liability incurred by him in performing his duties, exercising his powers and/or otherwise in connection with his duties, powers or office.

VIII. Auditors

Auditors, how to be appointed.

68. Auditors shall be appointed and their duties regulated in the manner provided by the Act.

VIII. Notices

Notices, how to be given.

69. A notice, document or any other information (including the accounts described may be served on, sent or supplied by the Society to ~~any~~ the sole Member:

- (a) personally; or
- (b) by sending it by post to the sole Member ~~concerned~~ or to his registered address, or (if he has no registered address within the United Kingdom) to the address, if any, within the United Kingdom supplied by him to the Society for the giving of notice to him; or
- (c) where appropriate, by sending or supplying it by electronic communication to an address for the time being notified by the sole Member ~~concerned~~ to the Society for that purpose; or
- (d) by publication on a website in accordance with the Companies Act 2006; or
- (e) by any other means authorised in writing by the sole Member ~~concerned~~.

70. Notice of every General Meeting shall be given in any manner hereinbefore authorised to (a) ~~every Member for the time being entitled in accordance with Regulation 24(2) to vote at General Meetings except those Members who (having no registered address within the United Kingdom) have not supplied to the Society an address within the United Kingdom for the giving of notices to them; and~~

(a) the sole Member, and
(b) the Auditors.

No other person shall be entitled to receive notices of General Meetings.

~~71-71.~~ 71. A notice, document or any other information (including the accounts described in ~~regulation 64~~ Regulation 63) if sent by post, shall be deemed to be served by properly addressing, pre-paying and posting the notice, document or other information, and to have been effected in

the case of a notice of a General Meeting at the expiration of twenty-four hours after the letter containing the same is posted.

~~72-72.~~ A notice, document or any other information (including the accounts described in ~~regulation 64~~[Regulation 63](#)) sent by using electronic means shall be deemed to be served on the day following that on which it was sent notwithstanding that the Society subsequently sends a hard copy of such notice, document or information by post. A notice, document or other information (including the accounts described in ~~regulation 64~~[Regulation 63](#)) made available on a website shall be deemed to be served on the day on which the notice, document or other information was first made available on the website, or, if later, when a notice of availability is received or deemed to have been received pursuant to these Regulations. In proving that a notice, document or other information served, sent or supplied by electronic means was served, sent or supplied, it shall be sufficient to prove that it was properly addressed. A notice, document or other information (including the accounts described in ~~regulation 64~~[Regulation 63](#)) served, sent or supplied by any other means authorised in writing by the [sole](#) Member ~~concerned~~ shall be deemed to have been received when the Society has carried out the action it has been authorised to take for that purpose.

Deloitte.

**Summary of the Report of the
Independent Expert on the Proposed
Scheme to Transfer Long-Term Insurance
Business from Equitable Life Assurance
Society (ELAS) to Utmost Life and
Pensions Limited**

Prepared by Richard Baddon FFA

16 July 2019

1. Introduction

The purpose of this document is to provide policyholders and other interested parties with a summarised version of my **Report** as the **Independent Expert** on the proposed transfer of long-term insurance business from Equitable Life Assurance Society (**ELAS**) to Utmost Life and Pensions Limited (**Utmost Life and Pensions**) (the **Transfer**). In particular, it summarises my conclusions on the potential impact of the **Transfer** on policyholders and explains my rationale for reaching those conclusions.

This summary report and the conclusions within it apply equally to business carried on in, or from within, Jersey or Guernsey.

This is intended to be a standalone summary of my **Report**, but policyholders may wish to read my full report, which provides more details of the **Transfer** and its effect on policyholders, and a more comprehensive explanation for my conclusions. The **Transfer** is described as the “Scheme” in my main **Report** but is being described as the **Transfer** in this summary to avoid confusion with the **Scheme of Arrangement**. Section 1 of my full **Report** provides details of the scope, reliances and limitations of my work and why I believe that my work has been prepared in line with the relevant regulatory and professional guidance. This information in that section applies equally to this summary report. I have included references to other sections of my full **Report** in this summary report where I consider this to be relevant. The full version of my **Report** can be obtained on the **ELAS** website.

I have been appointed as the **Independent Expert** to provide the required report on a proposed scheme for the transfer of business of **ELAS** to **Utmost Life and Pensions**. For the **Transfer**, I have been appointed jointly by **ELAS** and **Utmost Life and Pensions** (together, the **Companies**). My appointment has been approved by the **PRA**, following consultation with the **FCA**.

I am a Fellow of the Institute and Faculty of Actuaries, having qualified in 1994, and am a Partner in the Actuarial and Insurance Solutions practice of **Deloitte**. I have experience on complex engagements, including transfers of business, and have previously acted as Independent Actuary on such engagements.

I am independent of the **Companies** involved in the **Transfer**, and neither I nor any partner or member of staff of **Deloitte** has acted for the **Companies** in developing any aspects of the **Transfer**.

I have considered the effect which the proposed **Transfer** is expected to have on the different groups of policyholders in the **Companies**, and whether the position of any group is, or is likely to be, “materially adversely affected”. My **Report** sets out my findings, a summary of which is included in this document, to assist the **Court** in deciding whether or not to allow the **Transfer** to go ahead.

The **Transfer** will be submitted to the **Court** at the **Sanction Hearing** expected to take place on 22 November 2019 and 25 November 2019. If approved, it is expected to become operative on the **Implementation Date** of 1 January 2020. I will continue to assess the impact of the **Transfer** in the run up to its submission to the **Court** and will produce an additional report (my **Supplementary Report**) outlining any factors that have changed my assessment of the **Transfer** or my conclusions. Once complete, this **Supplementary Report** will also be made available online and on request.

Where a term is in bold, it is either defined in this summary report or the attached glossary.

The **Financial Reporting Council (“FRC”)** has issued standards which apply to certain types of actuarial work. I have prepared my main **Report** and this summary, with the intention that it, and my actuarial work underlying it, should meet the requirements of Technical Actuarial Standards **TAS 100** and **TAS 200** (which cover, respectively, general principles for technical actuarial work and insurance specific principles). I believe that it does so in all material respects and I have had regard to this guidance while preparing my **Report** and this summary. The **Report** and this summary meet

the requirements of the Actuarial Professional Standards (“APS”) issued by the Institute and Faculty of Actuaries, specifically APS X1, and have been peer reviewed in accordance with APS X2.

2. Overall Conclusions

For the reasons set out below, and in the remainder of this summary report, I am satisfied that the approval of the **Transfer** will not materially adversely affect any group of policyholders. Specifically:

- I have considered the impact on policyholder benefit security and do not believe that this will be materially adversely affected either on or after the **Implementation Date** for the **Transferring Policyholders** and the **Existing Utmost Life and Pensions Policyholders**, due to the post-**Transfer** position of the **Companies** and the capital policies in place. I have yet to conclude on the level of assets to remain in **ELAS** post-**Transfer** and the proposed post-**Transfer ELAS** capital policy, and will include my conclusions on this, and in respect of the ongoing benefit security of the **Non-Transferring Policyholders**, in my **Supplementary Report**;
- I have considered the impact on policyholder benefit expectations and, with the exception of the **Non-Transferring Policyholders** (specifically the **UK-style German With-Profits Policies**), I do not believe that any groups of policyholders will be materially adversely affected by the **Transfer** on the **Implementation Date**, or in the period following the **Implementation Date**. The proposed investment strategy for the **UK-style German With-Profits Policies** is still under discussion, therefore I am unable to conclude on the impact on their benefit expectations and will provide an update on this in my **Supplementary Report**; however, I am satisfied that the other changes to these policies due to the **Transfer** are not expected to have a material adverse impact on this group of policyholders;
- I have considered the impact of the **Transfer** on the ongoing governance, investment management and administration and do not believe that there will be any material adverse effect for any group of policyholders, with the exception of the investment strategy for the **UK-style German Policyholders**, as described above;
- I have considered the tax implications of the **Transfer**, and do not believe this will lead to a material adverse effect on policyholder benefit security or expectations for any groups of policyholders; and
- I have considered policyholder communications and consider the proposed approach to be adequate for the purposes of communicating the impact of the **Transfer**.

I will keep these matters under review until the date of the **Sanction Hearing** and will draw any significant developments or changes that may affect policyholders to the attention of the **Court** in my **Supplementary Report**.

This conclusion applies equally to policies that may have been taken out as part of the business carried on in, or from within, Jersey or Guernsey which will transfer under the **Channel Islands Schemes**.

3. Scope and impact of the Transfer

If it is approved by the **Court**, the **Transfer** will transfer all of the business of **ELAS**, with the exception of those policies sold under Irish or German law, to **Utmost Life and Pensions**. It will also effect the restructure of the remaining **ELAS** business. The **Transferring Policies** consist of a broad range of business including protection, pension (individual and group), annuity and investment products. The **Non-Transferring Policies** comprise unit-linked pension, non-profit annuity and protection and with-profits products, all of which were sold under Irish or German Law.

The **Transfer** is not intended to change the benefits payable under the policies transferring to **Utmost Life and Pensions** or the way in which the business is managed going forward (although

responsibility for this management will pass to **Utmost Life and Pensions** under the **Transfer**). There are some changes to how the **Non-Transferring Policies** and, specifically, the **UK-style German With-Profits Policies**, will be managed going forward. I have included further details on the changes in sections 6.3 and 7.2 of this summary of my **Report**.

A diagram outlining the transfer of policies under the **Transfer** is provided in Figure 1.1.

Figure 1.1: Changes under the Transfer



If approved, the **Transfer**, together with the **Channel Islands Schemes**, will transfer all of the policies, assets and liabilities of the **ELAS With-Profits Fund** associated with the **Transferring Policies** at the **Implementation Date** into **Utmost Life and Pensions**. The approval of the **Transfer** will also effect a restructure of the remaining **ELAS** business, with a new with-profits sub-fund, the **German With-Profits Fund**, being established and with-profits policies sold under German law being allocated to this fund. The policies allocated to the **German With-Profits Fund** are the **UK-style German With-Profits Policies** and the **German-style German With-Profits Policies**.

All **Transferring Policies** and their associated assets and liabilities will be allocated to the **Utmost Life and Pensions Non-Profit Fund** (the **ULP NPF**) on the **Implementation Date**. All **Non-Transferring Policies**, and any other **Excluded Policies**, and their associated assets and liabilities will remain in **ELAS**.

The **UK-style German With-Profits Policyholders** are not included in the **Scheme of Arrangement**, as there is a risk that the **Scheme of Arrangement** won't be recognised by the German courts. However, if the **Scheme of Arrangement** is implemented, these policyholders will each be allocated an amount which is equivalent to the **primary uplift amount** which will apply to the with-profits policyholders included in the **Scheme of Arrangement**. This will be allocated to these policies through the **Transfer**. All other with-profits policyholders of **ELAS** will receive this uplift through the **Scheme of Arrangement**.

4. My role as Independent Expert

As the **Independent Expert**, I am required to consider the effect of the **Transfer** on each class of policyholder. I have considered the implications of the **Transfer** for the following groups of policyholders separately, as the analysis differs in each case:

- policyholders transferring from **ELAS** (the **Transferring Policyholders**);
- policyholders remaining in **ELAS** (the **Non-Transferring Policyholders**); and

- existing policyholders of **Utmost Life and Pensions** (the **Existing Utmost Life and Pensions Policyholders**).

Within the groups above, I have considered unit-linked policies, with-profits policies, non-profit policies and group schemes separately, where relevant.

In all cases, in arriving at my opinion I have discussed the **Transfer**'s documentation and intended operation with the management of the **Companies** as part of my review.

The **Transfer** does not change the terms and conditions of any policy. However, as policies move from one company or fund to another, other factors can change, such as the level of benefit security. I have considered the likely impacts of the **Transfer** on the security of policyholder benefits, the reasonable benefit expectations of policyholders, service standards, investment management and the governance arrangements in place to ensure policyholder interests are protected in future.

My consideration of the effects of the **Transfer** is based on the expected impact of the **Transfer** on policyholders and includes consideration of any protections built into the **Transfer**. Where I make statements in my **Report** such as "will continue to", these statements refer to the effect of the **Transfer** in isolation and do not mean that the current situation could not be changed by the **Companies'** management at some point in the future as part of the normal management of the business. Such future changes will be subject to the **Companies'** internal governance frameworks, including in relation to regulatory obligations regarding **Treating Customers Fairly (TCF)**.

I have considered whether provisions from any previous schemes relating to any of the groups of policyholders are affected by the **Transfer**. These **Existing Schemes** are either transferred or maintained under the **Transfer**. Within my analysis, I have paid particular attention to the **Reliance Mutual Scheme** (as defined in Section 3 of my main **Report**), which was another transfer scheme and defines restrictions and protections on **Existing Utmost Life and Pensions Policies**.

5. Non-Transfer related considerations

In parallel with the Part VII transfer process, **ELAS** is performing a **Scheme of Arrangement** under Part 26 of the **Companies Act 2006** to convert the majority of its with-profits business to unit-linked business, removing some of the risks associated with managing a book of with-profits policies. The **Scheme of Arrangement** covers with-profits policies sold under UK and Irish law, but those sold under German law are excluded. I am not required to opine on the appropriateness or fairness of the **Scheme of Arrangement** in my **Reports** as another actuary independent of **ELAS** (the **Policyholder Independent Expert**) has been appointed to opine on that process. The conclusions set out in my **Reports** are based on the assumption that the **Scheme of Arrangement** will be sanctioned by the **Court** and implemented immediately prior to the **Transfer** taking effect, a condition required prior to implementation of the **Transfer**. It also assumes that a vote by **ELAS** policyholders at an Extraordinary General Meeting ("**EGM**") on membership rights is passed. Should the **Scheme of Arrangement** not go ahead, or the vote is not passed, the **Transfer** will not be implemented. In that situation, all conclusions and opinions in my **Reports** will not be relevant and my **Report** will not be considered by the **Court**. I note that the **Scheme of Arrangement** and the **Transfer** are inter-dependent, therefore the **Scheme of Arrangement** and the **Transfer** will only be implemented if both are approved by the **Court**.

At the time of writing, it is unclear what the impact of the UK leaving the **European Union** ("**EU**") will be on UK insurance regulation. This process is widely referred to within the UK as "**Brexit**". My **Report** assumes that **Solvency II**, the UK Insurance Industry's current solvency regime, continues to apply, as there is nothing to suggest that any changes will be made after the UK leaves the **EU**.

Irish and German regulators, the Central Bank of Ireland ("**CBI**") and the Federal Financial Supervisory Authority (more commonly known by its German abbreviation, "**BaFin**"), have indicated a grandfathering period of 3 years and 21 months from the **Brexit** effective date, respectively, meaning that UK insurers can continue to receive premiums from and pay claims to non-UK policyholders in this period. My **Report** does not consider the options available to **Utmost Life and**

Pensions at the end of the grandfathering period. If there is a requirement to transfer the policies remaining in **ELAS**, which were sold under Irish or German law, to a **European Union** domiciled entity after this point, this will be subject to a review by an **Independent Expert** appointed to opine on that specific transfer at that time, and is therefore outside the scope of my opinion.

6. Benefit Security

Another key aspect of my considerations is the security of benefits. I would be concerned if the **Transfer** meant that some policies move from a financially strong company to a weak one which has a significant chance of not honouring its obligations to policyholders.

The **Regulators** are responsible, amongst other things, for the supervision of UK authorised insurance companies. Each of the **Companies** are managed to meet or exceed minimum capital requirements set out in regulations. These set a common standard – for example, the **Solvency Capital Requirement** is to ensure that a company has enough capital to continue to meet its best estimate of the policyholder liabilities following the most onerous event or combination of events of a severity expected to occur only once in every 200 years. Based on my review, I confirm that there is expected to be a surplus in **ELAS** and **Utmost Life and Pensions** in excess of the regulatory requirements immediately following the **Transfer**. For **ELAS**, the post-**Transfer** regulatory capital requirement is the **Minimum Capital Requirement (MCR)**. For **Utmost Life and Pensions**, this is the **Solvency Capital Requirement (SCR)**.

I consider the comparison of indicative solvency ratios, such as the ratio of assets less liabilities to regulatory capital requirements (the **Capital Coverage Ratio**), to be a useful indicator of the immediate impact of the **Transfer** on the level of benefit security provided to policyholders. Where these ratios increase, it might imply, other things being equal, more security for the policyholders immediately following the **Transfer**. The **Companies** have estimated these ratios on a **Solvency II** basis, and I have considered these in forming my opinion, having reviewed significant changes for reasonableness.

6.1. Overview of solvency information

The estimated impact of the **Transfer** on the **Solvency II Capital Coverage Ratio** is presented in the figures in Table 6.1 below, with a more detailed breakdown given in Appendix 6 of my main **Report**.

As stated above, I consider the use of solvency ratios, such as the **Capital Coverage Ratio**, “pre” and “post” the **Transfer** to be a useful indicator of the immediate impact of the **Transfer** on the level of benefit security provided to policyholders. The figures in the below table provide solvency information for **ELAS** and **Utmost Life and Pensions** both pre- and post-**Transfer**:

Table 6.1 Estimated Impact of the Transfer on Solvency II capital position as at 31 December 2018 for ELAS and Utmost Life and Pensions

£m	Pre-Transfer		Post-Transfer	
	Pre-SoA ¹ ELAS	Utmost Life and Pensions	ELAS	Utmost Life and Pensions
Assets	6,004	1,627	73	7,641
Reinsurance	365	(15)	8	341
Total Assets	6,369	1,611	82	7,982
Technical Provisions	5,497	1,478	78	7,682
Other liabilities	214	-	-	-
Total Liabilities	5,711	1,478	78	7,682
Own Funds²	658	134	4	300
Eligible Own Funds	658	115	4	285
Solvency Capital Requirement	413	65	2	190
Minimum Capital Requirement	125	21	3	63
Capital Coverage Ratio³	159%	178%	125%	150%

Source: Financial analysis provided by the Companies

The estimated impact of the **Transfer** on the solvency position for policyholders has been determined with reference to conditions as at 31 December 2018 for **ELAS** and **Utmost Life and Pensions**, as shown in Table 6.1.

I have no reason to believe the impact of the **Transfer** will be materially different at the planned **Implementation Date** (being 1 January 2020) but will continue to review this position in advance of the **Sanction Hearing** where the **Transfer** will be put to the **Court** for approval. I will report upon any changes in my **Supplementary Report**.

While the immediate impact of the **Transfer** is an important consideration in my assessment, I believe it to be arguably more important to consider the expected level of capital held in the longer term. Companies will usually choose to hold a level of capital in excess of minimum regulatory capital requirements, so that they can continue to meet them after suffering losses during adverse conditions. The **Companies'** approaches to accepting and managing risk are set out in their capital policies which include minimum and, in the case of **Utmost Life and Pensions**, target levels of capital coverage which they aim to meet. These minimum and target levels exceed the regulatory minimum requirements, providing additional security for policyholders. For solvency management, these thresholds are effectively the biting constraint (i.e. the factor which would, for example, limit dividend payments) and I have placed considerable weight on these in reviewing policyholder security.

I have considered the ability of both **ELAS** and **Utmost Life and Pensions** to meet the minimum and target **Capital Coverage Ratios** following the **Transfer** and the relative strengths of the **ELAS** and **Utmost Life and Pensions** minimum capital levels applicable before and after the **Transfer**.

¹ Scheme of Arrangement abbreviation

² Note that Utmost Life and Pensions' Technical Provisions include restrictions on the Own Funds of WPSFs so that their surplus does not count towards the overall solvency of Utmost Life and Pensions.

³ This is the ratio of Eligible Own Funds to the higher of the Minimum Capital Requirement and the Solvency Capital Requirement.

The capital policies of the **Companies** are described in detail in Section 5 of my main **Report**. These provide protection for policyholders against the risk of their benefits not being paid.

I also consider any “contagion” risk introduced to **Transferring Policyholders** and **Existing Utmost Life and Pensions Policyholders** as a result of the **Transfer**.

6.2. Transferring Policyholders

On the basis of the analysis below, I am satisfied that the **Transfer** will not have a materially adverse effect on the benefit security of the **Transferring Policyholders**.

Table 6.1 shows that, had the **Transfer** taken effect on 31 December 2018, **Utmost Life and Pensions** post-**Transfer** would have had a lower **Capital Coverage Ratio** than **ELAS** pre-**Scheme of Arrangement**, with coverage falling from 159% to 150%. This post-**Transfer Capital Coverage Ratio** is achieved through an injection of capital from Utmost Life and Pensions Holdings Limited, the parent company of **Utmost Life and Pensions** immediately prior to the **Transfer**, a condition of the **Scheme of Arrangement**.

The analysis indicates that, had the **Transfer** been effective as at 31 December 2018, the **Transferring Policies** would have continued to be held in a company with capital that represents an excess over the **Solvency II** regulatory capital requirements and that is in line with the capital targets under the existing **ELAS** Capital Policy immediately following the implementation of the **Transfer**.

Although the **Capital Coverage Ratio** for **Utmost Life and Pensions** post-**Transfer** is lower than that for **ELAS**, pre-**Scheme of Arrangement**, I do not believe this materially adversely affects the benefit security of **Transferring Policyholders** for the reasons set out in 6.1.

The **ELAS** Capital Policy and the **Utmost Life and Pensions** Capital Policy govern the management of capital and risks within the relevant company now and in the future, as described in Section 5 of my main **Report**. As a consequence of the **Transfer**, the **Utmost Life and Pensions** Capital Policy will apply for all **Transferring Policies** and I consider the effect of this on the benefit security of these policyholders below.

The **Utmost Life and Pensions** target **Capital Coverage Ratio** is consistent with that of **ELAS**: 150%. Given the **Utmost Life and Pensions** target **Capital Coverage Ratio** of 150% of SCR is the “biting” constraint on the payment of dividends and subordinated debt, I do not believe that the change from the **ELAS** Capital Policy to the **Utmost Life and Pensions** Capital Policy will adversely affect the **Transferring Policyholders**. **Utmost Life and Pensions** has also set a minimum **Capital Coverage Ratio** of 135% of SCR, below which management actions may be taken to recover the level of solvency.

In addition, I note that **Utmost Life and Pensions** has the ability to raise capital through the issuance of debt in line with its capital policy. This can be either from external investors or through its parent company, Utmost Life and Pensions Holdings Limited, part of the **Utmost Group of Companies**. In April 2018, **Utmost Life and Pensions** (formerly known as **Reliance Life**) received a loan from its parent company, the **Utmost Group of Companies**, to maintain a **Capital Coverage Ratio** of over 150% of SCR following the acquisition of **Reliance Mutual**. The loan is subordinated debt that does not have to be repaid in the event that **Utmost Life and Pensions’ Capital Coverage Ratio** is lower than 150% of SCR. Further details are set out in Section 5 of my main **Report**. I consider that access to such capital support, although not guaranteed, provides a further degree of security in the event of a future shortage of capital, in addition to that provided by the **Capital Coverage Targets** of **Utmost Life and Pensions** itself. **ELAS** currently has no external capital support arrangements in place given its status as a mutual insurer.

While the relative strength of these capital policies is a key factor in the consideration of the impact of the **Transfer** on the **Transferring Policies**, I have also considered other qualitative elements of the capital policies and any impact of the **Transfer** on the ability of **Utmost Life and Pensions** to

meet its capital requirements on an ongoing basis. In the event that **Utmost Life and Pensions** was unable to meet its capital target under the **Utmost Life and Pensions** Capital Policy, it would be required to undertake actions to return to a position under which it could meet this target. This includes limits on the ability for capital to be removed from **Utmost Life and Pensions**, such as through the payment of dividends to its parent. Such protections have allowed me to place emphasis on the strength of the relevant capital targets in **Utmost Life and Pensions**.

As discussed in Section 5 of my main **Report**, any future changes to the **Utmost Life and Pensions** Capital Policy must be approved by the **Utmost Life and Pensions Board**. Pre-Transfer, **ELAS** follows a similar governance process, requiring capital policy updates to be approved by the **ELAS Board**. I recognise that the focus of the **ELAS** and **Utmost Life and Pensions** Boards could be considered to be different, with **ELAS** making decisions only in respect of policyholders, whereas **Utmost Life and Pensions** has to consider both policyholders and shareholders.

When considering the relative strength of the capital policies, it is also important to consider the differences in the corporate structures of the **Companies** and, particularly, the difference between a mutual and proprietary company. In particular:

- in a mutual, such as **ELAS**, all assets are ultimately expected to be distributed to policyholders (with the exception of assets required to meet the MCR prior to de-authorisation of the company). **ELAS** achieves this distribution by means of an enhancement to the claim value of with-profits policies, a bonus that is only paid out when a policyholder claims. Until that point, the assets remain within **ELAS** and it has the ability to amend the expected level of future bonuses should it need to improve its solvency position. This flexibility of distribution could be considered to provide additional benefit security to the policyholders. However, as a mutual, **ELAS** is unlikely to be readily able to raise capital from external sources; and
- in contrast, in a proprietary company, such as **Utmost Life and Pensions**, assets over and above the target **Capital Coverage Ratio** have the potential to be distributed by the company in the form of dividends. If such a dividend were to be paid, these assets would no longer be available to support policyholder benefits. This could be interpreted as representing a lower level of policyholder security than were the assets to be retained in the company. However, this needs to be balanced by the fact that a proprietary company has a relatively greater ability to raise capital, for example through issuing debt or equity, which is not an option available to a mutual.

Given my review of the governance frameworks in both **ELAS** and **Utmost Life and Pensions** I am satisfied that any changes to the **Utmost Life and Pensions** Capital Policy in the future will go through a governance process which will provide review and challenge for the following reasons:

- the members of both Boards include **Senior Managers** (i.e. individuals who have been approved by the **FCA** and/or **PRA** to perform such a role, and are certified under the **Senior Managers and Certification Regime**);
- additionally, both **Companies** are overseen by the **FCA**, and therefore bound by the same regulations and guidance with regards to conduct related matters, including **Treating Customers Fairly**, therefore the approval of any changes by the Boards of **ELAS** and **Utmost Life and Pensions** would be expected to pay due regard to the fair treatment of policyholders; and
- further, **Utmost Life and Pensions** has an established practice of setting and maintaining the **Utmost Life and Pensions** Capital Policy, and therefore has knowledge and understanding of the Board's role in managing such a policy.

The following key considerations relate to the level of “contagion risk” that the **Transferring Policyholders** are exposed to i.e. that losses in another part of **Utmost Life and Pensions** impact their benefit security. Taking account of these, I am satisfied that the **Transfer** is not likely to materially adversely impact the benefit security of these policyholders:

- although the **Transfer** will lead to the **Transferring Policyholders** being exposed directly to the risks within **Utmost Life and Pensions**, benefits would only be theoretically at risk of being reduced in the extreme event of the insolvency of **Utmost Life and Pensions**. Such an event is of low likelihood as a result of the existence of the **Utmost Life and Pensions Capital Policy** and the availability of support from its parent, the **Utmost Group of Companies**;
- in accordance with the **Reliance Mutual Scheme**, the **ULP NPF** is required to provide capital support in the event that any WPSF is unable to meet its own regulatory requirements. Support to cover a shortfall of assets compared to liabilities would be provided in the form of a contingent loan. Support to cover a shortfall compared to the capital requirements (including solvency capital) will be provided in the form of a notional allocation of capital in the **ULP NPF**. In the event that providing such capital support would result in the **ULP NPF** being unable to meet its own capital requirements, management would ensure that this did not remain the case for more than six months. This is in line with the **Utmost Life and Pensions Capital Policy**, detailed in Section 5 of my **Report**; and
- the **Utmost Life and Pensions WPSFs** are managed to distribute all surplus, defined as assets in excess of guaranteed liabilities, in each of the **WPSFs**. In the event that any **WPSF** falls below its target capital there are management actions that could be taken to reduce the cost of the risks borne by the fund in question, with the aim of restoring the capital position. These actions would be taken before support is sought from the **ULP NPF** therefore these reduce the likelihood that a **WPSF** would require support from the **ULP NPF**.

Taking account of these, which I consider to be events of low likelihood, I am satisfied that the **Transfer** is not likely to materially adversely impact the benefit security of these policyholders.

6.3. Non-Transferring Policyholders

On the basis of the analysis below, I expect to conclude that I am satisfied that the **Transfer** will not have a materially adverse effect on the benefit security of the **Non-Transferring Policyholders**; however, my conclusions in respect of the proposed level of assets to remain in **ELAS** after the **Transfer** are outstanding, and will be reflected in my **Supplementary Report**.

For the **Non-Transferring Policies**, the **Transfer** requires a minimum of the higher of the 125% of the **Minimum Capital Requirement (MCR)** and 150% of the **Solvency Capital Requirement (SCR)** to be retained in **ELAS** at the **Implementation Date**, in line with the proposed **ELAS Capital Policy**. Had the **Transfer** been implemented on 31 December 2018, the **MCR** (€3.7m, equivalent to £3.3m converted at the **EIOPA** specified exchange rate, which is greater than 150% of the **SCR**, £3.1m) would have been the biting scenario.

The analysis indicates that, had the **Transfer** been effective as at 31 December 2018, the **Non-Transferring Policies** would have continued to be held in a company with capital that represents an excess over the **Solvency II** regulatory capital requirements, in line with the capital targets under the **ELAS Capital Policy** immediately following the implementation of the **Transfer**. On an ongoing basis, **ELAS** will be managed in line with the revised **ELAS Capital Policy**, which will be updated in line with the **Utmost Life and Pensions Capital Policy**. Post-**Transfer**, the biting constraint on capital within **ELAS** is expected to be the 125% of **MCR** condition.

As set out in section 5 of my main **Report**, both the **ELAS Capital Policy** and the **Utmost Life and Pensions Capital Policy** target levels of capital to be held in excess of the regulatory **Solvency II Solvency Capital Requirement**. The **Utmost Life and Pensions Capital Policy** has a two-tiered approach:

- a minimum **Capital Coverage Ratio** of the higher of 125% of **MCR** and 135% of **SCR**, at which management actions may be taken to recover the level of the solvency; and
- a target **Capital Coverage Ratio** of 125% of **MCR** and 150% of **MCR** post-dividend payment.

It is worth noting that, at all times, **ELAS** must hold sufficient capital to meet the minimum **MCR**. The **MCR** is a fixed amount (€3.7m) specified by **EIOPA** and currently exceeds 150% of **ELAS**'s **SCR**. It is expected to do so going forward as the **SCR** will run-off as the **ELAS** business runs off over time. Given this, it is expected that the 125% of **MCR** condition will remain the biting constraint on capital going forward, and will therefore be the level below which actions must be taken to restore the solvency position of **ELAS**. I would expect **ELAS** to have assets sufficient to meet the **MCR** on both the **Implementation Date** and in the period following the **Implementation Date** such that the proposed post-Scheme **ELAS** Capital Policy and regulatory requirements continue to be met. I will provide my conclusions regarding the appropriateness of this minimum level of capital for the **Non-Transferring Policyholders** in my **Supplementary Report**.

In addition, another consideration is that **Utmost Life and Pensions** is able to seek external capital both from its investors and through its parent company, Utmost Life and Pensions Holdings Limited, whereas **ELAS**, as a mutual insurer prior to the **Transfer**, does not have access to such capital support arrangements. This is a potential benefit to the post-**Transfer ELAS** entity, which will be a subsidiary of **Utmost Life and Pensions** from the **Implementation Date**.

There are no changes to the governance of the **ELAS** Capital Policy, with the Board of **ELAS** required to approve any changes to the **ELAS** Capital Policy before these are effective.

My conclusions with respect to the level of assets to remain in **ELAS** and the appropriateness of the proposed minimum **Capital Coverage Ratio** post-**Transfer** remain outstanding; however, I am satisfied that the other changes to the **ELAS** Capital Policy **Transfer** are not likely to materially adversely impact the benefit security of these policyholders.

6.4. Existing Utmost Life and Pensions Policyholders

On the basis of the analysis below, I am satisfied that the **Transfer** will not have a materially adverse effect on the benefit security of the **Existing Utmost Life and Pensions Policyholders**.

Table 6.1 shows that, had the **Transfer** taken effect on 31 December 2018, **Utmost Life and Pensions** post-**Transfer** would have had a lower **Capital Coverage Ratio** than pre-**Transfer**, with coverage falling from 178% to 150%, with a capital injection required from Utmost Life and Pensions Holdings Limited to achieve the post-**Transfer** capital coverage. Had the **Transfer** been effective as at 31 December 2018, **Utmost Life and Pensions** would have continued to hold capital that represents an excess over the **Solvency II** regulatory capital requirements and would have met its capital targets under the **Utmost Life and Pensions** Capital Policy immediately following the implementation of the **Transfer**. As noted in 6.2, this post-**Transfer Capital Coverage Ratio** is achieved through an injection of capital from Utmost Life and Pensions Holdings Limited, the parent company of **Utmost Life and Pensions**, a condition of the **Scheme of Arrangement**.

Although the **Capital Coverage Ratio** for **Utmost Life and Pensions** post-**Transfer** is lower than that pre-**Transfer**, I do not believe that this materially adversely affects the benefit security of **Existing Utmost Life and Pensions Policyholders** for the reasons set out in 6.1.

Following the **Transfer**, the **Capital Coverage Ratio** targeted under the **Utmost Life and Pensions** Capital Policy, as set out in Section 5 of my main **Report**, will not be changed by the **Transfer**. Specifically, neither the minimum or target **Capital Coverage Ratio** nor the governance related to changing or resolving a breach of these targets will change as a result of the **Transfer**. **Existing Utmost Life and Pensions Policyholders** will continue to have a level of ongoing security targeted above that of the regulatory requirements.

The **Transfer** does not change the existing capital support mechanisms in place for the **Utmost Life and Pensions WPSFs**. Immediately following the **Transfer**, the level of capital available to support these funds is unchanged and there will be no changes to the conditions under which this capital is made available. I would not have expected these support arrangements to have changed as a result of the **Transfer**.

In the event that the **Transfer** is approved, the **Existing Utmost Life and Pensions Policyholders** will be fully exposed to the risks associated with the **Transferring Policies**. The **Scheme of Arrangement**, which will be implemented immediately prior to the **Transfer**, reduces some of the more material risks associated with the **Transferring Policies**, such as investment risk, which is passed to the **Transferring Policyholders** following conversion of their policies from with-profits to unit-linked, reducing the **Existing Utmost Life and Pensions Policyholders'** potential exposure to these risks. The remaining risks associated with the **Transferring Policies** will alter the extent to which policyholders in **Utmost Life and Pensions** are exposed to "contagion" risk, whereby losses in another part of **Utmost Life and Pensions** could impact their benefit security. Based on my analysis in my main **Report**, I expect the risk of an adverse impact on the benefit security of **Existing Utmost Life and Pensions Policyholders** to be of low likelihood.

Such an impact would only occur in the event that **Utmost Life and Pensions** was unable to meet its regulatory capital requirements. The purpose of the **Utmost Life and Pensions** Capital Policy is to maintain a level of capital in excess of the capital requirements in order to minimise this risk. The level of capital specified by the **Utmost Life and Pensions** Capital Policy includes a target based on a percentage of the **Solvency II Solvency Capital Requirement**, which, in turn, is based on the risks to which **Utmost Life and Pensions** is exposed. Changes in the risk profile resulting from the **Transfer** are reflected in the underlying **Solvency II Solvency Capital Requirement** and the **Utmost Life and Pensions** Capital Policy target. The extent of change in contagion risk is limited, provided **Utmost Life and Pensions** can meet the target under its capital policy. As discussed above, **Utmost Life and Pensions** is expected to be able to meet its capital target whether the **Transfer** is approved or not. Analysis provided by **Utmost Life and Pensions** indicates that the risk profile of **Utmost Life and Pensions** is not significantly changed by the approval of the **Transfer**.

6.5. Conclusion

I am satisfied that the **Transfer** will not materially adversely impact the benefit security of any group of policyholders.

7. Policy Benefit Expectations

In considering policyholder benefit expectations, I would be concerned if the **Transfer** was likely to materially adversely affect the level of benefits expected to be paid under any policy, but I have concluded that this is not the case for the **Transferring** and **Existing Utmost Life and Pensions Policyholders**. In addition, I am satisfied that this is not the case for the **Non-Transferring Policyholders**, with the exception of the proposed changes to the investment strategy for the **UK-style German With-Profits Policies**, which has not yet been finalised, and therefore I have been unable to conclude on.

I confirm that for all groups of policyholders the **Transfer** does not change the:

- value of any policy, with the exception of **UK-style German With-Profits Policies** in the new **German With-Profits Fund**, which will be allocated their uplift to their policy value through the **Transfer**, rather than the **Scheme of Arrangement**;
- death, maturity or other contingent benefit payable under any policy;
- surrender value of any policy;
- premiums payable under any policy;

- current or expected level of charges under any policy, with the exception of those applying to the **UK-style German With-Profits Policies** in the new **German With-Profits Fund**, which will change as a result of the **Transfer**;
- asset mix underlying any policy or the minimum range of investment choices available, with the exception of assets backing the **UK-style German With-Profits Policies** in the new **German With-Profits Fund**, which are expected to change following the **Transfer**;
- range of options available under any policy and any guarantees included in the contract (including Guaranteed Annuity Rates and Guaranteed Minimum Pensions);
- charges made for tax under any policy, or their eligibility for any favourable tax treatment; and
- terms and conditions of any policy.

As detailed in 7.2, and in section 7 of my main **Report**, I do not consider the above changes to the **UK-style German With-Profits Policies** to materially adversely affect the holders of these policies, but note that aspects of the changes, including the proposed investment management of the **German With-Profits Fund**, are still under discussion and I will provide an update on these in my **Supplementary Report**.

I note, for completeness, that a number of these policy features will be altered as a result of the **Scheme of Arrangement** that will be effected immediately before the **Transfer**. The fairness of these changes has been considered by the **Policyholder Independent Expert** and is therefore not in scope of my **Report**.

I would be concerned if the **Transfer** were to lead to a change in the governance arrangements in place to protect the interests of policyholders where there is significant discretion in relation to the level of their benefits (such as the process for setting with-profits bonuses, or changing the levels of charges to unit-linked funds).

I am satisfied that the **Transfer** will not materially change the governance arrangements for **Transferring and Non-Transferring Policyholders** of **ELAS** or **Existing Utmost Life and Pensions Policyholders**, since:

- both the **Companies** comply with **FCA** requirements around unit-linked and with-profits business that ensure the fair treatment of policyholders and this will not change as a result of the **Transfer**;
- Schedule 2 to the **Transfer** sets out a suite of protections in place in respect of the **Transferring** and **Non-Transferring Policyholders**; and
- **Utmost Life and Pensions** has a policy on non-profit discretion and a Fair Customer Outcomes Governance Committee in place to ensure the fair treatment of non-profit policyholders which will cover the **Transferring Policyholders** as well as **Existing Utmost Life and Pensions Policyholders**.

Notwithstanding the differences in responsibilities of the **ELAS** and **Utmost Life and Pensions Boards**, the remits of the Boards of **ELAS** and **Utmost Life and Pensions** in relation to managing the **Transferring Policies** are similar, with both Boards having a number of experienced individuals on them, so there is nothing to suggest that the level of challenge or process for challenging any material changes will differ. In addition, the members of both Boards include **Senior Managers** (i.e. individuals who have been approved by the **FCA** and/or **PRA** to perform such a role, and are certified under the **Senior Managers and Certification Regime**). Further, both **ELAS** and **Utmost Life and Pensions** have an established practice of setting and maintaining their respective capital policies and other internal governance policies.

7.1. Transferring Policyholders

The majority of the **Transferring Policies** will be unit-linked pension policies (group and individual, some of which were with-profits policies prior to the **Scheme of Arrangement**) and protection policies, with the remainder constituting non-linked, non-profit annuities in payment and both unit-linked and non-linked bonds.

Taking account of the following considerations, I am satisfied that the **Transfer** will not materially adversely affect the benefit expectations of the holders of the **Transferring Policies**.

For the reasons set out below, I am satisfied that the **Transfer** does not have a material adverse impact on the benefit expectations of the **Transferring Policyholders** with **unit-linked policies**:

- the benefits payable under unit-linked policies are dependent on the value of the underlying unit-linked funds and the charges taken from the funds. The **Transfer** does not change the assets underlying any of the unit-linked funds or the investment strategy for these funds. Nor will it change the level of investment management charges or other discretionary charges that are taken from the policies. Schedule 2 of the **Transfer** sets out maximum Annual Management Charges which can be applied to the **Transferring Policies** following the **Transfer**. No additional charges, other than those currently applied to the policies in line with the policy terms and conditions, are permitted to be applied to these policies after the **Transfer**;
- the **Transfer**, of itself, will not change the investment mandates, charges or taxation of any unit-linked fund. As part of the **Scheme of Arrangement**, a new Investment Manager, JP Morgan Asset Management, has been appointed to provide the unit-linked funds for the policyholders in scope of the **Scheme of Arrangement**, in addition to **ELAS'** existing Investment Manager, Aberdeen Standard Investments. This has been considered by the **Policyholder Independent Expert** as part of his considerations of the **Scheme of Arrangement**;
- following the **Implementation Date**, JP Morgan Asset Management will also manage all new unit linked assets, including those for policies that were unit-linked prior to the **Scheme of Arrangement**. This means that, if new premiums are paid by existing unit-linked policyholders after the **Transfer**, and if total premium income is greater than the unit-linked outflows (claims and charges) in that particular period, the net premiums will be invested in JP Morgan Asset Management. If outflows are greater than income, these premiums will be invested in the existing Aberdeen Standard Investments funds. The JP Morgan Asset Management funds will be similar to those funds currently offered by Aberdeen Standard Investments, and the unit price will reflect the mix of investments, therefore unit-linked policyholder expectations will continue to be met; and
- the value of each policy's unit holdings will be unchanged by the **Transfer**, and the **Transfer** will not change the unit-pricing principles and basis for **Transferring Policies**.

For completeness, I note that a number of the **Transferring Policyholders** with unit-linked benefits previously had with-profits benefits which were converted to unit-linked as part of the **Scheme of Arrangement** effected immediately prior to the **Transfer**. Consistent with the rest of my **Report**, I have not considered the conversion from with-profits to unit-linked, as the fairness of this has been opined on by the **Policyholder Independent Expert**.

For the reasons set out below, I am satisfied that the **Transfer** does not have any effect on the benefit expectations of the **Transferring Policyholders** with non-profit policies:

- non-profit policies have guaranteed benefits and specified premiums, and these do not change under the **Transfer**. There will also be no change to the terms and conditions of these policies; and
- some non-profit policy terms have reviewable premiums, triggered by certain conditions. These conditions and the decision-making process for these reviews will not be changed by the **Transfer**.

For the reasons set out below, I am satisfied that the **Transfer** does not have a material adverse impact on the benefit expectations of the **Transferring Policyholders** who are members of group scheme policies:

- the group schemes operate in a similar manner to unit-linked business and so the conclusions in respect of unit-linked policies also apply here. There will also be no change to the terms and conditions of these schemes.

The change in the **Articles of Association**, effected following a positive vote at the **EGM**, will remove the membership rights of those **Transferring Policyholders** who are members of **ELAS** prior to the **Implementation Date** and grant sole membership to **Utmost Life and Pensions**. (Note that not all **Transferring Policyholders** are members.) Therefore, the **Transfer**, of itself, does not change the membership rights of any **Transferring Policyholder**. As the transfer of membership rights to **Utmost Life and Pensions** is a prerequisite for the **Scheme of Arrangement**, the fairness of this has been considered by the **Policyholder Independent Expert** as part of his report and is therefore out of scope of my **Report**.

7.2. Non-Transferring Policyholders

The **Non-Transferring Policies** comprise policies sold under Irish or German law:

- unit-linked pension policies and bonds (some of which were with-profits policies prior to the **Scheme of Arrangement**) and protection policies;
- non-linked, non-profit temporary assurances, deferred annuities and annuities in payment; and
- a small number of **UK-style German With-Profits Policies** and **German-style German With-Profits Policies** which were originally sold under German law, and were excluded from the **Scheme of Arrangement**.

Taking account of the following considerations, I am satisfied that the **Transfer** will not materially adversely affect the benefit expectations of the holders of the **Non-Transferring Policies**, but note that my conclusions in respect of the proposed investment strategy for the **UK-style German With-Profits Policies** is still outstanding. The conclusions will be included in my **Supplementary Report**.

For the reasons set out below, I am satisfied that the **Transfer** does not have a material adverse impact on the benefit expectations of the **Non-Transferring Policyholders** with **unit-linked policies**:

- the benefits payable under unit-linked policies are dependent on the value of the underlying unit-linked funds and the charges taken from the funds. The **Transfer** does not change the assets underlying any of the unit-linked funds or the investment strategy for these funds. Nor will it change the level of investment management charges or other discretionary charges that are taken from the policies. Schedule 2 of the **Transfer** sets out maximum Annual Management Charges which can be applied to the **Transferring** and **Non-Transferring Policies** following the **Transfer**. No additional charges, other than those currently applied to the policies in line with the policy terms and conditions, are permitted to be applied to these policies after the **Transfer**;

- the **Transfer**, of itself, will not change the investment mandates, charges or taxation of any unit-linked fund;
- after the **Implementation Date**, JP Morgan Asset Management will manage all new unit-linked asset investments. This means that, if new premiums are paid by existing unit-linked policyholders after the **Transfer**, and if total premium income is greater than the unit-linked outflows (claims and charges) in that particular period, the net premiums will be invested in JP Morgan Asset Management funds. If outflows are greater than income, these premiums will be invested in the existing Aberdeen Standard Investments funds. The JP Morgan Asset Management funds will be similar to those funds currently offered by Aberdeen Standard Investments, and the unit price will reflect the mix of investments, therefore unit-linked policyholder expectations will continue to be met; and
- the value of each policy's unit holdings will be unchanged by the **Transfer**, and the **Transfer** will not change the unit-pricing principles and basis for **Non-Transferring Policies**.

For completeness, I note that a number of the **Non-Transferring Policyholders** with unit-linked benefits previously had with-profits benefits which were converted to unit-linked as part of the **Scheme of Arrangement** effected immediately prior to the **Transfer**. Consistent with the rest of my **Report**, I have not considered the conversion from with-profits to unit-linked, as the fairness of this has been opined on by the **Policyholder Independent Expert**.

For the reasons set out below, I am satisfied that the **Transfer** does not have any effect on the benefit expectations of the **Non-Transferring Policyholders** with **non-profit policies**:

- non-profit policies have guaranteed benefits and specified premiums, and these do not change under the **Transfer**. There will also be no change to the terms and conditions of these policies; and
- some non-profit policy terms have reviewable premiums, triggered by certain conditions. These conditions and the decision-making process for these reviews will not be changed by the **Transfer**.

For the reasons set out below, I am satisfied that the **Transfer** does not have a materially adverse effect on the benefit expectations of the **Non-Transferring Policyholders** with **with-profits policies**:

- following implementation of the **Transfer**, the **UK-style German With-Profits Policyholders** will share only in the profits and losses of the **German With-Profits Fund**. However, the **UK-style German With-Profits Policyholders** will receive an uplift to their policy, which reflects their fair share of the **Estate of ELAS** following the **Scheme of Arrangement**. This is effected through the **Transfer**, as the **UK-style German With-Profits Policyholders** do not participate in the **Scheme of Arrangement**. The fairness of the uplift has been opined on by the **Policyholder Independent Expert** and is therefore out of scope of my **Report**. No such uplift will be applied to the **German-style German With-Profits Policies** in line with their terms and conditions and past practice;
- following the **Transfer**, there will be limited smoothing of policy values on payout, with unsmoothed asset share being used on claim, and smoothing applied only in more extreme scenarios. These extreme scenarios would be scenarios whereby continuing to pay unsmoothed asset share would be unfair to either the policyholder leaving the fund or those remaining in the fund. Any smoothing for these scenarios could enhance or reduce payouts, but would be neutral to the **German With-Profits Fund** over time. I consider this to be fair to this group of policyholders as this lack of future smoothing has enabled **ELAS** to maximise the primary uplift values, and the **UK-style German With-Profits Policyholders** have benefited from this through their uplift. Given that the surplus considered to be attributable to these policyholders by the **Policyholder Independent Expert** has been distributed through the uplift to be applied to the policy values on the **Implementation**

Date, limited surplus is expected to be available and to arise in such a small fund, with a very small number of policyholders, therefore there would be a constraint on the ability to smooth. There are no changes to the smoothing applied to the **German-style German With-Profits Policies** following the **Transfer**, which are more similar in nature to **non-profit policies**:

- the 0% investment guarantees attached to some of the **UK-style German With-Profits Policies** will be met by the **ELAS Main Fund**, by way of an inter-fund reinsurance arrangement between the **German With-Profits Fund** and the **ELAS Main Fund**, as set out in Schedule 3 of the **Transfer**. If economic conditions are such that these guarantees become more expensive to provide for, a charge may be applied to the with-profits policies to cover the cost of paying these benefits. In line with Schedule 2 (Part B) of the **Transfer**, any guarantee charge will be capped at 0.5% per annum, and will be agreed on by the **ELAS Chief Actuary** and **With-Profits Actuary**. Given that these guarantees are not currently onerous, and that the uplift to be applied to the policies will reduce the expected cost of the Investment Guarantees, I consider the likelihood of this charge being applied to these policyholders as being low. The investment guarantees on the **German-style German With-Profits Policies** will continue to be met through continuation of the existing asset and liability cash flow matching investment strategy, in line with current practice, and no charge will be applied to these policies. The Guaranteed Annuity Rate (“GAR”) attached to some policies will also be met by the **ELAS Main Fund**, under the same inter-fund reinsurance arrangement described above, but no guarantee charge will be taken for this benefit in line with the **Transfer** under any conditions;
- the investment strategy underlying the **UK-style German With-Profits Policies** in the **German With-Profits Fund** is expected to change to invest assets in a managed fund denominated or priced in Euros. At the time of writing, this is expected to be Multi-Asset Moderate Fund, the same fund as for the Irish unit-linked policies with a currency hedge implemented to reduce the currency risk exposure. I will provide an update on this as part of my **Supplementary Report**. The investment strategy for the **German-style German With-Profits Policies** will remain unchanged;
- the **Transfer** specifies a fixed charge of 0.75% per annum to be applied to the **UK-style German With-Profits policies**. This charge can only be increased if certain conditions, specified in Schedule 2 to the **Transfer**, are met. In the event of any increase, the charge is capped at 1% per annum. This will help mitigate the expense risk associated with managing a very small fund in run-off. The charge structure for the **German-style German With-Profits Policies** will remain unchanged;
- the **German With-Profits Fund** is required to have its own **With-Profits Actuary** and **With-Profits Committee**. The scope of the role of the **Utmost Life and Pensions With-Profits Actuary** and the terms of reference of **Utmost Life and Pensions**’ existing with-profits governance arrangements are expected to be extended to cover the **German With-Profits Fund** in **ELAS**. I believe this to be a reasonable approach given the size of the **German With-Profits Fund**; and
- I have taken comfort in the fact that the current **With-Profits Actuary** of **ELAS**, who knows the business and the past practices regarding the treatment of both the **UK-style** and **German-style German With-Profits Policyholders**, has concluded that the benefit expectations of the **German With-Profits Policyholders** are not materially adversely affected, although I have not placed reliance on her conclusions and have formed my own conclusions throughout my **Report**.

The change in the **Articles of Association**, effected following a positive vote at the **EGM**, will remove the membership rights of all with-profits policyholders of **ELAS** (both **Transferring** and **Non-Transferring**) prior to the **Implementation Date** and grant sole membership to **Utmost Life and Pensions**. Therefore, the **Transfer**, of itself, does not change the membership rights of any **Non-Transferring** Policyholder. As the transfer of membership rights to **Utmost Life and**

Pensions is a prerequisite for the **Scheme of Arrangement**, the fairness of this has been considered by the **Policyholder Independent Expert** as part of his report and is therefore out of scope of my **Report**.

I note, however, that the **UK-style German With-Profits Policyholders** participate in the profits of **ELAS** through their policy terms and conditions, rather than their membership rights. The Part VII transfer will effect the restructure of the remaining **ELAS** business, with both the **UK-style** and **German-style German With-Profits Policyholders** being ring fenced in a new with-profits sub-fund in **ELAS**, the **German With-Profits Fund**. Given the investment strategy and proposed management of the fund, the emergence of surplus is expected to be minimal. Given that the **UK-style German With-Profits Policies** will be allocated an uplift to their policy value on the **Implementation Date**, which represents their share of the distributable assets in **ELAS** and essentially crystallises future surplus distributions, I do not believe this will materially adversely affect this group of policyholders. The **German-style German With-Profits Policyholders** do not currently participate in distributions of **ELAS'** distributable assets, as their benefits are linked to a specific pool of assets, and this will not change as a result of the **Transfer**. Any new distribution of surplus will not be guaranteed and is expected to be small given that all distributable assets in **ELAS** have been distributed in full through the **Scheme of Arrangement**; given the size of the remaining fund, a material level of surplus is not expected to arise. This will be documented in the new **German With-Profits Fund PPFM**.

7.3. Existing Utmost Life and Pensions Policyholders

The **Existing Utmost Life and Pensions Policies** include with-profits, unit-linked, annuities and other **non-profit policies**. The factors pertinent to the benefit expectations of policyholders in each category of business are substantially different, and have been considered separately in my analysis. This reflects the varying extents to which management discretion can play a part in determining the level of benefits payable.

Taking account of the following considerations, I am satisfied that the **Transfer** will not materially adversely affect the benefit expectations of the holders of the **Existing Utmost Life and Pensions Policies**.

For the reasons set out below, I am satisfied that the **Transfer** does not have any effect on the benefit expectations of the **Existing Utmost Life and Pensions Policyholders** with **with-profits policies**:

- there will be no change to the way in which discretionary benefits, such as regular and terminal bonuses, are calculated or the calculation of the "asset shares" which are as defined in the glossary of my main **Report**;
- the benefits payable on such with-profits policies can depend to an extent on the financial position of the fund in which they are held. As discussed in Section 5 of my main **Report**, the **Transfer** is not expected to have any impact on the financial position of the funds;
- the **Utmost Life and Pensions WPSFs** contain non-profit business. The **Transfer** will not change the funds in which this business is held or the ownership of profits arising on this business;
- the **Transfer** does not change the basis on which expenses are allocated to the **Utmost Life and Pensions WPSFs**. The costs of the **Transfer** will not be met, in any way, by these funds;
- the **Transfer** does not change the **Principles and Practices of Financial Management ("PPFM")** document for any of the **Utmost Life and Pensions WPSFs**; and
- more generally, the **Transfer** does not change who is responsible for the management of these policies or the processes by which these policies are managed. As a result, even where

the benefits payable include a significant discretionary element, the **Transfer** will not change the approach taken by management to set this discretionary element.

For the reasons set out below, I am satisfied that the **Transfer** does not have any effect on the benefit expectations of the **Existing Utmost Life and Pensions Policyholders** with **unit-linked policies**:

- immediately after the implementation of the **Transfer**, the unit-linked policies in **Utmost Life and Pensions** will remain invested in the same unit-linked funds as previously, with the same number and value of units, and with the same range of fund choice available to them;
- the value of each policy's unit holdings will be unchanged by the **Transfer**, and the pricing principles used for each unit-linked fund will be unchanged by the **Transfer**. The level of fund charges will also be unchanged; and
- there will be no change to the investment mandates, charges or taxation of any unit-linked fund as a result of the **Transfer**. Any future changes by **Utmost Life and Pensions** to its investment management will be as part of its normal course of business and will go through its "business as usual" governance process, as it would have done prior to the **Transfer**.

For the reasons set out below, I am satisfied that the **Transfer** does not have any effect on the benefit expectations of the **Existing Utmost Life and Pensions Policyholders** with **non-profit policies**:

- the benefits payable under existing **non-profit policies** in **Utmost Life and Pensions** are fixed, or escalate with respect to inflation or at a fixed rate. The **Transfer** will have no effect on the benefits or premiums payable under any non-profit policy. The terms and conditions of the existing **non-profit policies** in **Utmost Life and Pensions** will not be changed by the **Transfer**; and
- the **Transfer** will not affect the current premium levels or charges of any **non-profit policies** with reviewable premiums or charges. Future reviews will continue in accordance with existing practice and having regard to **Treating Customers Fairly**.

The **Transfer** does not change the membership rights of any **Existing Utmost Life and Pensions Policyholders** who currently have membership rights.

7.4. Conclusions

I am satisfied that the **Transfer** will not materially adversely affect the benefit expectations of any group of policyholders.

8. Excluded Policies

The **Transfer** provides for any **Transferring Policies** which it is not possible to transfer to **Utmost Life and Pensions** at the **Implementation Date** (for legal, regulatory or other reasons) to be excluded from the **Transfer** (the **Excluded Policies**). This could happen, for example, if certain required approvals from non-UK regulatory bodies are not received in time for the liabilities to transfer as planned, or if the **Channel Islands Schemes** are delayed. Any **Excluded Policies** will be fully reinsured to **Utmost Life and Pensions** from the **Implementation Date**, allowing them to be treated as far as possible in the same way as if they had transferred under the **Transfer**.

I understand from the **Companies** that there are not expected to be any **Excluded Policies**. If there are, I am satisfied that the proposed treatment is fair to policyholders and that my conclusions in respect of the policyholders transferring under the **Transfer** apply equally to them. Many other schemes have used the same approach.

Although the **Non-Transferring Policyholders** are excluded from the **Transfer**, I have considered this group of policyholders separately throughout my **Report**, given that they will be permanently excluded from the **Transfer**. Given this, my considerations in relation to the **Transferring Policyholders** do not apply equally to them, unless otherwise stated in my **Report**.

9. Service standards

Under the **Transfer**, all policies, including those which transfer, will continue to be administered on the same underlying systems as now, by staff from the same company as currently. All staff of **ELAS** will transfer to **Utmost Life and Pensions Services Limited** under the **Transfer of Undertakings (Protection of Employment) ("TUPE")** Regulations. They will be deployed by **Utmost Life and Pensions Services** to **ELAS** and **Utmost Life and Pensions** in line with the demands of the businesses, providing continuity of service to both the **Transferring** and **Non-Transferring Policyholders**. The service level standards to be provided by **ELAS** and **Utmost Life and Pensions** post-**Transfer** are set out in Schedule 2 to the **Transfer**. Accordingly, I am satisfied that there will not be any impact on the quality of administration services for any group of policyholders as a consequence of the **Transfer**, or to the costs they bear in this respect.

Utmost Life and Pensions has discussed with me its plans to ensure continuity of service and its ability to meet additional policyholder demands immediately after the **Transfer** has been implemented. At the time of writing, **Utmost Life and Pensions** is in the process of producing a capacity plan to demonstrate how any additional customer service support would be provided, in the event of an increase in policyholder enquiries and requests. Although I have not yet had sight of this, I am satisfied that **Utmost Life and Pensions** is giving consideration to the post-**Transfer** servicing demand immediately after the **Implementation Date**, with the objective of not adversely affecting policyholder servicing, and will provide an update on this in my **Supplementary Report**.

Following the **Transfer**, correspondence to **Transferring Policyholders** will use the **Utmost Life and Pensions** brand and the payee name on future payments to these policyholders will be changed. **Transferring Policyholders** will be directed to the **Utmost Life and Pensions** website which will be updated to include details relevant to **ELAS** business.

Correspondence to **Non-Transferring Policyholders** will retain the **ELAS** branding.

10. Investment management

The **Transfer**, of itself, will not change the investment management of the unit-linked funds for any policyholders, with the exception of new unit-linked assets invested in after the **Implementation Date**. Immediately following the **Transfer**, with the exception of these new unit linked assets, the existing unit-linked funds will continue to be performed by the same fund managers, using the same processes as are in place at the **Implementation Date**, and the funds will have the same investment mandates and objectives as now.

I note that, as part of the **Scheme of Arrangement**, a new fund Investment Manager, JP Morgan Asset Management, will be used to manage the new fund range set up for the **Transferring Policyholders** that are in scope of the **Scheme of Arrangement**, in addition to **ELAS'** existing Investment Manager, Aberdeen Standard Investments. The range of funds available to these policyholders has been considered by the **Policyholder Independent Expert** and is therefore out of scope of my **Report**. After the **Implementation Date**, JP Morgan Asset Management will manage all new unit-linked asset investments. This means that, if new premiums are paid by existing unit-linked policyholders after the **Transfer**, and if total premium income is greater than the unit-linked outflows (claims and charges) in that particular period, the net premiums will be invested in JP Morgan Asset Management. If outflows are greater than income, these premiums will be invested in the existing Aberdeen Standard Investments funds. The JP Morgan Asset Management funds will be similar to those funds currently offered by Aberdeen Standard Investments, managed using the same investment mandates, and the unit price will reflect the mix of investments, therefore unit-linked policyholder expectations will continue to be met.

Investment management of the **Non-Transferring Policies** is in line with that for the **Transferring Policies**, described above, with the exception of assets allocated to the new **German With-Profits Fund** in respect of the **UK-style German With-Profits Policies**. The investment strategy underlying the **UK-style German With-Profits Policies** is expected to change to invest assets in a managed fund denominated or priced in Euros. At the time of writing, this is expected to be Multi-Asset Moderate Fund, the same fund as for the Irish unit-linked policies, with a hedge implemented to reduce policyholders' exposure to currency risk. I will provide an update on the proposed investment strategy in my **Supplementary Report**.

Over the longer term, the investment strategy, and the range of funds available to both **Transferring Policyholders** and **Existing Utmost Life and Pensions Policyholders** are expected to either remain unchanged or be expanded. Given that this decision would be made under the normal course of business, with consideration of policyholder impacts and ultimate sign-off from the **Utmost Life and Pensions Board**, I would not expect any changes to investment management in future to have a materially adverse effect on policyholders.

11. Tax considerations

I have discussed the potential tax implications of the **Transfer** with the **Companies** and have reviewed the clearances and confirmations that they are seeking from **HMRC**. I summarise my conclusions in Section 9 of my main **Report** and will provide a further update in my **Supplementary Report**. I am not aware of any likely material adverse tax effects of the **Transfer** or of any reasons why any such confirmations that remain outstanding should not be forthcoming.

12. Costs of the Transfer

The **ELAS With-Profits Fund** will bear **ELAS's** share of the **Transfer** costs, which will be applied prior to the **Scheme of Arrangement** and **Transfer**. The **ULP NPF** will bear **Utmost Life and Pensions's** share of the **Transfer** costs. I consider this to be the most fair and reasonable approach in apportioning the costs, with each company paying for their respective costs and no costs being directly attributable to policyholders (noting that costs associated with the **Transfer** will reduce the amount available to be distributed as part of the uplift to **ELAS** with-profits policies).

As a company in run-off, **ELAS** is subject to the future risks and issues associated with long-term run-off, such as loss of economies of scale, with per policy costs therefore increasing. As a result, if the **Transfer** is not approved, the financial position of **ELAS** would be impacted by the costs incurred in preparing for the **Transfer**; however, analysis produced by **ELAS** indicates that this impact is not expected to materially adversely affect policyholder benefits or security. **ELAS** is monitoring regularly the cost of rolling back from the **Transfer** against its risk appetite framework and I have taken this into account when forming the conclusions in my **Report**.

13. Policyholder communications

The **Companies** will inform all groups of policyholders (subject to certain dispensations being sought as part of the **Court** process for the **Transfer**) about the **Transfer** through an explanatory booklet sent out as a direct mailing. The cover letter included in the mailing will be tailored for each group of policyholders and will direct them to relevant sections of the booklet, with other **ELAS** policyholders being directed to sections which are of relevance to them. The mailing will include details of the **Scheme of Arrangement** and the **EGM** vote, as well as the **Transfer**.

Utmost Life and Pensions Policyholders will receive a less detailed mailing that will instead guide policyholders to specific website content where further technical information can be easily obtained, and a contact for requesting additional printed material, free of charge. I have reviewed the proposed approach by which each of the **Companies** will communicate the **Transfer** in Section 11 of my main **Report** and am satisfied that it is reasonable.

14. Objections

Any policyholder who feels they will be adversely affected by the **Transfer** may put their objections to the **Court** either in writing, by attending the **Sanction Hearing** or by asking a representative to raise their objection. Alternatively they can submit objections to **ELAS** (or their legal advisors) by telephone or in writing. In deciding whether to sanction the **Transfer**, the **Court** will consider any objections. I will also consider objections that have been made in writing sufficiently in advance of the **Court** date in coming to my view on the appropriateness of the **Transfer**, and will report as appropriate in my **Supplementary Report**. I will also consider any objections made to the **Court** sufficiently in advance of the hearing of the **Court**.

Glossary

Articles of Association is a document which sets out the rules according to which a company must be run and administered.

Asset Shares are assessments of the fair value of a policy's share of the gains and losses of the fund in which they are written.

BaFin is the better known abbreviation for the financial service regulator for Germany, the Federal Financial Supervisory Authority.

Board means the board of directors of the relevant entity from time to time.

Brexit is the term commonly used to describe the impending withdrawal of the United Kingdom from the European Union, due to take place on 31 October 2019.

Capital Coverage Ratio (CCR) refers to the ratio of assets less liabilities to the higher of the Minimum Capital Requirement and Solvency Capital Requirement. Within my Report, this is the ratio of Eligible Own Funds to the higher of the Minimum Capital Requirement and Solvency Capital Requirement.

Central Bank of Ireland (CBI) is the Irish financial services regulator, responsible for safeguarding monetary and financial stability in Ireland.

Channel Islands Schemes are the local schemes which will be subject to sanction of the Channel Islands Courts.

Chief Actuary (CA) is responsible for performing the actuarial function specified in the "PRA Rulebook: Conditions Governing Business" which includes contributing to the effective implementation of the risk management system, coordinating the calculation of technical provisions, and ensuring the appropriateness of the methodologies and underlying models used.

Companies means Utmost Life and Pensions and ELAS.

Companies Act 2006 is the main piece of legislation which governs company law in the UK.

Conventional With-Profits Policy is a policy where a policyholder pays a premium or a series of premiums in return for the insurance company providing a benefit after a specified event or date. The basic benefit is increased throughout the policy term with the addition of regular bonuses.

Court is the High Court of Justice in England and Wales.

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ELAS is Equitable Life Assurance Society, incorporated in England in Wales with registered number AC000063.

ELAS With-Profits Fund, also referred to in some policyholder literature as the ELAS OLTF, or ELAS Ordinary Long Term Fund is the main fund of ELAS.

Eligible Own Funds is the value of Own Funds less any assets not available to meet the Solvency Capital Requirement or the Minimum Capital Requirement under Solvency II Pillar 1 reporting.

European Insurance and Occupational Pensions Authority (EIOPA) is one of the European supervisory authorities responsible for macro-prudential oversight at the European Union level.

European Union (EU) comprises of the political and economic union of 28 member states (prior to Brexit), mostly located within Europe.

Excluded Policies are "Transferring Policies" which cannot be transferred to Utmost Life and Pensions at the Implementation Date.

Existing Utmost Life and Pensions Policies are the policies in the Utmost Life and Pensions long-term insurance fund prior to the Implementation Date.

Existing Utmost Life and Pensions Policyholders are the existing policyholders of Utmost Life and Pensions.

Extraordinary General Meeting (EGM) refers to a meeting of members, shareholders, or employees of an official body that occurs at an irregular time.

FCA is the Financial Conduct Authority, the conduct regulator for the UK financial services industry, with objectives to protect consumers of financial services, enhance market integrity and promote healthy competition between financial services providers.

FRC is the Financial Reporting Council, the UK's independent regulator who is responsible for setting standards for corporate reporting and actuarial practice and monitoring and enforcing accounting and auditing standards.

FSMA is the Financial Services and Markets Act 2000, as amended.

German With-Profits Fund is a ring-fenced fund within ELAS that will be created as part of the Transfer and to which both the UK-style and German-style German With-Profits Policies will be allocated after the Implementation Date.

German With-Profits Policies are policies sold under German law, and are described as either "UK-Style" or "German-Style", depending on their feature and the nature of their benefits.

German With-Profits Policyholders are the holders of German With-Profits Policies.

German-style German With-Profits Policies are policies which are similar to non-profit policies, but whose benefits are linked to the performance of a specific pool of assets.

German-style German With-Profits Policyholders are the holders of the German-style German With-Profits Policies.

HMRC is Her Majesty's Revenue and Customs, the government department responsible for collecting and administering taxes.

Implementation Date is 1 January 2020, the date on which the Transfer is expected to become operative (subject to the approval of the Court), although this can be extended congruently with the Scheme of Arrangement.

Independent Expert refers to Richard Baddon of Deloitte MCS Limited whose appointment, which has been approved by the PRA following consultation with the FCA, involves producing a scheme report under the requirements of the FSMA, reflecting the guidance provided by SUP 18.2 of the Regulators' Handbooks.

Minimum Capital Requirement (MCR) is the regulatory minimum level of capital an insurer must hold under Solvency II. The MCR is calculated with reference to a company's SCR, and has an absolute floor of €3.7m, the level of which is determined by EIOPA.

Non-Transferring Policies are the policies which will not transfer to Utmost Life and Pensions by way of a Part VII transfer. In the case of the Transfer, these are the policies sold under Irish or German law.

Non-Transferring Policyholders are the holders of the Non-Transferring Policies.

Pillar 1 is one of three reporting requirements set by Solvency II regulation, covering quantitative assessment and requirements. It sets out how an insurer's assets and liabilities should be valued using the principles of market consistency to reflect the price that the market would put on those items.

Pillar 2 addresses the qualitative element of Solvency II and requires insurers to prepare an Own Risk & Solvency Assessment (ORSA) and submit to the PRA.

Policyholder Independent Expert is the independent actuary appointed by ELAS to assess the Scheme of Arrangement.

PRA is the Prudential Regulation Authority, the body responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms.

Primary uplift amount is the uplift to be allocated to ELAS with-profits policyholders following the Scheme of Arrangement. In the case of the UK-style German With-Profits Policyholders, this uplift will be allocated to policies through the Transfer.

Principles and Practices of Financial Management (PPFM) is a document describing how a with-profits fund is managed. Each with-profits fund is required to make its PPFM publicly available.

Regulator(s) means, the applicable regulator(s) of the UK insurance industry, the Prudential Regulation Authority and the Financial Conduct Authority.

Regulators' Handbook of rules and guidance is issued by the Regulator(s) from time to time made pursuant to the FSMA together with the rules and regulations implemented pursuant thereto.

Reliance Mutual refers to Reliance Mutual Insurance Society, which was acquired by LCCG in April 2018 and subsequently renamed "Reliance Life" and later "Utmost Life and Pensions".

Reliance Mutual Scheme refers to the Part VII Transfer of long term insurance business from Reliance Mutual to Reliance Life Limited in April 2018.

Reliance Mutual Scheme refers to the 2018 Part VII transfer of Reliance Mutual to LCCG.

Report refers to my Report as the Independent Expert on the proposed transfer of long-term insurance business from Equitable Life Assurance Society (ELAS) to Utmost Life and Pensions Limited as required under the terms of FSMA, Chapter 8 (Section 109).

Sanction Hearing is the hearing at the High Court of Justice of England and Wales at which the final decision to approve or disapprove the Transfer is made.

Scheme of Arrangement is the proposed conversion of the majority of ELAS' with-profits business to unit-linked business, under Part 26 of the Companies Act 2006.

Senior Managers are, as defined by the Senior Managers & Certification Regime, senior people in key roles of responsibility within the UK financial services industry, who require approval from the PRA and/or the FCA (as required) to perform their role.

Senior Managers & Certification Regime (SM&CR) is the regime for approval of senior persons in key roles of responsibility within the UK financial services industry, and, for insurers, is overseen by both the PRA and FCA.

Solvency II is the solvency regime for all EU insurers and reinsurers, which came into effect on 1 January 2016.

Solvency Capital Requirement (SCR) is the primary capital requirement under the Solvency II regime and is set at a level that is expected to be sufficient to cover losses arising from an event or combination of events that is of a severity that is expected to happen only once every 200 years over a one year time horizon.

SUP 18 refers to Chapter 18 of the Supervision Manual of the Regulators' Handbooks of Rules and Guidance. It sets out the Regulators' requirements relating to the transfer of long-term insurance business.

Supplementary Report is a report produced in advance of the Sanction Hearing, to consider the impact on the Independent Expert's conclusions of events that have happened subsequent to the release of the initial Report.

TAS 100 is the Technical Actuarial Standard 100: Principles for Actuarial Work, containing generic principles and provisions for actuarial work, as defined in the Scope and Authority of Technical Standards of the FRC.

TAS 200 is the Technical Actuarial Standard 200: Insurance, containing insurance related principles and provisions for actuarial work, as defined in the Scope and Authority of Technical Standards of the FRC.

Transfer is the proposed transfer of long-term insurance business from ELAS to Utmost Life and Pensions under Part VII of the FSMA. This is referred to throughout my main Report as the "Scheme".

Transferring Policies are all transferring ELAS Policies.

Transferring Policyholders are the holders of the Transferring Policies.

Treating Customers Fairly (TCF) is the framework under which the Regulator will assess whether financial services firms treat their retail customers fairly.

TUPE refers to the Transfer of Undertakings (Protection of Employment) regulations which apply to organisations of all sizes and protect employees' rights when the organisation or service they work for transfers to a new employer.

UK-style German With-Profits Policies are the German With-Profits Policies with benefits and features similar in nature to a UK issued with-profits policy.

UK-style German With-Profits Policyholders are the holders of the UK-style German With-Profits Policies.

Utmost Group of Companies refers to the Utmost Group of Companies, the group of companies under the "Utmost" brand.

Utmost Life and Pensions is Utmost Life and Pensions Limited; a wholly-owned, indirect subsidiary of the Utmost Group of Companies, incorporated in England and Wales with registered number 10559664. Until 4 March 2019, Utmost Life and Pensions Limited was known as Reliance Life Limited.

Utmost Life and Pensions Non-Profit Fund (ULP NPF) refers to the non-profit sub fund within Utmost Life and Pensions Limited, to which all transferring policies and associated assets and liabilities will be allocated, and will bear Utmost Life and Pensions' share of the Transfer costs.

Utmost Life and Pensions Services is the staff employer under the Utmost Life and Pensions structure. All employees are seconded fully to Utmost Life and Pensions Limited and, after the Transfer, will also be seconded to provide services to ELAS.

With-Profits Actuary (WPA) is the actuary responsible for advising the directors of a company on discretionary aspects of with-profits business.

With-Profits Committee (WPC) assess, reports on and advises the Board on all matters that affect with-profits policyholders with the primary aim of ensuring with-profits policyholders are treated fairly.

With-Profits Fund (WPF) is a fund where holders of with-profits policies have a right to share in the profits of the company or part thereof.

With-Profits Policy is a policy which is entitled to share in some of the profits of the company or part thereof.

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Appendix IX Legal Notice for the Transfer

IN THE HIGH COURT OF JUSTICE

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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

NOTICE

NOTICE IS HEREBY GIVEN that, on 15 July 2019, The Equitable Life Assurance Society (the “Transferor”) and Utmost Life and Pensions Limited (the “Transferee”) made an application (the “Application”) to the High Court of Justice, Business and Property Courts of England and Wales, Companies Court in London (the “Court”) pursuant to section 107(1) of the Financial Services and Markets Act 2000 (as amended) (“FSMA”) for an Order:

- (1) under section 111 of FSMA sanctioning an insurance business transfer scheme for the transfer to the Transferee of certain insurance business and related assets and liabilities written by the Transferor (the “Transferring Business”) in accordance with the Order and without any further act or instrument (the “Transfer”); and
- (2) making ancillary provision in connection with the Transfer pursuant to sections 112 and 112A of FSMA.

The Transfer is conditional on the approval of the Court of the proposed scheme of arrangement between the Transferor and certain with-profits policyholders under Part 26 of the Companies Act 2006 (the “Scheme”). Further details are available at www.equitable.co.uk (the “Website”).

The following documents are available free of charge and can be downloaded from the Website:

- (a) a copy of a report on the terms of the Transfer prepared in accordance with section 109 of FSMA, by the Transfer Independent Expert, Richard Baddon, whose appointment has been approved by the Prudential Regulation Authority (the “TIE Report”), in consultation with the FCA;
- (b) the full Transfer document; and
- (c) the Explanatory Booklet (which contains a summary of the terms of the Scheme, the Transfer, a summary of the TIE Report and a question and answer document about the Transfer).

Supporting documents and any further news about the Transfer will be posted on the Website so you may wish to check for updates. You can also request free copies of any of these documents by writing to or telephoning the Transfer or using the contact details below.

The Application is due to be heard on 22 November 2019 by a Judge of the Chancery Division of the High Court at the Rolls Building, Fetter Lane, London EC4A 1NL. If approved by the Court, it is currently proposed that the Transfer will take effect on 1 January 2020.

Any person who claims that he or she may be adversely affected by the carrying out of the Transfer has a right to attend the hearing and express their views either in person or by a legal representative.

Any person who claims that he or she may be adversely affected by the Transfer or the Scheme but does not intend to attend the hearing may make representations about the Transfer or the Scheme by telephone or in writing to the solicitors named below or the Transferor using the contact details set out below.

Any person who intends to appear at the hearing or make representations by telephone or in writing is requested (but is not obliged) to notify his or her objections as soon as possible and preferably at least five days before the hearing of the Application on 22 November 2019 to the solicitors named below or to the Transferor using the contact details set out below.

If the Transfer is sanctioned by the Court, it will result in the transfer to the Transferee of all the contracts, property, assets and liabilities relating to the Transferring Business; notwithstanding that a person would otherwise be entitled to terminate, modify, acquire or claim an interest or right or to treat an interest or right as terminated or modified in respect thereof. Any such right will only be enforceable to the extent the Order of the Court makes provision to that effect.

Transferor contact information:

Telephone number (Individuals): 0330 159 1530 (or, if resident outside the UK, on +44 (0)1296 386242).

Telephone number (Group Trustees): 0330 159 1531 (or, if resident outside the UK, on +44 (0)1296 385225).

Telephone number (Holders of German Policies): 01803 234 630.

The helpline will be open from 9.00 a.m. to 5.00 p.m. on Monday to Friday UK time (excluding bank holidays).

Postal address: Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS (please mark any correspondence FAO: Craig Montgomery and Kevin Whibley). Email: equitable@freshfields.com

Transferee contact information:

Telephone number: 0808 168 5354 (or, if resident outside the UK, on +44 (0)1892 510 033).

The helpline will be open between the hours of 9.00 a.m. and 5.00 p.m. on Monday to Friday UK time (excluding bank holidays).

Postal address: Utmost House, 6 Vale Avenue, Tunbridge Wells, Kent, TN1 1RG

Email: transfer@utmost.co.uk

Freshfields Bruckhaus Deringer LLP

Postal address: 65 Fleet Street, London, EC4Y 1HS.
Ref: 168073:0001/GHFS/CXM

Solicitors for the Transferor

Appendix X

Information about the *Equitable's* Directors

The *Equitable's* Directors are:

Director	Role
Ian Brimecome	Chairman and Non-Executive Director
Simon Small	Chief Executive and Executive Director
Penny Avis	Non-Executive Director
Lord Finkelstein OBE	Non-Executive Director
Ian Gibson	Non-Executive Director
Keith Nicholson	Non-Executive Director
Cathryn Riley	Non-Executive Director
Martin Sinkinson	Chief Actuary and Executive Director

Directors' interests

The Directors do not have any interests in *With-Profits Policies*.

Directors' remuneration

Non-Executive Directors receive only fees and are not eligible to receive benefits, pension or any annual or long-term incentives.

Non-Executive Directors:

Director	Fees £ p.a.	Potential maximum additional amount £ p.a.
Ian Brimecome	175,000	N/A
Penny Avis	55,000	N/A
Lord Finkelstein OBE	55,000	N/A
Ian Gibson	55,000	N/A
Keith Nicholson	65,000	N/A
Cathryn Riley	65,000	N/A

The *Equitable's* Executive Directors' contracts provide for basic remuneration and for payments of further amounts on a discretionary basis (i.e. bonuses). The table below shows the *Equitable's* Executive Directors' basic remuneration and their possible additional remuneration entitlements under their current contracts:

Director	Basic Remuneration £ p.a.	Potential maximum additional amount £ p.a.
Simon Small	425,000	Conditional retention bonus of 620,000 Additional discretionary bonus of up to 340,000
Martin Sinkinson	200,000	Conditional retention bonus of 518,766 Additional discretionary bonus of up to 160,000

The conditional retention bonuses mentioned above are payable the day before the *Implementation Date* (if the *Proposal* is implemented) or, alternatively, on 31 December 2020 (if the *Proposal* is not implemented and the relevant directors remain in post at that time).

The additional amounts which are at the discretion of the *Equitable's Chairman* and *Chief Executive* will be decided after consultation with a leading independent firm of remuneration consultants. Any additional amounts payable to the *Chairman* and the *Chief Executive* will be decided by the Remuneration Committee.

Directors' other relevant interests

None.

Appendix XI

List of Documents available for inspection

Documents

- Policyholder Independent Expert Terms of Reference
- Full Policyholder Independent Expert Report
- Transfer Independent Expert Terms of Reference
- Full Transfer Independent Expert Report
- The two Chief Actuary Reports
- With-Profits Actuary Report
- Scheme Document
- Transfer Document
- Variants of the cover letter for the Explanatory Booklet: variants of this covering letter will be available on our Website for inspection – for example, the cover letters sent to Scheme Policyholders and existing Unit-Linked Policyholders.
- Explanatory Booklet: Parts A and B
- Introduction to the Scheme Letter
- Introduction to the Scheme Booklet
- The Investment Choice Pack. This will include:
 - Cover letter
 - Part 1
 - Part 2
 - The Investment Choice Form

These documents can be found on our Website and are also available for inspection on request during normal office hours at The Equitable Life Assurance Society, Walton Street, Aylesbury, Bucks, HP21 7QW. You may also request copies by contacting us in any of the ways set out in paragraph 81.9.

Appendix XII

Legal Points to Note

There are a number of legal points which you should know:

1. The information and opinions in this document replace any information and opinions which you have heard from the **Equitable** in the past (whether orally or in writing).
2. The **Equitable** has not authorised anybody to say anything at all about the **Equitable's Proposal** which is inconsistent with this document.
3. This document has been prepared based on information available on 28 June 2019. Relevant information might change or emerge after that date. You should check our **Website** for any updated information or documentation.
4. Nothing in this document is an admission of fact or liability by the **Equitable** or any other person.
5. There may be references to legal advice which the **Equitable** has received. Whether those references are in this document, or in the documents available for inspection as set out in Appendix XI of this document, or anywhere else, the **Equitable** does not intend to give up any legal professional privilege it has in that advice.

The Equitable Life Assurance Society is a mutual society registered in England No. 37038.
Authorised by the Prudential Regulation Authority and
regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
Registered Office: Walton Street, Aylesbury, Buckinghamshire, HP21 7QW, United Kingdom.
Tel : 0330 159 1530 Fax : 0845 835 5765 : www.equitable.co.uk
For security and training purposes, telephone calls may be recorded.

Securing your future together

