

Date: 9 December 2011

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
SUN LIFE ASSURANCE COMPANY OF CANADA (U.K.) LIMITED

- AND -

IN THE MATTER OF
SLFC ASSURANCE (UK) LIMITED

- AND -

IN THE MATTER OF
THE FINANCIAL SERVICES AND MARKETS ACT 2000

SCHEME

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PART A INTRODUCTION

1. OVERVIEW

- 1.1 The definitions set out in the Schedule are used here.
- 1.2 SLFC is a private limited company incorporated in England and Wales on 9 December 1964 and is a "UK authorised person" as defined in Section 105(8) of FSMA, with permissions, *inter alia*, to effect and to carry out:
 - 1.2.1 contracts of general insurance in the UK under Classes of Business I (Accident) and II (Sickness), as defined in Part I to Schedule 1 of the RAO; and
 - 1.2.2 contracts of long term insurance in the UK under Classes of Business I (*Life and annuity*), II (*Marriage and birth*), III (*Linked long term*), IV (*Permanent health*) and VII (*Pension fund management*), as defined in Part 2 to Schedule 1 of the RAO.
- 1.3 SLOC is a private limited company incorporated in England and Wales on 28 July 1969 and is a "UK authorised person" as defined in Section 105(8) of FSMA, with permissions, *inter alia*, to effect and to carry out contracts of long term insurance in the UK under Classes of Business I (*Life and annuity*), II (*Marriage and birth*), III (*Linked long term*), IV (*Permanent health*), VI (*Capital redemption contracts*) and VII (*Pension fund management*), as defined in Part 2 to Schedule 1 of the RAO.
- 1.4 SLOC and SLFC are wholly-owned indirect subsidiaries of Sun Life Financial Inc., a company incorporated in Canada which is the ultimate holding company of the Sun Life Financial group of companies.
- 1.5 SLF of Canada UK Limited acquired SLFC (which was at the time named Lincoln Assurance Limited) through the purchase of the entire issued share capital of Lincoln National (UK) plc, SLFC's direct parent company, on 1 October 2009 pursuant to a sale and purchase agreement between Lincoln National Corporation, SLF of Canada UK Limited and Sun Life Assurance Company of Canada dated 15 June 2009 (the "**Acquisition**"). Following the Acquisition, Lincoln National (UK) plc was renamed SLFC Holdings (UK) plc and SLFC's name was changed from Lincoln Assurance Limited to its current name, SLFC Assurance (UK) Limited.
- 1.6 On 1 September 2010 SLFC acquired all the issued shares in SLOC following an intra-group reorganisation.
- 1.7 Following the Acquisition, SLOC and SLFC have agreed to effect a reorganisation of their businesses. The purpose of this Scheme is to give effect to this by transferring the Transferring Business from SLFC to SLOC.
- 1.8 The Scheme is structured as follows:
 - 1.8.1 Part B of this Scheme relates to the transfer of the Transferring Business from SLFC to SLOC; and

1.8.2 Part C of this Scheme contains general provisions relating to this Scheme.

1.9 In order to comply with the transfer requirements in the Bailiwick of Guernsey and the Bailiwick of Jersey separate schemes of transfer will be undertaken there in respect of certain of the Transferring Policies.

PART B
TRANSFER OF THE TRANSFERRING BUSINESS TO SLOC

2. TRANSFER OF THE TRANSFERRING BUSINESS

With effect from the Effective Time, the Transferring Business shall by the Order and without any further act or instrument be transferred to and be vested in SLOC in accordance with this Scheme.

3. TRANSFERRING ASSETS

3.1 Other than Transferring Policies, Transferring Contracts and Transferring Reassurance Contracts, which will be transferred pursuant to paragraphs 5 and 10:

3.1.1 with effect from the Effective Time, the Transferring Assets shall, by the Order and without any further act or instrument, be transferred to and be vested in SLOC subject to all Encumbrances (if any) affecting such Transferring Assets in accordance with this Scheme.

3.1.2 on and from each Subsequent Transfer Date, the legal title to each Residual Asset to which such Subsequent Transfer Date applies and all the estate and interest of SLFC in it shall by the Order, and without any further act or instrument, be transferred to, and be vested in, SLOC, subject to all Encumbrances (if any) affecting such Residual Asset.

3.1.3 SLOC shall accept, without investigation or requisition, such title as SLFC shall have at the Effective Time to the Transferring Assets and at each Subsequent Transfer Date to the Residual Assets then transferred.

3.1.4 SLFC shall transfer to SLOC, or as SLOC reasonably directs (to the extent that it is able to do so), any payment or any Assets which it receives or any right which is conferred upon it after the Effective Time in respect of any Transferring Assets, and on or after the Subsequent Transfer Date in respect of each Residual Asset, as soon as reasonably practicable after such receipt. SLOC shall indemnify SLFC on demand against any costs incurred by it to complete any such transfer.

3.1.5 SLFC and SLOC shall, as and when appropriate, execute all documents and perform all things as may be reasonably required by the other party to effect or perfect the transfer to, and vesting in, SLOC of any Transferring Asset or Residual Asset in accordance with the terms of this Scheme, including without limitation, obtaining any required consent or waiver.

4. TRANSFERRING LIABILITIES

4.1 Other than Transferring Policies, Transferring Contracts and Transferring Reassurance Contracts, which will be transferred pursuant to paragraphs 5 and 10:

4.1.1 Subject to paragraph 4.1.2, with effect from the Effective Time, the Transferring Liabilities and all the estate and interest of SLFC in them shall, by the Order and without any further act or instrument, be transferred to and become Liabilities of SLOC and shall cease to be Liabilities of SLFC.

- 4.1.2 On and from each Subsequent Transfer Date, each Residual Liability to which the Subsequent Transfer Date applies shall, by the Order, and without any further act or instrument, be transferred by SLFC to, and become a Liability of, SLOC and shall cease to be a Liability of SLFC.

5. TRANSFERRING POLICIES AND CONTRACTS

- 5.1 With effect from the Effective Time, SLOC shall, by the Order and without any further act or instrument, be entitled to all the rights, benefits and powers, and be subject to all the obligations and Liabilities of SLFC whatsoever subsisting immediately prior to the Effective Time under or by virtue of the Transferring Policies.
- 5.2 Every Transferring Policyholder shall, from the Effective Time, and to the exclusion of any rights which he may have had against SLFC under any Transferring Policies, be entitled to the same rights against SLOC as were available to him against SLFC under such Transferring Policies and as regards Transferring Policies under which premiums or other sums attributable thereto continue to be payable, shall from the Effective Time account to SLOC for any such premium as and when the same becomes due and payable.
- 5.3 All premiums and other amounts attributable or referable to the Transferring Policies shall after the Effective Time be payable to SLOC and shall be receivable and received by SLOC.
- 5.4 SLOC shall be entitled to any and all defences, claims, counterclaims and rights of set-off under or in respect of the Transferring Policies which would have been available to SLFC.
- 5.5 Every Transferring Policyholder shall, from and after the Effective Time, in substitution for any Liability or obligation owed by him thereunder to SLFC, be under the same Liability to SLOC (in relation to any Residual Policy, as agent of SLFC, but subject to paragraph 6).
- 5.6 SLFC and SLOC shall, as and when appropriate, execute all documents and perform all things as may be reasonably required by the other party to effect or perfect the transfer to, and vesting in, SLOC of any Transferring Policies or Residual Policies in accordance with the terms of this Scheme, including without limitation, obtaining any required consent or waiver.
- 5.7 All references in any Transferring Policies or Residual Policies to SLFC, the SLFC Board, or any other officers, employees or agents of SLFC shall from and after the Effective Time or Subsequent Transfer Date (as the case may be) be read as references to SLOC, the SLOC Board, or any other officers, employees or agents of SLOC or, where appropriate, agents of SLOC to which the administration carried on by SLOC has been delegated. All references in any Transferring Policies or Residual Policies to sub-funds of the long term business fund of SLFC shall from and after the Effective Time or Subsequent Transfer Date (as the case may be) be read as references to the equivalent sub-fund of the long term business fund of SLOC. In particular, but without limitation, all rights and/or duties exercisable or expressed to be exercisable or responsibilities to be performed by SLFC, the SLFC Board, or any

other officers, employees or agents of SLFC in relation to any of the Transferring Policies or Residual Policies shall, from and after the Effective Time or Subsequent Transfer Date (as the case may be) be exercisable or required to be performed by SLOC, the SLOC Board or any other officers, employees or agents of SLOC.

- 5.8 The provisions of paragraph 5.1 to 5.7 shall apply, *mutatis mutandis*, to all Third Party Contracts, (excluding any Third Party Contracts which are Residual Assets, to which paragraphs 6.4 or 10.4 and 17.1 apply) and for such purposes references to Transferring Policyholders in paragraphs 5.1 to 5.7 shall be read as references to any other party with rights and/or obligations under such Third Party Contracts.

6. **RESIDUAL POLICIES AND CONTRACTS**

- 6.1 The Residual Policies shall, pending their transfer to SLOC (whether pursuant to this Scheme or otherwise) remain Policies of SLFC.

- 6.2 On and with effect from each Subsequent Transfer Date, each Residual Policy to which a Subsequent Transfer Date applies and all Assets and Liabilities relating to such Policy shall, to the extent not previously transferred by the Order or paid under paragraph 7.2, be transferred to, and be vested in SLOC, whereupon it shall constitute a Transferring Policy under this Scheme and the terms of this Scheme shall, to the extent possible, apply to such Policy as if it had been transferred under the Scheme to SLOC at the Effective Time.

- 6.3 SLFC and SLOC shall, as and when necessary or appropriate, execute and deliver all documents and perform all such other acts as may be reasonably required to effect or perfect the transfer to, and vesting in, SLOC of any Residual Policy in accordance with the terms of this Scheme, including without limitation, obtaining any required consent or waiver.

- 6.4 The provisions of paragraphs 6.1 to 6.3 shall apply, *mutatis mutandis*, to any Third Party Contracts or Transferring Reassurance Contracts which are Residual Assets, and for such purposes:

6.4.1 references to Residual Policies or Policies in paragraphs 6.1 to 6.3 shall be read as references to such Third Party Contracts or Transferring Reassurance Contracts (as applicable); and

6.4.2 the reference to Transferring Policy in paragraph 6.2 shall be read as a reference to such Third Party Contracts or Transferring Reassurance Contracts (as applicable), following the relevant Subsequent Transfer Date, when they have ceased to be treated as Residual Assets.

7. **REASSURANCE OF RESIDUAL POLICIES**

- 7.1 Subject to paragraph 7.2 below, SLOC shall reassure SLFC from and after the Effective Time against all Liabilities of SLFC under, and all other amounts paid or payable by SLFC in respect of, any Residual Policy which are not, or are not capable of being, transferred pursuant to the Scheme or the Order until the relevant Liability is effectively transferred to or becomes the Liability of SLOC.

- 7.2 The premium payable by SLFC to SLOC in respect of the reinsurance pursuant to paragraph 7.1 shall be:
- 7.2.1 the portion of the Transferring Assets as equals in value the Liabilities under Residual Policies as at the Effective Time, such Transferring Assets being transferred to SLOC at the Effective Time, pursuant to this Scheme; and
 - 7.2.2 the amount of all subsequent premium or other payments received by SLFC or received by SLOC directly in respect of such Residual Policies (for so long as they are Residual Policies and not, or are not to be treated as, Transferring Policies) which shall be deemed satisfied to the extent that such subsequent premium payments are received by SLOC.
- 7.3 SLOC shall discharge its reinsurance obligation pursuant to paragraph 7.1 by discharging the Liabilities set out in paragraph 7.1 on behalf of SLFC or, failing that, by indemnifying SLFC in respect of such Liabilities.
- 7.4 SLOC shall not indemnify SLFC against and shall not be obliged to discharge any Liability of SLFC referred to in paragraph 7.1 above, to the extent that SLFC is entitled to recover the same from any third party (including under any applicable Contract of insurance or reinsurance), unless, and only then to the extent that, SLFC has failed to recover, or SLOC has instructed SLFC in writing not to attempt to recover, any such amount.
- 7.5 If any person entitled to do so with respect to a Residual Policy exercises any option granted under the terms of that Policy and either:
- 7.5.1 the option provides for a new, additional or replacement Policy to be issued; or
 - 7.5.2 it is necessary in the opinion of the SLOC Board having taken appropriate advice in order to comply with that option to issue a new Policy,

such person shall be entitled to require that the obligation thereby arising shall be satisfied by the issue by SLOC of a replacement Policy that complies with the terms of such option, but (without prejudice to the right of such person to have the option satisfied by the issue by SLOC of such a Policy), SLOC shall be entitled to offer to such person in lieu thereof the Policy it considers to be the nearest equivalent of such replacement Policy.

8. **DECLARATION OF TRUST BY SLFC**

- 8.1 SLFC shall, from the Effective Time, hold the Residual Assets (but not the Residual Policies) as trustee and in trust for SLOC absolutely for so long as is legally permissible. Legal title to any Residual Asset shall remain with SLFC, and there shall be no transfer of such legal title to SLOC until the relevant Subsequent Transfer Date.
- 8.2 SLFC shall be subject to SLOC's directions in respect of any Assets referred to in paragraph 8.1 until either:
- 8.2.1 the relevant Asset is transferred to or otherwise vested in SLOC; or

- 8.2.2 the relevant Asset is disposed of by SLFC whereupon SLFC shall account to SLOC for the proceeds of sale thereof.
- 8.3 SLOC shall have the authority (with authority to sub-delegate) to act as the attorney of SLFC in respect of such Assets for all such purposes. SLFC shall not take any steps in respect of the Residual Assets without authority or consent of SLOC to do so, except where required to do so by law.
- 8.4 To the extent that giving effect to a trust over a Residual Asset pursuant to paragraph 8.1 would have the effect of transferring to SLOC any beneficial interest in such Residual Asset falling within sub-paragraph (a) of the definition of Residual Asset:
- 8.4.1 SLFC shall not hold such Residual Asset as trustee and in trust for SLOC in accordance with paragraph 8.1; and
- 8.4.2 SLFC shall pay to SLOC an amount equal to any economic benefit which SLFC receives or obtains in connection with such Residual Asset, in consideration for SLOC agreeing to enter into its obligations to SLFC in accordance with paragraph 9.

9. INDEMNITIES IN FAVOUR OF SLFC

- 9.1 SLOC shall discharge on behalf of SLFC or, failing that, indemnify SLFC from and after the Effective Time against:
- 9.1.1 all Residual Liabilities; and
- 9.1.2 save as otherwise provided in this Scheme or the agreements referred to herein, any other cost, claim, loss, damages, Liability or expense (whatsoever) incurred in connection with the Transferring Business (other than regulatory capital costs) including, without limitation, the conduct of the trust arrangements, and the conduct of claims under paragraph 12, whether the same shall arise prior to or following the Effective Time.

10. TRANSFERRING REASSURANCE CONTRACTS

- 10.1 With effect from the Effective Time, all the rights, benefits and powers conferred on or vested in SLFC and all the Liabilities imposed on SLFC, by or under Transferring Reassurance Contracts, shall, subject to paragraphs 10.3 and 10.4, by the Order and without any further act or instrument, be transferred to and vest in SLOC who shall be substituted as a party in place of SLFC as if SLOC had been an original party to each such agreement from the Effective Time.
- 10.2 The reinsurer can have no greater or lesser Liability to SLOC under any Transferring Reassurance Contract than they would have had to SLFC under that agreement in the absence of this Scheme. SLOC can have no greater or lesser Liability to any reinsurer under any Transferring Reassurance Contracts than SLFC would have had to such reinsurer under that agreement in the absence of this Scheme.
- 10.3 To the extent that:

- 10.3.1 a Transferring Reassurance Contract is a Residual Asset or confers or vests rights, benefits or powers on or in SLFC which comprise Residual Assets; or
- 10.3.2 a Transferring Reassurance Contract imposes Liabilities on SLFC which comprise Residual Liabilities,

on the relevant Subsequent Transfer Date such Transferring Reassurance Contract shall without further act or instrument be transferred to and vest in SLOC whereupon the provisions of paragraphs 10.1, 10.2 and 10.5 shall, *mutatis mutandis*, apply thereto.

- 10.4 To the extent that the risk under any Residual Policy has been reassured to a third party under a Reassurance Contract:

- 10.4.1 the part of such Reassurance Contract which covers Residual Policies shall remain with SLFC and shall be treated as a separate contract between SLFC and the relevant third party reinsurer until the transfer of such Residual Policies under this Scheme, whereupon it shall constitute a Transferring Reassurance Contract under the Scheme and the provisions of paragraphs 10.1, 10.2 and 10.5 shall, *mutatis mutandis*, apply thereto;

- 10.4.2 any payment in respect of such risk made to the Policyholder by SLOC on behalf of SLFC or to SLFC under paragraph 7 under the relevant Residual Policy shall be deemed to be a payment by SLFC for the purposes of such Reassurance Contract, and shall give rise to a claim by SLFC under such Reassurance Contract; and

- 10.4.3 SLFC shall, to the extent that SLFC is entitled to recover any payment covering a Liability of SLFC referred to in paragraph 7.1 above (including under any applicable Contract of insurance or reinsurance), take all necessary steps to recover such Liability from the relevant third party.

- 10.5 All references in any Transferring Reassurance Contracts to SLFC, the SLFC Board, or any other officers, employees or agents of SLFC shall from and after the Effective Time or Subsequent Transfer Date, as the case may be, be read as references to SLOC, the SLOC Board, or any other officers, employees or agents of SLOC or, where appropriate, agents of SLOC to which the administration of SLOC has been delegated. In particular, but without limitation, all rights and/or duties exercisable or expressed to be exercisable or responsibilities to be performed by SLFC, the SLFC Board, or any other officers, employees or agents of SLFC in relation to any of the Transferring Reassurance Contracts shall, from and after the Effective Time, or Subsequent Transfer Date, as the case may be, be exercisable or required to be performed by SLOC, the SLOC Board or any other officers, employees or agents of SLOC.

11. MANDATES AND OTHER INSTRUCTIONS

- 11.1 Any mandate or other instruction in force immediately prior to the Effective Time (including, without limitation, any instruction given to a bank by its customer in the form of a direct debit or standing order) and providing for the payment by a bank or other intermediary of premiums payable under or in respect of any of the Transferring

Policies or Residual Policies shall, from the Effective Time, take effect as if it had provided for and authorised such payment to SLOC (in relation to any Residual Policies, as agent for SLFC but subject to paragraph 11.2).

- 11.2 Any mandate or other instruction in force immediately prior to the Effective Time in respect of any of the Transferring Policies or Residual Policies as to the manner of payment of any benefit or other amount given to SLFC shall, from the Effective Time, continue in force as an effective authority to SLOC (in relation to any Residual Policies, as agent for SLFC).
- 11.3 Nothing in this paragraph 11 shall affect or restrict the ability of SLFC or SLOC to agree any amendment to any mandate or other instruction at any time subject to SLFC or SLOC, as applicable, giving notice to the affected party in accordance with any applicable legal or contractual requirements.

12. CONTINUITY OF PROCEEDINGS

- 12.1 Subject to paragraph 12.2, with effect from the Effective Time, any judicial, quasi-judicial, arbitration proceedings or any complaint or claim to any ombudsman or other proceedings for the resolution of a dispute or claim which are pending by or against SLFC in connection with the Transferring Business shall be commenced or continued by or against SLOC and SLOC shall be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to SLFC in relation to any such proceedings.
- 12.2 On and with effect from any Subsequent Transfer Date, any judicial, quasi-judicial, arbitration proceedings or any complaint or claim to any ombudsman or other proceedings for the resolution of a dispute or claim which are pending by or against SLFC in connection with any Residual Assets, Residual Policies or Residual Liabilities to which such Subsequent Transfer Date applies shall be commenced or continued by or against SLOC and SLOC shall be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to SLFC in relation thereto.
- 12.3 In any event, SLOC in its absolute discretion, may determine after the Effective Time or the Subsequent Transfer Date, as applicable, to:
 - 12.3.1 discontinue any such proceedings relating to the Transferring Business which have been brought by SLFC; or
 - 12.3.2 settle any such proceedings relating to the Transferring Business which have been brought against SLFC.

13. IDENTIFICATION AND QUANTIFICATION OF TRANSFERRING SLFC ASSETS

- 13.1 The SLFC Actuarial Function Holder and the SLOC Actuarial Function Holder, in accordance with the SLFC Methodology and Assumptions:
 - 13.1.1 have estimated the amount of the projected Transferring Non-Profit Liabilities as at the Effective Time; and

- 13.1.2 having due regard to policyholder entitlements, this Scheme and all other applicable legal obligations, have designated Assets comprised in the Transferring Business as Transferring Assets which had an estimated value equal to the amount of the estimated total Liabilities in paragraph 13.1.1 as at the Effective Time.
- 13.2 Within 90 days of the Effective Date, the SLFC Actuarial Function Holder and the SLOC Actuarial Function Holder shall determine, in accordance with the methodology and assumptions used by SLOC in calculating its assets and liabilities in its FSA Return for the year ended 31 December 2011, as updated to reflect economic assumptions as at the Effective Date:
 - 13.2.1 the actual amount of the Transferring Non-Profit Liabilities which were estimated in accordance with paragraph 13.1.1 as at the Effective Time; and
 - 13.2.2 the market value of the Assets designated pursuant to paragraph 13.1.2.
- 13.3 In the event that the amount of Transferring Non-Profit Liabilities determined pursuant to paragraph 13.2.1 exceeds the value of the Assets determined pursuant to paragraph 13.2.2, an amount equal to such excess shall be paid from SLFC to SLOC.
- 13.4 In the event that the amount of Transferring Non-Profit Liabilities determined pursuant to paragraph 13.2.1 is less than the value of the Assets calculated pursuant to paragraph 13.2.2, an amount equal to the difference shall be paid from SLOC to SLFC.
- 13.5 If the SLFC Actuarial Function Holder and the SLOC Actuarial Function Holder are unable to agree the total Liabilities and Assets referred to in paragraph 13.2 within 120 days of the Effective Date, SLFC and SLOC shall request that the Expert makes a decision on the matters set out in 13.2, and determines any amount to be paid by SLFC or SLOC, as applicable, pursuant to paragraphs 13.3 or 13.4, within 20 Business Days of receiving the request. If any such reference is made to the Expert:
 - 13.5.1 SLOC and SLFC shall cooperate with the Expert in determining such matter, and for that purpose shall provide to him all such information and documentation that he may reasonably require;
 - 13.5.2 the Expert shall have the right to seek such professional assistance and advice as he may require in fulfilling his duties;
 - 13.5.3 the Expert shall consider only the matters in dispute;
 - 13.5.4 the Expert shall consider the matters in dispute in accordance with the methodology used by SLOC in calculating its assets and liabilities in its FSA Return for the year ended 31 December 2011;
 - 13.5.5 the Expert shall be entitled, in rendering his decision, to take into account only such evidence and representations as SLOC and SLFC shall have put to him;
 - 13.5.6 the fees of the Expert (and any professional fees incurred by him) shall be borne equally between SLOC and SLFC;

- 13.5.7 the Expert shall act as an expert and his decisions (save in the case of manifest error) shall be final and binding upon the parties.
- 13.6 In respect of any amount paid from SLOC to SLFC or from SLFC to SLOC pursuant to this paragraph 13, SLOC or SLFC, as applicable, shall, in addition to such amount, pay interest to the other at the Interest Rate on such amount from the Effective Date until the date on which such amount is paid pursuant to paragraph 13.7.
- 13.7 SLFC or SLOC, as applicable, shall make any payment required pursuant to this paragraph 13 within 10 Business Days of reaching agreement pursuant to paragraph 13.2 or, where paragraph 13.5 applies, within 10 Business Days of receiving notice of the Expert's decision. Any such payment shall be made in cash or in such equivalent short term assets as are agreed between SLFC and SLOC and shall be allocated in accordance with the terms of this Scheme.
- 13.8 The provisions of paragraphs 13.1 to 13.7 shall not apply to any Assets comprised in the SLFC WP Funds or the Sundry SLFC Funds immediately prior to the Effective Time, or to the Capital Contribution, but such Assets shall for the avoidance of doubt be treated as Transferring Assets under this Scheme.
- 13.9 The Expert for the purposes of this paragraph 13 shall be the Independent Expert. In the event that the Independent Expert is unable or unwilling to determine the relevant matter, the Expert shall be an independent actuary agreed by SLOC and SLFC or, in default of agreement, an independent actuary nominated by the President at the relevant time of the Institute and Faculty of Actuaries.
- 13.10 Where:
- 13.10.1 the SLFC Actuarial Function Holder and the SLOC Actuarial Function Holder make a determination pursuant to paragraph 13.2; or
- 13.10.2 the Expert makes a determination pursuant to paragraph 13.5,
- the SLFC Actuarial Function Holder and the SLOC Actuarial Function Holder shall notify the FSA within 5 Business Days of the determination made by the SLFC Actuarial Function Holder and the SLOC Actuarial Function Holder, or the Expert, as the case may be.
- 14. ESTABLISHMENT OF NEW SLOC SUB-FUNDS**
- 14.1 As at and with effect from the Effective Time, SLOC shall establish and maintain (subject to the terms of this Scheme) the 2011 SLFC With-Profits Fund and the 2011 Cannon Pension Fund Deposit Account as separate sub-funds within the SLOC Long Term Fund in accordance with the terms of the Previous SLFC Schemes, and the applicable 2011 PPFM shall apply to such sub-funds with effect from the Effective Time.
- 14.2 Nothing contained in this scheme shall prevent SLOC from either:
- 14.2.1 changing the name of the 2011 SLFC With-Profits Fund or the 2011 Cannon Pension Fund Deposit Account;

- 14.2.2 amending any 2011 PPFM, in accordance with applicable law and regulation, where the SLOC board considers it appropriate to do so; or
- 14.2.3 establishing further funds or sub-funds and allocating thereto policies issued by it after the Effective Time.

15. CLOSURE OF SLFC WP FUNDS

- 15.1 In the event that, as at the Effective Time, no Residual Policies remain in the SLFC With-Profits Fund and the Cannon Pension Fund Deposit Account, SLFC shall close such funds with effect from the Effective Time.
- 15.2 In the event that any of the Policies which were, prior to the Effective Time, allocated to either of the SLFC WP Funds, are Residual Policies at the Effective Time:
 - 15.2.1 such Residual Policies shall remain in the fund to which they were allocated until such date as they are transferred out of such fund pursuant to this Scheme or otherwise;
 - 15.2.2 the relevant fund shall be maintained until all such Residual Policies have been transferred out of such fund pursuant to this Scheme or otherwise; and
 - 15.2.3 if no Residual Policies remain in the relevant fund, such fund may be closed on a date determined by the SLFC Board, having obtained appropriate actuarial advice.
- 15.3 For such time as any SLFC WP Fund is maintained after the Effective Time pursuant to this paragraph 15:
 - 15.3.1 SLFC shall continue to maintain and manage such sub-fund in accordance with the terms of the applicable Previous SLFC Schemes; and
 - 15.3.2 SLFC shall be entitled to the same rights and powers and be subject to the same duties and liabilities as applied to SLFC in relation to such sub-fund under the Previous SLFC Schemes, as applicable, immediately prior to the Effective Time.
- 15.4 From the date of closure of each sub-fund pursuant to this paragraph 15 as determined in accordance with paragraphs 15.1, 15.2 and 15.3, the PPFM applicable to the relevant fund from time to time under the FSA Rules shall cease to have effect.

16. ALLOCATION OF POLICIES, ASSETS AND LIABILITIES

- 16.1 With effect from the Effective Time the Transferring Policies, Transferring Assets and Transferring Liabilities comprised in the Transferring Business shall be allocated on the basis that:
 - 16.1.1 those allocated to the SLFC With-Profits Fund immediately prior to the Effective Time shall be allocated to the 2011 SLFC With-Profits Fund;

- 16.1.2 those allocated to the Cannon Pension Fund Deposit Account immediately prior to the Effective Time shall be allocated to the 2011 Cannon Pension Fund Deposit Account; and
- 16.1.3 the Capital Contribution shall be allocated to the shareholder fund in SLOC.
- 16.2 All other Transferring Policies, Transferring Assets and Transferring Liabilities not falling within paragraph 16.1 shall be allocated to the SLOC Non-Profit Fund at the Effective Time in accordance with the terms of this Scheme.
- 16.3 All Liabilities of SLOC to SLFC under reinsurance arrangements pursuant to paragraph 7 of this Scheme, to the extent that such Liabilities relate to Residual Policies in the SLFC With-Profits Fund, the Cannon Pension Fund Deposit Account or the SLFC Non-Profit Fund, shall be allocated to the 2011 SLFC With-Profits Fund, the 2011 Cannon Pension Fund Deposit Account or the SLOC Non-Profit Fund (as applicable).
- 16.4 With effect from the Effective Time, in relation to any Transferring Policies which are allocated to the 2011 SLFC With-Profits Fund or the 2011 Cannon Pension Fund Deposit Account, SLOC shall become entitled to the same rights and powers and be subject to the same duties and Liabilities as applied to SLFC in relation to the SLFC With-Profits Fund or the Cannon Pension Fund Deposit Account (as applicable) immediately prior to the Effective Time.
- 17. ALLOCATION OF RESIDUAL POLICIES, ASSETS AND LIABILITIES**
- 17.1 On and with effect from the applicable Subsequent Transfer Date:
- 17.1.1 each Residual Policy shall be allocated to the fund to which it would have been allocated in accordance with the provisions of this Scheme had it been a Transferring Policy;
- 17.1.2 each Residual Asset shall be allocated to the fund to which it would have been allocated in accordance with the provisions of this Scheme had it been a Transferring Asset; and
- 17.1.3 each Residual Liability shall be allocated to the fund to which it would have been allocated in accordance with the provisions of this Scheme had it been a Transferring Liability.
- 17.2 From the Effective Time, any payments or benefits paid by SLFC to SLOC pursuant to paragraph 8 shall be allocated on the basis that:
- 17.2.1 those which relate to Residual Assets within the SLFC With-Profits Fund shall be allocated to the 2011 SLFC With-Profits Fund;
- 17.2.2 those which relate to Residual Assets within the Cannon Pension Fund Deposit Account shall be allocated to the 2011 Cannon Pension Fund Deposit Account;

17.2.3 those which relate to Residual Assets which were immediately prior to the Effective Time in any SLFC Linked Fund shall be allocated to a corresponding SLOC Linked Fund within the SLOC Non-Profit Fund;

17.2.4 those which relate to any Residual Assets not falling within paragraphs 17.2.1 to 17.2.3 above shall be allocated to the SLOC Non-Profit Fund in accordance with the terms of this Scheme.

18. ALLOCATION OF EXPENSES AND CHARGES

18.1 Subject to the provisions of this Scheme and the Previous Schemes, where applicable, expenses and charges relating to the operation of the SLOC Long Term Fund shall:

18.1.1 to the extent that such expenses and charges relate to Transferring Business which is transferred from the SLFC Long Term Fund to the SLOC Long Term Fund pursuant to this Scheme, be allocated in accordance with:

- (a) relevant contractual provisions relating to such Transferring Business; and
- (b) the rules and regulations applicable to the SLOC Long Term Fund from time to time, to the extent that such rules and regulations relate to the Transferring Business; or

18.1.2 to the extent that such expenses and charges relate to Residual Policies, Residual Assets or Residual Liabilities, be allocated in accordance with:

- (a) relevant contractual provisions relating to such Residual Policies, Residual Assets or Residual Liabilities; and
- (b) the rules and regulations applicable to the SLFC Long Term Fund from time to time, to the extent that such rules and regulations relate to Residual Policies, Residual Assets or Residual Liabilities,

and otherwise in the discretion of the SLOC Board, having obtained appropriate advice.

19. LINKED FUNDS

19.1 With effect from the Effective Time the property and any associated liabilities comprised in each SLFC Linked Fund shall be allocated to and become comprised in a corresponding SLOC Linked Fund, comprising immediately following the Effective Time the same number and value of units as were comprised within the relevant SLFC Linked Fund immediately prior to the Effective Time.

19.2 With effect from the Effective Time:

19.2.1 subject always to the provisions of this paragraph 19, in relation to any benefits under Transferring Policies which are linked to a SLOC Linked Fund pursuant to paragraph 19.1, SLOC shall become entitled to the same rights and powers and be subject to the same duties and liabilities as applied to SLFC in

relation to the corresponding SLFC Linked Fund immediately prior to the Effective Time; and

- 19.2.2 benefits under any Transferring Policy which, immediately prior to the Effective Time, were linked to any one or more SLFC Linked Fund(s) shall become linked to the corresponding SLOC Linked Fund(s) and SLOC shall with effect from the Effective Time allocate to each such Transferring Policy the same number and classes of units in the corresponding SLOC Linked Fund(s) as the number and classes of units in the relevant SLFC Linked Fund(s) which were allocated to the Transferring SLFC Policy immediately prior to the Effective Time.
- 19.3 If any property comprised in a SLFC Linked Fund falls within the provisions of paragraph 8, all interests and rights in relation to such property shall be allocated to the relevant SLOC Linked Fund to which such property would, had it been a Transferring SLFC Asset, have been allocated.
- 19.4 On and with effect from the relevant Subsequent Transfer Date, each Residual Asset which is comprised in a SLFC Linked Fund shall be allocated to the SLOC Linked Fund to which it would have been allocated pursuant to this paragraph 19 had it been a Transferring Asset.
- 19.5 All Liabilities of SLOC to SLFC under reinsurance arrangements pursuant to paragraph 7 of this Scheme, to the extent that such Liabilities relate to Residual Policies in a SLFC Linked Fund, shall be allocated to the relevant SLOC Linked Fund.

20. **MERGER OF LINKED FUNDS**

- 20.1 Unless precluded by the terms of the relevant Policies, the Previous Schemes or unless the SLOC Board, having regard to the interests of the relevant policyholders and the advice of the SLOC Actuarial Function Holder, should consider it impracticable or inappropriate having regard to the interests of the relevant policyholders, SLOC shall be at liberty at any time and from time to time to:

- 20.1.1 amalgamate any SLOC Linked Fund or any part or parts thereof with any other SLOC Linked Fund or any part or parts thereof or to divide any SLOC Linked Fund into one or more SLOC Linked Funds, or to effect any combination of the aforesaid; or
- 20.1.2 modify or enlarge the investment objectives of any of its SLOC Linked Funds to permit investment in assets which are reasonably similar to, or provide reasonably similar investment exposure to, those then held or permitted to be held in that SLOC Linked Fund,

on such terms as the SLOC Board shall consider equitable as between the policyholders affected thereby (having regard to the advice of the SLOC Actuarial Function Holder).

- 20.2 For the avoidance of doubt:

- 20.2.1 nothing in paragraph 20.1 shall amend the existing rights of Policyholders under the relevant Policies;
- 20.2.2 references to SLOC Linked Funds in this paragraph 20 include any SLOC Linked Fund which is established in connection with paragraph 19.

21. DELAY IN ALLOCATIONS TO THE FUNDS

If there is, for any reason, any delay (for which provision is not expressly made in this Scheme) in the allocation of any receipt, payment or other item to any sub-fund of the SLOC Long Term Fund in accordance with this Scheme, the SLOC Board, having obtained appropriate actuarial advice, shall make such adjustment, including without limitation to allow for investment return earned during the period from and excluding the Effective Date to and including the date on which such adjustment is made, between such funds as it considers appropriate in accordance with the principles underlying this Scheme to take account of such delay.

22. SLFC PREVIOUS SCHEMES

22.1 In so far as, and to the extent that, the Previous SLFC Schemes relate to the Transferring Business as carried out by SLOC after the Effective Time:

22.1.1 all rights and obligations of SLFC under or relating to such Previous SLFC Schemes shall be rights and obligations of SLOC;

22.1.2 all references in such Previous SLFC Schemes to:

- (a) any Previous SLFC Scheme Transferees shall from and after the Effective Date be read as references to SLOC;
- (b) the board of directors or any other officers, employees or agents of any Previous SLFC Scheme Transferees shall from and after the Effective Time be read as references to the SLOC Board, or any other officers, employees or agents of SLOC or, where appropriate, agents of SLOC to which the administration carried out by SLOC has been delegated;
- (c) funds, sub-funds or accounts of any Previous SLFC Scheme Transferees shall from and after the Effective Time be read as references to the equivalent fund, sub-fund or account of SLOC;
- (d) the Department of Trade and Industry or the Secretary of State for Trade and Industry shall, from and after the Effective Date be read as references to the FSA; and
- (e) the "With-Profits Fund" (including all such references in the ILAC 1987 Scheme) shall be read as references to the 2011 SLFC With-Profits Fund.

22.2 For the purposes of the business, Assets, Liabilities and Policies remaining in SLFC after the Effective Time, the terms of the Previous SLFC Schemes shall continue to apply in the same manner as they applied to such business, Assets, Liabilities and Policies immediately prior to the Effective Time.

22.3 To the extent there is any conflict between this Scheme and the Previous SLFC Schemes, the relevant Previous SLFC Schemes shall prevail.

**PART C
GENERAL PROVISIONS**

23. EFFECTIVE DATE

- 23.1 Subject to paragraph 23.2, this Scheme shall become operative at 23.59 on 30 December 2011 or such other time and date as SLOC and SLFC may agree in writing and unless this Scheme shall become operative on or before 23.59 on 30 June 2012 or such later date as the Court may allow upon the application of SLOC and SLFC, this Scheme shall lapse.
- 23.2 This Scheme shall become operative at the Effective Time in accordance with paragraph 23.1 unless, subject to paragraph 23.3, the SLOC Board or the SLFC Board has resolved between the date of the Order and the Effective Time that this Scheme shall not become operative at the Effective Time in accordance with paragraph 23.1.
- 23.3 The SLOC Board or the SLFC Board may only make a resolution pursuant to paragraph 23.2 if such board considers that a material adverse change has occurred between the date of the Order and the Effective Time which would:
- 23.3.1 adversely affect the financial position of SLOC or SLFC; and/or
 - 23.3.2 adversely affect the implementation of the Scheme; and/ or
 - 23.3.3 adversely affect the Policyholders of SLFC or SLOC.
- 23.4 If either the SLOC Board or the SLFC Board make a resolution pursuant to paragraph 23.2 above, the SLOC Board or the SLFC Board, as applicable, shall notify the FSA that a resolution has been passed pursuant to paragraph 23.2 within 3 Business Days of such resolution being passed.

24. EFFECT OF TRANSFER

- 24.1 The transfer and vesting under the Scheme of any Asset or Liability relating to any part of the Transferring Business shall not:
- 24.1.1 invalidate or discharge any Contract, security or other thing; or
 - 24.1.2 require further registration in respect of any security or charge; or
 - 24.1.3 constitute a breach of, or default under, or require any obligation to be performed sooner or later than would otherwise be the case under any instrument or Contract or arrangement to which SLOC or SLFC is a party or is bound; or
 - 24.1.4 entitle any party to a Contract or arrangement to which SLOC or SLFC is a party to terminate such Contract or arrangement when he would not otherwise be entitled to terminate it; or
 - 24.1.5 save as provided elsewhere in this Scheme, confer any greater or lesser rights or benefits, or impose any greater or lesser obligations, on any party to a Contract to which SLOC or SLFC is a party where such greater or lesser

rights, benefits or obligations would not otherwise have been conferred or imposed.

- 24.2 On and with effect from the Effective Time, the records relating to the Transferring Business, which may include personal data protected under the Data Protection Act 1998, shall be transferred to SLOC and may be used by SLOC for, and disclosed by SLOC to, and used by, any agent or contractor of SLOC to the same extent that they were used by SLFC and its agents or contractors prior to the Effective Time for all purposes in connection with the Transferring Policies including, in particular, administration thereof and all matters relevant or incidental thereto, and no consent from the individual Policyholders in respect of such disclosure, transfer of records and use shall be required.
- 24.3 To the extent that an authority has been given to SLFC in connection with a Transferring Policy by the Policyholder thereof or by any other relevant person, whether pursuant to the Data Protection Act 1998 or otherwise, such authority shall, on and after the Effective Date, be deemed to have been given to SLOC and any agent or contractor of SLOC for the purposes set out in paragraph 24.2.

25. **COSTS AND EXPENSES**

- 25.1 All costs and expenses relating to the preparation and effecting of the Scheme and application for the sanction of the Scheme, including the costs of the FSA, Independent Expert and counsel shall be borne by the SLOC Non-Profit Fund. For the avoidance of doubt, no such costs or expenses shall be charged to any Policyholders of SLOC or SLFC, nor to the SLOC Segregated Sub-fund.

26. **MODIFICATIONS OR ADDITIONS**

- 26.1 SLFC and SLOC may consent to any amendment, modification or addition to this scheme or to any further condition or provision affecting the scheme which the Court may approve prior to the sanction of this Scheme.
- 26.2 After the Effective Date, SLOC may vary or amend the terms of this Scheme with the consent of the Court, including, without limitation, if at any time, the provisions of this Scheme, in the opinion of the SLOC Board, prove to be impracticable, inequitable or inappropriate to implement, provided that in any such case:
- 26.2.1 the FSA shall be notified of the proposed amendment and has not objected thereto within 30 Business Days to such notification;
- 26.2.2 an expert, being an independent actuary nominated by SLOC and approved by the FSA has certified that, in his opinion the proposed amendment will not materially adversely affect the interests of the holders of Policies affected by the proposed amendment; and
- 26.2.3 to the extent any such variation affects any right, obligation or interest of SLFC, SLFC has consented thereto.

If such consent is granted, SLOC may amend the terms of this Scheme in accordance with such consent.

26.3 After the Effective Date, SLFC may vary or amend the terms of this Scheme with the consent of the Court provided that such variation or amendment relates solely to Residual Policies, Residual Assets, Residual Liabilities, such part of any Reassurance Contract which relates to Residual Policies, or any rights or obligations of SLFC under this Scheme, provided that in each such case:

26.3.1 the steps in paragraph 26.2.1 and 26.2.2 have been taken; and

26.3.2 to the extent any such variation affects any right, obligation or interest of SLOC, SLOC has consented thereto.

If such consent is granted, SLFC may amend the terms of the Scheme in accordance with such consent.

26.4 Paragraphs 26.1, 26.2 and 26.3 shall not apply, and the consent of the Court shall not be required, in relation to minor and/or technical amendments to the terms of the Scheme (including amendments to correct manifest errors) that are agreed in writing by SLOC and SLFC provided that the FSA has been notified of the same and has confirmed it does not object thereto.

27. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

A person who is not party to the Scheme may not enforce any term of the Scheme pursuant to the Contracts (Rights of Third Parties) Act 1999.

28. **SUCCESSORS AND ASSIGNS**

This Scheme will bind and enure to the benefit of the successors and assigns of each of SLFC and SLOC.

29. **GOVERNING LAW**

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

Dated [•] 2011.

SCHEDULE INTERPRETATION

In this Scheme, unless inconsistent with the subject or context, the following expressions bear the meanings respectively set opposite them:

"2011 Cannon Pension Fund Deposit Account"	the deposit administration fund to be established in SLOC in accordance with this Scheme and to which the policies, assets and liabilities in the Cannon Pension Fund Deposit Account shall be transferred pursuant to this Scheme;
"2011 PPFM"	the PPFMs which SLOC will adopt with effect from the Effective Time, in respect of the Transferring Business, being in the form of the equivalent PPFMs used by SLFC immediately prior to the Effective Time with amendments to reflect the transfer of the Transferring Business pursuant to this Scheme, as amended from time to time;
"2011 SLFC With-Profits Fund"	the with-profits fund to be established in SLOC in accordance with this Scheme and to which the policies, assets and liabilities in the SLFC With-Profits Fund shall be transferred pursuant to this Scheme;
"Acquisition"	has the meaning given in paragraph 1.5 of this Scheme;
"Asset" or "Assets"	any assets, property, rights or powers of any kind or description, wherever located, whether real, personal or mixed, tangible or intangible, present or future, actual or contingent, that are owned, leased or licensed including all rights, benefits and powers under any Contract and all rights, claims and powers against any third party;
"BNIC 1983 Scheme"	the scheme pursuant to the Insurance Companies Act 1974 for the transfer of the Long Term Insurance Business of British National Insurance Company Limited to British National Life Assurance Company Limited under an order of the Court dated 24 January 1983, with an effective date of 1 January 1982;
"BNLA 1994 Scheme"	the scheme pursuant to the Insurance Companies Act 1982 for the transfer of the Long Term Insurance Business of British National Life Assurance Company Limited to Lincoln Assurance Limited (then named Cannon Assurance Limited) under an order of the Court dated 26 July 1994, with an effective date of 31 December 1994;
"Business Day"	a day other than a Saturday or Sunday or a public holiday in England and Wales;
"CAC 1986 Scheme"	the scheme pursuant to the Insurance Companies Act 1982 for the transfer of the Long Term Insurance Business of

Citibank Assurance Company Limited to British National Life Assurance Company Limited under an order of the Court dated 2 December 1986, with an effective date of 1 January 1986;

"Cannon Pension Fund Deposit Account"	the Cannon Pension Fund Deposit Account in SLFC, which is the fund link for Cannon Executive Pension Plans and group pension plans sold between 1975 and 1981, and which is exclusive to such products and is the only fund link available to them;
"Capital Contribution"	£25,000,000 of cash or cash equivalents in the shareholder fund in SLFC;
"Capital Growth Fund"	the sub-fund known as the "Capital Growth Fund" in SLFC prior to the Effective Date;
"Contract"	any written contract, commitment, agreement, indenture, note, bond, mortgage, loan, instrument, lease or license;
"Court"	the High Court of Justice in England and Wales;
"DAF Version 1 Fund"	the sub-fund known as "2 nd DAF Version 1" within the Deposit Administration Pension and Pension Capital Unit Accounts in SLFC prior to the Effective Time, which offers a guaranteed minimum rate of return to policyholders;
"DAF Version 2 Fund"	the sub-fund known as "2 nd DAF Version 2" within the Deposit Administration Pension and Pension Capital Unit Accounts in SLFC prior to the Effective Time, which guarantees that a policyholder's investment will not drop in value;
"EEA"	the European Economic Area;
"Effective Date"	the time and date when this Scheme shall become operative in accordance with paragraph 23;
"Effective Time"	23.59 on the Effective Date;
"Encumbrance"	any charge, mortgage, pledge, security assignment, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, any other encumbrance or security interest of any kind and any other type of preferential arrangement (including, without limitation, title transfer and retention agreements) having a similar effect;
"Excluded Policies"	those Insurance Policies comprised in or relating to the Transferring Business under which any liability remains unsatisfied or outstanding at the Effective Time and which:

- (a) for the purpose of section 111(2) of FSMA and paragraph 1(3) of Part 1 to Schedule 12 of FSMA comprise direct Insurance Policies where an EEA state other than the UK is the state of the commitment, and the FSA has not, prior to the making of the Order, provided the certificate referred to in paragraph 4 of Part 1 to Schedule 12 of FSMA with respect to the relevant EEA state which is the state of the commitment, or
- (b) the Court for any reason determines not to transfer by virtue of the Order;

together with the rights, benefits, powers, liabilities and obligations under such Insurance Policies;

"Expert"	an expert appointed in accordance with paragraph 13.9;
"FSA"	the UK Financial Services Authority or all relevant successor regulators of UK insurance companies;
"FSA Return"	annual FSA insurance returns prepared by SLOC or SLFC, as applicable, in accordance with FSA Rules;
"FSA Rules"	rules and guidance of the FSA from time to time pursuant to its powers under FSMA and regulations made thereunder;
"FSMA"	the Financial Services and Markets Act 2000;
"General Insurance Business"	the regulated activity, specified in article 10 of the RAO (Effecting and carrying out contracts of insurance), of effecting and/or carrying out a contract of insurance as principal, each in relation to contracts of a type listed in Part I of Schedule 1 to the RAO;
"ILAC 1987 Scheme"	the scheme pursuant to the Insurance Companies Act 1982 for the transfer of (i) all the long term business of Trident Investors Life Assurance Company Limited and Trinity Insurance Company Limited (ii) certain long term business of Imperial Life (U.K.) Limited and (iii) certain long term business of the Imperial Life Assurance Company of Canada to SLFC (which was at the time named Trident Life Assurance Company Limited) under an order of the Court dated 10 March 1987, with an effective date of 1 July 1987;
"Independent Expert"	Mr Nicholas Dumbreck, the independent expert approved by the FSA for the purposes of this Scheme;
"Insurance Policies"	all Policies, binders, slips, other Contracts of insurance and binding quotations written by or on behalf of SLFC (or by a predecessor company to and transferred to that company) as insurer, reinsurer or retrocessionaire (including without

limitation, all supplements, endorsements and riders thereto and all ancillary agreements in connection therewith) that were entered into (including by such predecessor company) in respect of Long Term Insurance Business prior to the Effective Time;

"Interest Rate"	LIBOR plus one per cent;
"LAL 1996 Scheme"	the scheme pursuant to the Insurance Companies Act 1982 for the transfer of the long term business of Lincoln Assurance Limited to SLFC (then named Laurentian Life plc) under an order of the Court dated 5 September 1996, with an effective date of 31 December 1996;
"LEAC 1994 Scheme"	the scheme pursuant to the Insurance Companies Act 1982 for the transfer of the long term business of Life & Equity Assurance Company Limited to Lincoln Assurance Limited (then named Cannon Assurance Limited) under an order of the Court dated 26 January 1994, with an effective date of 31 December 1993;
"Liability"	any debt, liability, duty or obligation of any kind or description (whether direct or indirect, absolute or contingent, accrued or unaccrued, liquidated or unliquidated or due or to become due), including all costs and expenses relating thereto;
"LIBOR"	the London Interbank Offered Rate from time to time;
"Linked Policies"	Policies under which the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the Policies) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified), including any Policies allocated to the Sundry SLFC Funds;
"LLAC 1995 Scheme"	the scheme pursuant to the Insurance Companies Act 1982 for the transfer of the long term business of Liberty Life Assurance Company Limited to Lincoln Assurance Limited under an order of the Court dated 21 June 1995, with an effective date of 30 June 1995;
"Long Term Insurance Business"	the regulated activity, specified in article 10 of the RAO (Effecting and carrying out contracts of insurance), of effecting and/or carrying out a contract of insurance as principal, each in relation to contracts of a type listed in Part II of Schedule 1 to the RAO;
"Order"	an order made by the Court pursuant to Section 111(1) of FSMA sanctioning this Scheme and any order (including

	any subsequent order, which is ancillary thereto) in relation to this Scheme made by the Court pursuant to Section 112 of FSMA;
"Pension Business"	has the meaning given in section 431B of the Income and Corporation Taxes Act 1988;
"Policy" and "Policyholder"	the meanings ascribed to "policy" and "policyholder" by the Financial Services and Markets Act 2000 (meaning of "Policy" and "Policyholder") Order 2001 (S.I. 2001/2361) and includes at any time any constituent part of a Policy which gives rise to any separately identifiable benefit and includes for the avoidance of doubt any reinsurance or any retrocession policy (and references to "Policies" shall be construed accordingly);
"PPFM"	the Principles and Practices of Financial Management required under FSA Rules, as amended from time to time;
"Previous Schemes"	any insurance business transfer scheme, in the UK or in any other jurisdiction, in respect of which SLFC or SLOC was a transferor or a transferee or otherwise was a party to such scheme, including the Previous SLFC Schemes;
"Previous SLFC Scheme Transferees"	(a) British National Life Assurance Company Limited, in relation to the BNIC 1983 Scheme and the CAC 1986 Scheme; (b) Lincoln Assurance Limited (then named Cannon Assurance Limited), in relation to the BNLA 1994 Scheme and the LEAC 1994 Scheme; (c) Lincoln Assurance Limited, in relation to the LLAC 1995 Scheme; (d) SLFC (then named Trident Life Assurance Company Limited), in relation to the ILAC 1987 Scheme; and (e) SLFC (then named Laurentian Life plc), in relation to the LAL 1996 Scheme;
"Previous SLFC Schemes"	the BNIC 1983 Scheme, the BNLA 1994 Scheme, the CAC 1986 Scheme, the ILAC 1987 Scheme, the LAL 1996 Scheme, the LEAC 1994 Scheme and the LLAC 1995 Scheme;
"RAO"	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544), as amended;
"Reinsurance Contracts"	that part or all of any Contracts, agreements, Policies or other arrangements in the nature of reinsurance, retrocession or guarantees which cover any part of the Transferring Policies or Residual Policies and to which SLFC is a party, otherwise than as reinsurer under a reinsurance policy or retrocessionaire under a retrocession

policy, immediately prior to the Effective Time;

"Residual Asset"

in relation to the Transferring Business:

- (a) any Asset comprised in or relating to the Transferring Business, the transfer of which:
 - (i) is agreed by SLOC and SLFC, or is proved by any third party, to be subject to the law of any country or territory outside the UK and that further steps, in addition to the Order, are required to secure that its transfer is fully effective under the law of that country or territory;
 - (ii) requires, at the Effective Time, the waiver by any third party of any right to acquire, or be offered the right to, or to offer to, acquire or procure the acquisition by some other person of, all or any part of such Asset, being a right which directly or indirectly arises or is exercisable as a consequence of such transfer being proposed or taking effect; or
 - (iii) would result in a third party having a right to terminate an agreement with SLFC or SLOC or to claim compensation in damages or otherwise,

and in respect of which the Order requires such steps as are referred to in (a)(i) to be taken in accordance with section 112 of FSMA or in respect of which the Order contains provision to the effect that any right or interest referred to in (a)(ii) or (a)(iii) is enforceable in accordance with section 112A of FSMA, but in any case to the extent only of that part of the interest of SLFC in any such Asset the transfer of which requires such steps and/or waiver;

- (b) any interest of SLFC in any Asset comprised in the Transferring Business the transfer of which SLOC and SLFC agree prior to the Effective Time is to be delayed until after the Effective Time, including the rights and interest of SLFC in any Reassurance Contract which covers Residual Policies;
- (c) any interest of SLFC in any Asset comprised in the Transferring Business which SLOC and SLFC shall agree prior to the Effective Time is more conveniently to be transferred pursuant to this

Scheme after the Effective Time in conjunction with any Assets referred to in paragraphs (a) and (b) of this definition or in conjunction with a Residual Liability;

- (d) any proceeds of sale or income or other accrual or return whatsoever, whether or not in any case in the form of cash, from time to time earned on or received after the Effective Time in respect of any such Assets referred to in paragraphs (a) to (c) of this definition,

but excluding the rights, benefits and powers under the Residual Policies;

"Residual Liabilities"

in relation to the Transferring Business:

- (a) any Liability comprised in or relating to the Transferring Business, the transfer of which:
 - (i) is agreed by SLOC and SLFC, or is proved by any third party, to be subject to the law of any country or territory outside the UK and that further steps, in addition to the Order, are required to secure that its transfer is fully effective under the law of that country or territory; or
 - (ii) would result in a third party having a right to terminate an agreement with SLFC or SLOC or to claim compensation in damages or otherwise,

and in respect of which the Order requires such steps as are referred to in (a)(i) to be taken in accordance with section 112 of FSMA or in respect of which the Order contains provision to the effect that any right or interest referred to in (a)(ii) is enforceable in accordance with section 112A of FSMA, but in any case to the extent only of that part of the Liability the transfer of which requires such steps and/or waiver or which the Court determines not to transfer;

- (b) any other Liability comprised in the Transferring Business, the transfer of which SLOC and SLFC agree prior to the Effective Time is to be delayed;
- (c) any other liability comprised in the Transferring Business which SLOC and SLFC agree prior to the Effective Time is more conveniently to be

transferred pursuant to this Scheme after the Effective Time in conjunction with any Liabilities referred to in paragraphs (a) and (b) of this definition or in conjunction with a Residual Asset;

- (d) any Liability that is attributable to or connected with a Residual Asset or Residual Liability that has arisen or arises at any time before the Subsequent Transfer Date applicable to that Residual Asset or Residual Liability,

but excluding any Liability under the Residual Policies;

"Residual Policies"

Excluded Policies and, pending the taking of the relevant steps, further agreement between SLFC and SLOC, or a further determination by the relevant regulatory body or court of law (as applicable), the Retained Policies;

"Retained Contracts"

all Contracts, other than the State Street Contracts, to which SLFC is party at the Effective Time relating to:

- (a) the SLFC General Insurance Business;
- (b) the management of the SLFC shareholder fund; and
- (c) all other assets remaining in SLFC following the Effective Time.

"Retained Policies"

any Insurance Policy comprised in or relating to the Transferring Business in respect of which:

- (a) it is agreed by SLOC and SLFC, or proved by the relevant Policyholder or the Jersey Financial Services Commission or Guernsey Financial Services Commission, whether before or after the Effective Time, that such Policy is governed by the law of Jersey or Guernsey and/or approval by the courts in Jersey and/or Guernsey is required in order to effect the transfer of such Insurance Policy from SLFC to SLOC, and such approval has not been provided at or prior to the Effective Time;
- (b) its transfer is expressly refused by a regulatory body or court of law having jurisdiction to do so;
- (c) the Order requires further steps be taken to make the transfer fully effective; or
- (d) SLOC and SLFC agree prior to the Effective Time that its transfer is to be delayed until after the

Effective Time.

"Scheme"	this Scheme in its original form or with, or subject to, any modification or addition thereto;
"SLFC"	SLFC Assurance (UK) Limited (formerly named Lincoln Assurance Limited), a private limited company registered in England and Wales with registered number 00830572, whose registered office is at Matrix House, Basing View, Hampshire, United Kingdom, RG21 4DZ;
"SLFC Actuarial Function Holder"	the actuarial function holder, or equivalent position or function, of SLFC from time to time;
"SLFC Board"	the board of directors of SLFC from time to time;
"SLFC General Insurance Business"	all the business carried on by SLFC as at the Effective Date under which SLFC acts as reinsurer or retrocessionaire in relation to General Insurance Business;
"SLFC Linked Fund"	an internal linked fund maintained by SLFC for the purpose of calculating benefits payable under Linked Policies, including the Sundry SLFC Funds;
"SLFC Long Term Fund"	the fund, or each of the funds, established and maintained by SLFC in respect of Long Term Insurance Business;
"SLFC Methodology and Assumptions"	the methodology and assumptions used by SLFC in its FSA Return for the year ended 31 December 2010 as updated for expected market conditions at the Effective Date, with any such changes as are agreed between the SLFC Actuarial Function Holder and the SLOC Actuarial Function Holder;
"SLFC Non-Profit Fund"	the non-profit fund in SLFC;
"SLFC With-Profits Fund"	the SLFC Assurance UK With-Profits Fund in SLFC maintained in accordance with the ILAC 1987 Scheme;
"SLFC WP Funds"	the SLFC With-Profits Fund and the Cannon Pension Fund Deposit Account;
"SLOC"	Sun Life Assurance Company of Canada (U.K.) Limited, a private limited company registered in England and Wales with registered number 00959082, whose registered office is at Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ;
"SLOC 1999 Scheme"	the scheme, pursuant to Part I of Schedule 2C to the Insurance Companies Act 1982, for the transfer to SLOC of part of the long term business of Sun Life Assurance Company of Canada and the entire long term business of Confederation Life Insurance Company (U.K.) Limited

	under an order of the Court dated 21 September 1999;
"SLOC Actuarial Function Holder"	the actuarial function holder, or equivalent position or function, of SLOC from time to time;
"SLOC Board"	the board of directors of SLOC from time to time;
"SLOC Linked Fund"	an internal linked fund maintained by SLOC for the purpose of calculating benefits payable under Linked Policies;
"SLOC Long Term Fund"	the fund established and maintained by SLOC in respect of Long Term Insurance Business;
"SLOC Non-Profit Fund"	the non-profit fund in SLOC established and maintained by SLOC in respect of non-profit insurance business;
"SLOC Segregated Sub-Fund"	the segregated sub fund within the SLOC Non Profit Fund established and maintained in accordance with the SLOC 1999 Scheme;
"State Street Contracts"	<ul style="list-style-type: none">(a) the contract between SLFC, SLOC and State Street Bank and Trust Company ("State Street") dated 12 November 2007, as amended and varied from time to time, pursuant to which State Street provides fund administration services to SLFC and SLOC; and(b) the contract between SLFC, SLOC and State Street dated 12 November 2007, as amended and varied from time to time, pursuant to which State Street provides custodian services to SLFC and SLOC;
"Subsequent Transfer Date"	<p>in relation to any Residual Policy, Residual Asset or Residual Liability any date, following the Effective Time, on which such Residual Policy, Residual Asset or Residual Liability is transferred, such date to be determined by:</p> <ul style="list-style-type: none">(a) in the case of any Residual Asset or Residual Liability falling within paragraph (a) of the respective definitions thereof, and of any Residual Liability which is attributable to or connected with such Residual Asset or any Residual Asset which is attributable to or connected with such Residual Liability - the date on which the requisite consent, or where applicable, the requisite waiver or step to enable the same to be transferred upon the terms of the Scheme is:<ul style="list-style-type: none">(i) obtained or taken; or(ii) no longer required; or

- (iii) dispensed with by the Court;
- (b) in the case of any Residual Asset or Residual Liability falling within paragraph (b) of the respective definitions thereof and of any Residual Liability which is attributable to or connected with that Residual Asset – the date agreed in writing by SLOC and SLFC;
- (c) in the case of a Residual Asset or Residual Liability falling within paragraph (c) of the respective definitions thereof – the transfer date applicable to the Liability or Asset in conjunction with which it was determined to be a Residual Asset or Residual Liability;
- (d) in the case of any Residual Asset or Residual Liability falling within paragraph (d) of the respective definitions thereof – the transfer date applicable to the Assets to which such proceeds, income, accrual or return is earned on or received, or the transfer date applicable to the Residual Asset or Residual Liability to which the Liability is attributed or connected;
- (e) in the case of any Retained Policy falling within paragraph (a) or (c) of the definition thereof – the date on which the requisite approval is obtained, or on which such further steps have been taken;
- (f) in the case of any Retained Policy falling within paragraph (b) of the definition thereof – the date on which such regulatory body or court of law makes a further determination or judgment allowing the transfer of such Retained Policy to SLOC;
- (g) in the case of any Retained Policy falling within paragraph (d) of the definition thereof – the date agreed in writing by SLOC and SLFC;
- (h) in the case of any Excluded Policy, the date on which the novation or transfer of all of the rights, benefits and powers, together with all the obligations and Liabilities relating to such Policy becomes effective in the UK;

"Sundry SLFC Funds"

the DAF Version 1 Fund, the DAF Version 2 Fund and the Capital Growth Fund;

"Third Party Contracts"

all Transferring Contracts excluding the Transferring Policies, the Residual Policies and the Transferring Reassurance Contracts;

"Transferring Assets"

- (a) all Assets comprised in the SLFC WP Funds and the Sundry SLFC Funds immediately prior to the Effective Time, including all rights, title and interest of SLFC in, to or under:
 - (i) Transferring Policies which are allocated to the SLFC WP Funds and the Sundry SLFC Funds immediately prior to the Effective Time;
 - (ii) Transferring Reassurance Contracts or any other Transferring Contracts insofar as, and to the extent that, they relate to Transferring Policies which are allocated to the SLFC WP Funds and the Sundry SLFC Funds immediately prior to the Effective Time;
- (b) the Assets comprised in or relating to the Transferring Business (excluding all Assets in (a) above) equal in value to the Transferring Non-Profit Liabilities and designated as Transferring Assets pursuant to paragraph 13, including all rights, title and interest of SLFC in, to or under:
 - (i) Transferring Policies which are allocated to the SLFC Non-Profit Fund immediately prior to the Effective Time;
 - (ii) Transferring Reassurance Contracts or any other Transferring Contracts insofar as, and to the extent that, they relate to Transferring Policies which are allocated to the SLFC Non-Profit Fund immediately prior to the Effective Time;
- (c) all other right, title and interest of SLFC in, to or under the Transferring Contracts, and all rights and claims (present or future, actual or contingent) of SLFC against any third party in relation to the Transferring Business or arising as a result of SLFC having carried on the Transferring Business;
- (d) all intangible assets relating to the Transferring Business, including without limitation:
 - (i) the goodwill of the Transferring Business and the right of SLOC to represent itself as

operating the Transferring Business in succession to SLFC;

(ii) all intellectual property rights relating to the Transferring Business; and

(iii) all intangible fixed assets and internally developed intangible assets relating to the Transferring Business; and

(e) the Capital Contribution,

excluding, until the relevant Subsequent Transfer Date (if any), the Residual Assets and the rights, benefits and powers of SLFC under the Residual Policies;

"Transferring Business"

all the business carried on by SLFC as at the Effective Date except the SLFC General Insurance Business;

"Transferring Contracts"

all Contracts comprised in the Transferring Business and any other Contract to which SLFC is party at the Effective Date, including the Transferring Policies and the Transferring Reassurance Contracts but excluding the Retained Contracts;

"Transferring Liabilities"

all Liabilities and commitments of every kind and description of SLFC to the extent arising from or relating to the Transferring Business as such business shall exist immediately prior to the Effective Time and irrespective of whether the Liabilities and commitments shall arise prior to or following the Effective Time, excluding Liabilities under any Residual Policies and Residual Liabilities until the relevant Subsequent Transfer Date, if any, for such Liabilities;

"Transferring Non-Profit Liabilities"

all Liabilities and commitments of every kind and description of SLFC to the extent arising from or relating to the Transferring Business in the SLFC Non-Profit Fund as such business shall exist immediately prior to the Effective Time (including for the avoidance of doubt any such Liabilities or commitments relating to the Residual Policies and Residual Liabilities) excluding all such Liabilities or commitments to the extent arising from or relating to the Sundry SLFC Funds;

"Transferring Policies"

the Insurance Policies comprised in or relating to the Transferring Business, together or individually as the context may indicate, excluding any Residual Policy until the relevant Subsequent Transfer Date, if any, for each such Residual Policy;

- "Transferring Policyholder"** a holder of a Transferring Policy;
- "Transferring Reassurance Contracts"** that part or all of any Contracts, agreements, Policies or other arrangements in the nature of reinsurance, retrocession or guarantees to which SLFC is a party, otherwise than as reinsurer under a reinsurance policy or retrocessionaire under a retrocession policy, immediately prior to the Effective Time and which cover any part of the Transferring Policies, excluding any part covering Residual Policies until the transfer of such Residual Policies hereunder;
- "UK"** the United Kingdom of Great Britain and Northern Ireland.

In this Scheme:

- (a) any reference to the term "**State of the commitment**" shall bear the meaning ascribed thereto by, or for the purpose of, Part 1 of Schedule 12 to FSMA;
- (b) "**transfer**" includes (as the context may require) "assign", "assignment" and "assignment", "dispose", "disposal", "novate", "novation", "convey" and "conveyance";
- (c) "**include**" and "**including**" shall be construed without limitation;
- (d) any reference to the singular shall include a reference to the plural and vice versa and any reference to the masculine shall include a reference to the feminine;
- (e) any reference in this Scheme to an enactment, a statutory provision or any subordinate legislation shall be deemed to include a reference to that enactment, statutory provision or subordinate legislation as amended, replaced or re-enacted from time to time and to any instrument or order made from time to time under such enactment, statutory provision or subordinate legislation;
- (f) expressions used in this Scheme which have meanings under FSMA shall bear those meanings unless otherwise expressly defined herein;
- (g) any reference to this Scheme shall include the Schedules to it and (unless inconsistent with the subject or context) references in this Scheme to paragraphs, parts or Schedules are to paragraphs of, parts of or the Schedules to this Scheme;
- (h) any reference to writing shall include any mode of reproducing words in a legible and non-transitory form; and
- (i) references to admissible assets, long term insurance business, realistic value of assets, market value of liabilities, technical provisions, with-profits actuary (or successor role), actuarial function holder (or successor roles) and with-profits fund are to be construed in accordance with FSA Rules in INSPRU and GENPRU in the FSA Handbook of Rules and Guidance as at the date of this Scheme.