



HERBERT
SMITH
FREEHILLS

FRIENDS LIFE WL LIMITED
and
FRIENDS LIFE COMPANY LIMITED
and
FRIENDS LIFE AND PENSIONS LIMITED
and
FRIENDS LIFE LIMITED

SCHEME

**pursuant to Part VII of, and Schedule 12 to, the
Financial Services and Markets Act 2000**

Herbert Smith Freehills LLP

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**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

No. 4839 of 2013

**IN THE MATTER OF FRIENDS LIFE WL LIMITED
and
IN THE MATTER OF FRIENDS LIFE COMPANY LIMITED
and
IN THE MATTER OF FRIENDS LIFE AND PENSIONS LIMITED
and
IN THE MATTER OF FRIENDS LIFE LIMITED
and
IN THE MATTER OF PART VII OF
THE FINANCIAL SERVICES AND MARKETS
ACT 2000**

**SCHEME
for the transfer to Friends Life and Pensions Limited and
Friends Life Limited of the whole of the long-term
business of Friends Life WL Limited and Friends Life
Company Limited (pursuant to Part VII of the Financial
Services and Markets Act 2000)**

PART A

DEFINITIONS AND INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

- 1.1 In this Scheme, unless the subject or context requires otherwise, the following expressions have the following meanings:

"2012 Scheme" means the scheme pursuant to Part VII of FSMA (application no. 5968 of 2012), the effective date of which was 28 December 2012 and which provided for the transfer of the whole of the business of FLAS and part of the business of FLC and F&C Managed Pension Funds Limited to FLL and which ceases to have effect in accordance with paragraph 43 of this Scheme;

"2012 Scheme Effective Date" means 00.01 a.m. GMT on 28 December 2012;

"2012 Further Temporary Transfers" means any transfers made in accordance with paragraph 28.2.2 of the 2012 Scheme prior to the Effective Date;

"2012 Initial Temporary Transfers" means any transfers made in accordance with paragraph 28.2.1 of the 2012 Scheme;

"2012 Transferred Policy" means a Policy that was transferred to FLL pursuant to the 2012 Scheme and under which any liability remains unsatisfied at the relevant time;

"2015 NP and SF Regulatory Assets" means, in relation to the FL Non Profit Fund and the FLL Shareholder Fund or any parts thereof, the total assets of those Funds determined in accordance with Prudential Regulation (calculated as at 31 December 2015 as if the Solvency II Implementation Date had already occurred and excluding assets representing amounts recoverable from Reinsurance Arrangements and any Transitional Adjustments);

"2015 NP Regulatory Assets" means, in relation to the FL Non Profit Fund or any part thereof, the assets of the Fund determined in accordance with Prudential Regulation (calculated as at 31 December 2015 as if the Solvency II Implementation Date had already occurred and excluding assets representing amounts recoverable from Reinsurance Arrangements and any Transitional Adjustments);

"2015 NP Regulatory Liabilities" means, in relation to the FL Non Profit Fund or any part thereof, the Technical Provisions and other Liabilities of the Fund determined in accordance with Prudential Regulation (calculated as at 31 December 2015 as if the Solvency II Implementation Date had already occurred and excluding liabilities ceded by Reinsurance Arrangements in respect of which the amounts recoverable are not taken into account in the calculation of 2015 NP Regulatory Assets and any Transitional Adjustments);

"2015 Regulatory Assets" means, in relation to a Fund or any part thereof, the assets of the Fund determined in accordance with Prudential Regulation (calculated as at 31 December 2015 as if the Solvency II Implementation Date had already occurred and excluding assets representing amounts recoverable from Reinsurance Arrangements and any Transitional Adjustments);

"2015 Regulatory Liabilities" means, in relation to a Fund or any part thereof, the Best Estimate Liabilities and other Liabilities of the Fund determined in accordance with Prudential Regulation calculated in accordance with COBS 20.1A.5 and including for the avoidance of doubt the Best Estimate Liabilities in respect of non-profits policies in the Fund (calculated as at 31 December 2015 as if the Solvency II Implementation Date had already occurred and COBS 20.1A.5 had already come into force and excluding any liabilities ceded by Reinsurance Arrangements in respect of which the amounts recoverable are not taken into account in the calculation of 2015 Regulatory Assets, and any Transitional Adjustments);

"Actuarial Function Holder" means (in respect of any period prior to the Solvency II Implementation Date) the person appointed by the relevant Transferor or Transferee from time to time to perform the "actuarial function", as described in SUP 4.3.13R;

"Adjusted NP Regulatory Assets" means such amount as represents the percentage of the assets of the FL Non Profit Fund (excluding assets representing amounts recoverable from Reinsurance Arrangements) determined in accordance with Prudential Regulation (but excluding any Transitional Adjustments) as is equal to $100(1+R(S-1))$ where:

- (a) S is the figure, expressed as a decimal, determined by dividing the total Pillar 1 Assets of the FL Non Profit Fund (calculated as at 31 December 2015 in accordance with Prudential Regulation as provided for upon sanction of this Scheme by the Court on 3 December 2013 and excluding assets representing amounts recoverable from Reinsurance Arrangements) by the 2015 NP Regulatory Assets of that Fund, provided that if there is a material change to the method used to determine the value of the assets of the FL Non Profit Fund the FLL Board shall, having taken account of appropriate actuarial advice, make such amendments (without the consent of the Court) to the value of S as are necessary to ensure that the value of the Adjusted NP Regulatory Assets is unaffected by such change; and
- (b) R is the Run Off Factor;

"Adjusted NP and SF Regulatory Assets" means such amount as represents the percentage of the assets of the FL Non Profit Fund and FLL Shareholder Fund (excluding assets representing amounts recoverable from Reinsurance Arrangements) determined in accordance with Prudential Regulation (but excluding any Transitional Adjustments) as is equal to $100(1+R(V-1))$ where:

- (a) V is the figure, expressed as a decimal, determined by dividing the total Pillar 1 Assets of the FL Non Profit Fund and FLL Shareholder Fund (calculated as at 31 December 2015 in accordance with Prudential Regulation as provided for upon sanction of this Scheme by the Court on 3 December 2013 and excluding assets representing amounts recoverable from Reinsurance Arrangements) by the 2015 NP and SF Regulatory Assets of those Funds, provided that if there is a material change to the method used to determine the value of the assets of the FL Non Profit Fund or the FLL Shareholder Fund the FLL Board shall, having taken account of appropriate actuarial advice, make such amendments (without the consent of the Court) to the value of V as are necessary to ensure that the value of the Adjusted NP and SF Regulatory Assets is unaffected by such change; and
- (b) R is the Run Off Factor;

"Adjusted NP Regulatory Liabilities" means such amount as represents the percentage of the Technical Provisions and other Liabilities of the FL Non Profit Fund (excluding any liabilities ceded by Reinsurance Arrangements in respect of which the amounts recoverable are not taken into account in the calculation of Adjusted NP and SF Regulatory Assets) determined in accordance with Prudential Regulation (but excluding any Transitional Adjustments) as is equal to $100(1+R(T-1))$ where:

- (a) T is the figure, expressed as a decimal, determined by dividing the Pillar 1 Liabilities of that Fund (calculated as at 31 December 2015 in accordance with Prudential Regulation as provided for upon sanction of this Scheme by the Court on 3 December 2013 and excluding any liabilities ceded by Reinsurance Arrangements in respect of which the amounts recoverable are not taken into account in the calculation of Adjusted NP and SF Regulatory Assets) by the 2015 NP Regulatory Liabilities of that Fund, provided that if there is a material change to the method used to determine the value of the liabilities of the FL Non Profit Fund the FLL Board shall, having taken account of appropriate actuarial advice, make such amendments (without the consent of the Court) to the value of T as are necessary to ensure that the value of the Adjusted NP Regulatory Liabilities is unaffected by such change; and

(b) R is the Run Off Factor;

"Adjusted Regulatory Assets" means, in relation to a Fund or any part thereof, such amount as represents the percentage of the assets of the Fund (excluding assets representing amounts recoverable from Reinsurance Arrangements) determined in accordance with Prudential Regulation (but excluding any Transitional Adjustments) as is equal to $99.95(1+R(P-1))$ where:

(a) P is the figure, expressed as a decimal, determined by dividing the Pillar 1 Assets of that Fund (calculated as at 31 December 2015 in accordance with Prudential Regulation as provided for upon sanction of this Scheme by the Court on 3 December 2013, on a Peak 2 basis and excluding assets representing amounts recoverable from Reinsurance Arrangements) by the 2015 Regulatory Assets of that Fund, provided that if there is a material change to the method used to determine the value of the assets of the relevant Fund the FLL Board shall, having taken account of appropriate actuarial advice, make such amendments (without the consent of the Court) to the value of P as are necessary to ensure that the value of the Adjusted Regulatory Assets is unaffected by such change; and

(b) R is the Run Off Factor;

"Adjusted Regulatory Liabilities" means, in relation to a Fund or any part thereof, such amount as represents the percentage of the Best Estimate Liabilities and other Liabilities of the Fund (excluding any liabilities ceded by Reinsurance Arrangements in respect of which the amounts recoverable are not taken into account in the calculation of Adjusted Regulatory Assets) determined in accordance with Prudential Regulation (calculated in accordance with COBS 20.1A.5 including for the avoidance of doubt the Best Estimate Liabilities in respect of non-profit policies in the Fund but excluding any Transitional Adjustments) as is equal to $100(1+R(Q-1))$ where:

(a) Q is the figure, expressed as a decimal, determined by dividing the Pillar 1 Liabilities of that Fund (calculated as at 31 December 2015 in accordance with Prudential Regulation as provided for upon sanction of this Scheme by the Court on 3 December 2013, on a Peak 2 basis and excluding liabilities ceded by Reinsurance Arrangements in respect of which the amounts recoverable are not taken into account in the calculation of Adjusted Regulatory Assets) by the 2015 Regulatory Liabilities of that Fund, provided that if there is a material change to the method used to determine the value of the liabilities of the relevant Fund the FLL Board shall, having taken account of appropriate actuarial advice, make such amendments (without the consent of the Court) to the value of Q as are necessary to ensure that the value of the Adjusted Regulatory Liabilities is unaffected by such change; and

(b) R is the Run Off Factor;

"AELLAS" means AXA Equity and Law Life Assurance Society plc, a company previously incorporated in England and Wales with registered number 575435, and the transferor under the FLC 2001 Scheme;

"Asset" or **"Assets"** means any asset and property of every kind and description, wherever located, whether real, personal or mixed, tangible or intangible, that is owned, leased or licensed by a Transferor (and comprised within the Transferred Business) or by the relevant Transferee (as the context requires) including all rights, benefits and powers of the relevant Transferor or the relevant Transferee under any Contract and all rights, including any right to repayment or recovery of tax relating to the Transferred Business or to the transfer thereof, claims and powers of the relevant Transferor or the relevant Transferee against any third party and including (for the avoidance of doubt) any such asset or property to which legal title is held by another party, provided that the relevant Transferor or the relevant Transferee has an interest in such asset or property, including beneficial ownership of such asset or property;

"Asset Shares" means, in respect of any relevant Policy, the asset share in respect of that Policy determined by the FLL Board in accordance with Regulatory Requirements and the FLL PPFM;

"Asset Value" means in respect of any Asset or Assets (and in respect of any period prior to the Solvency II Implementation Date), its or their value determined in accordance with the principles for the valuation of Assets of insurance companies carrying on business of the type carried on by the Transferors and the Transferees prescribed by the relevant provisions of GENPRU and INSPRU (including, but not limited to, GENPRU 1.3 and INSPRU 1.2);

"Attaching Risk Benefits" means any guaranteed benefits payable under a Conventional With Profits Policy, Unitised With Profits Policy or Hybrid Policy (including guaranteed benefits purchased solely by the cancellation of Unit Linked Units or With Profits Units) which are not calculated by reference to Unit Linked Units or any right to participate in surplus, but excluding:

- (a) in the case of Conventional With Profits Policies, waiver of premium benefits; and
- (b) in the case of Multiplan or Lifecare policies, guaranteed insurability options and accidental death benefits as described in such Policies;

"AWL" means AXA Wealth Limited, a company incorporated in England and Wales with registered number 01225468;

"Bailiwick of Guernsey" means the islands of Guernsey, Alderney, Sark, Herm, Jethou, Brecqhou and Lihou;

"Best Estimate Liabilities" means the value of the "best estimate" as defined in the PRA Glossary;

"BLAGAB trade losses" means such term as defined in section 136, Part 2 of the Finance Act 2012;

"BLAGAB trade profits" means such term as defined in section 136, Part 2 of the Finance Act 2012;

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

"Calculation Date" means 31 December in each calendar year;

"Chief Actuary" means the person appointed by the relevant Transferor or Transferee from time to time to perform:

- (a) during the period between the Solvency II Implementation Date and 7 March 2016, the "Actuarial" controlled function (CF12) pursuant to Rule 6 of the PRA's Conditions Governing Business; and
- (b) in the period after and including 7 March 2016, the "Chief Actuary" controlled function (SIMF20) or the equivalent successor function;

"COBS" means the Conduct of Business Sourcebook issued by the FCA;

"Colonial Policy" means a Policy allocated to the FL WL With Profits Fund which was originally written by Colonial Life (UK) Limited prior to 1 June 2001 and under which any liability remains unsatisfied at the relevant time;

"Colonial Scheme" means the scheme pursuant to section 49 of, and Schedule 2C to, the Insurance Companies Act 1982 (application no. 2975 of 1996) the effective date of which was 24 July 1996 (and which was amended by an order of the Court made on 14 September 2011) and which ceases to have effect in accordance with paragraph 43 of this Scheme;

"Contract" means any written contract, commitment, agreement (including a facility agreement), deed, indenture, note, bond, mortgage, loan, instrument, lease or licence as amended, supplemented, varied or substituted from time to time;

"Conventional Non Participating Policy" means any Non Participating Policy which is not a Unit Linked Policy;

"Conventional With Profits Policies" means any With Profits Policy which is not a Unitised With Profits Policy or a Hybrid Policy;

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

"Deferred Bonus Policies" means the policies identified as such in Schedule 10 and under which any liability remains unsatisfied at the relevant time;

"Deficit" in relation to the FL FP With Profits Fund, the FL FLC Funds and the FL FLAS With Profits Fund (as applicable), a Deficit shall exist at any time when, and in the amount by which, the FLL Board determines, having taken account of appropriate actuarial advice, that:

- (a) in relation to the FL FP With Profits Fund, the Adjusted Regulatory Assets of the FL FP With Profits Fund fall short of the greater of (i) the Adjusted Regulatory Liabilities of the FL FP With Profits Fund and (ii) such further amount (if any) determined by the FLL Board, having taken account of appropriate actuarial advice, as necessary to be held within the FL FP With Profits Fund in order to permit FLL to meet the reasonable expectations of the holders of With Profits Policies within the FL FP With Profits Fund and in order to permit FLL to manage the FL FP With Profits Fund, in each case in a manner consistent with the FL FP With Profits Fund PPFM;
- (b) in relation to the FL FLC Funds, the Adjusted Regulatory Assets of the FL FLC Fund fall short of the Adjusted Regulatory Liabilities of the FL FLC Fund;
- (c) in relation to the FL FLAS With Profits Fund, the Adjusted Regulatory Assets of the FL FLAS With Profits Fund fall short of the Adjusted Regulatory Liabilities of the FL FLAS With Profits Fund;

"Demutualisation Protected Policies" means all Policies which were transferred to FLL by the Demutualisation Scheme and under which any liability remains unsatisfied at the relevant time;

"Demutualisation Scheme" means the scheme pursuant to section 49 of, and Schedule 2C to, the Insurance Companies Act 1982 (application no. 2651 of 2001), which took effect on the Demutualisation Scheme Effective Date (and which was amended by order of the Court on 29 July 2004) which provided for the demutualisation of Friends Provident Life Office and which ceased to have effect in accordance with the terms of the 2012 Scheme;

"Demutualisation Scheme Effective Date" means 07.30 on 9 July 2001;

"Determined Amount Value" means at any given time the balance of the value, calculated in accordance with the principles and practices established and conducted in connection with the Demutualisation Scheme, of assets allocated to the FL FP With Profits Fund on the Demutualisation Scheme Effective Date pursuant to paragraph 14.1(A)(3)(i) of the Demutualisation Scheme;

"DPP Switch" means a switch into the FL FP With Profits Fund in respect of a Hybrid Policy which is a Demutualisation Protected Policy;

"Effective Date" means the time and date on which this Scheme shall take effect in accordance with paragraph 42;

"Elected Policies" means those Policies in respect of which an Election was made or deemed to have been made;

"Election" means an election made or deemed to be made in accordance with the procedures described in the circular entitled "Policyholder Circular" issued in connection with the FLC 2001 Scheme (including an election made under the second proposal which became effective on 1 January 2002);

"Encumbrance" means any mortgage, charge, 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;

"Enhancement" means an amount determined by the FLL Board, having taken account of appropriate actuarial advice, in respect of a Temporary Transfer (or Temporary Transfers) as the outstanding principal amount of such Temporary Transfer (or Temporary Transfers) multiplied by the compounded cumulative average investment return (which may be negative), expressed as a percentage, in respect of the Assets advanced under that Temporary Transfer since the date on which such Temporary Transfer (or Temporary Transfers) was originally made or, if later, the date as at which an Enhancement in respect of such Temporary Transfer (or Temporary Transfers) was most recently determined and certified by the FLL Board, having taken account of appropriate actuarial advice, at least annually as at each Year End and, in addition, on any occasion on which any amount of the remaining principal of a Temporary Transfer falls to be repaid pursuant to paragraph 29;

"Excluded Policies" means Policies comprised in the Transferred Business under which any Liability remains unsatisfied or outstanding at the Effective Date:

- (a) written by a Transferor in the course of carrying on Long Term Business in the United Kingdom or any other EEA State, in respect of which:
 - (i) for the purpose of paragraph 1(3) of Schedule 12 to FSMA, an EEA State other than the United Kingdom is the State of the commitment; and
 - (ii) the PRA has not, prior to the making of the Order by which the Court sanctions this Scheme, provided the certificate referred to in paragraph 4 of Schedule 12 to FSMA with respect to the relevant EEA State which is the State of the commitment;
- (b) written by a Transferor in an establishment situated in an EEA State other than the United Kingdom, in respect of which the PRA has not, prior to the making of the Order by which the Court sanctions this Scheme, provided the certificate referred to in paragraph 3 of Schedule 12 to FSMA with respect to the relevant EEA State;
- (c) which are:
 - (i) Guernsey Policies (to the extent that and for so long only as the Guernsey Scheme has not yet received the requisite court approval and become effective in accordance with its terms); or
 - (ii) Jersey Policies (to the extent that and for so long only as the Jersey Scheme has not yet received the requisite court approval and become effective in accordance with its terms);
- (d) written by a Transferor in the course of carrying on Long Term Business but which, prior to the Effective Date, the Transferors and the relevant Transferee agree shall not be transferred pursuant to FSMA on the Effective Date,

including, for the avoidance of doubt:

- (i) any Policy within paragraph (a), (b), (c) or (d) of this definition which has lapsed on or before the Effective Date but which the relevant policyholder is entitled to require the relevant Transferor to reinstate; and
- (ii) any proposal for a Policy received or issued by or on behalf of a Transferor before the Effective Date which has not become a Policy in force by the Effective Date but which would fall within paragraph (a), (b), (c) or (d) of this definition were it to come into force,

and any further Policy issued by a Transferor pursuant to the exercise of any right or option under an Excluded Policy, as described in paragraph 6.2;

"Excluded Policies Reassurance Arrangements" means each of the reinsurance arrangements to be implemented in respect of Excluded Policies pursuant to, and in accordance with, paragraph 6.1;

"Existing Schemes" means the Colonial Scheme, the WLUK Scheme and the 2012 Scheme;

"FCA" means the Financial Conduct Authority and any successor regulatory authority;

"FCA Rules" means the rules and guidance contained in the FCA Handbook of Rules and Guidance

"Financial Year" means, subject to paragraph 1.2.18, each calendar year;

"FL FLAS NPF Support Account" means the memorandum account having that name established pursuant to the 2012 Scheme and, with effect from the Effective Date, maintained pursuant to paragraph 16.10.7;

"FL FLAS Remaining Support Amount" means the amount of support remaining available in the FL FLAS WPF Support Account, taking account of the balance of any Temporary Transfers, determined in accordance with paragraph 29;

"FL FLAS SHF Support Account" means the memorandum account having that name established pursuant to the 2012 Scheme and, with effect from the Effective Date, maintained pursuant to paragraph 16.10.8;

"FL FLAS With Profits Fund" means the with profits fund established and maintained by FLL pursuant to the 2012 Scheme as the "FL FLAS With Profits Fund" and, with effect from the Effective Date, maintained pursuant to paragraph 16.1.1;

"FL FLAS With Profits Fund PPFM" means the PPFM governing the FL FLAS With Profits Fund known as the "Principles and Practices of Financial Management of the FL FLAS With Profits Fund", as in force from time to time;

"FL FLAS WPF Support Account" means the FL FLAS NPF Support Account and the FL FLAS SHF Support Account;

"FL FLC Additional Account" means the memorandum account having that name established pursuant to the 2012 Scheme and, with effect from the Effective Date, maintained pursuant to paragraph 16.10.11;

"FL FLC Funds" means the FL FLC New With Profits Fund and the FL FLC Old With Profits Fund;

"FL FLC Funds NPF Support Account" means the memorandum account having that name established pursuant to the 2012 Scheme and, with effect from the Effective Date, maintained pursuant to paragraph 16.10.2;

"FL FLC Funds PPFM" means the PPFM governing the FL FLC Funds known as the "Principles and Practices of Financial Management of the FL FLC With Profits Funds", as in force from time to time;

"FL FLC Funds SHF Support Account" means the memorandum account having that name established pursuant to the 2012 Scheme and, with effect from the Effective Date, maintained pursuant to paragraph 16.10.1;

"FL FLC Funds Support Account" means the FL FLC Funds NPF Support Account and the FL FLC Funds SHF Support Account;

"FL FLC New With Profits Fund" means the with profits fund established and maintained by FLL pursuant to the 2012 Scheme as the "FL FLC New With Profits Fund" and, with effect from the Effective Date, maintained pursuant to paragraph 16.1.1;

"FL FLC Old With Profits Fund" means the with profits fund established and maintained by FLL pursuant to the 2012 Scheme as the "FL FLC Old With Profits Fund" and, with effect from the Effective Date, maintained pursuant to paragraph 16.1.1;

"FL FLC Remaining Support Amount" means the amount of support remaining available in the FL FLC Funds Support Account, taking account of the balance of any Temporary Transfers, determined in accordance with paragraph 29, and any Permanent Contributions;

"FL FP Additional Account" means the FL FP NPF Additional Account and the FL FP SHF Additional Account;

"FL FP NPF Additional Account" means the memorandum account having that name established pursuant to the 2012 Scheme and, with effect from the Effective Date, maintained pursuant to paragraph 16.10.9;

"FL FP NPF Support Account" means the memorandum account having that name established pursuant to the 2012 Scheme and, with effect from the Effective Date, maintained pursuant to paragraph 16.10.4;

"FL FP Post Demutualisation NPF Support Account" means the memorandum account having that name established pursuant to the 2012 Scheme and, with effect from the Effective Date, maintained pursuant to paragraph 16.10.5;

"FL FP Post Demutualisation Policies" means all Policies written in the FL FP With Profits Fund which are not Demutualisation Protected Policies;

"FL FP Post Demutualisation Remaining Support Amount" means the amount of support remaining available in the FL FP Post Demutualisation With Profits Support Account, taking account of the balance of any Temporary Transfers, determined in accordance with paragraph 29;

"FL FP Post Demutualisation SHF Support Account" means the memorandum account having that name established pursuant to the 2012 Scheme and, with effect from the Effective Date, maintained pursuant to paragraph 16.10.6;

"FL FP Post Demutualisation With Profits Support Account" means the FL FP Post Demutualisation NPF Support Account and the FL FP Post Demutualisation SHF Support Account;

"FL FP Remaining Additional Amount" means the amount remaining available in the FL FP Additional Account;

"FL FP Remaining Support Amount" means the amount of support remaining available in the FL FP With Profits Support Account, taking account of the balance of any Temporary Transfers, determined in accordance with paragraph 29;

"FL FP SHF Additional Account" means the memorandum account having that name established pursuant to the 2012 Scheme and, with effect from the Effective Date, maintained pursuant to paragraph 16.10.10;

"FL FP SHF Support Account" means the memorandum account having that name established pursuant to the 2012 Scheme and, with effect from the Effective Date, maintained pursuant to paragraph 16.10.3;

"FL FP With Profits Fund" means the with profits fund established and maintained by FLL pursuant to the Demutualisation Scheme as the "With Profits Fund" and, with effect from the Effective Date, maintained pursuant to paragraph 16.1.1;

"FL FP With Profits Fund PPFM" means the PPFM governing the FL FP With Profits Fund known as the "Principles and Practices of Financial Management of the Friends Life Limited FP With Profits Fund";

"FL FP With Profits Support Account" means the FL FP NPF Support Account and the FL FP SHF Support Account;

"FL FPLAL With Profits Fund" means the with profits fund established by FLL pursuant to the FLL 2011 Scheme as the "New FPLAL Closed Fund" and, with effect from the Effective Date, maintained pursuant to paragraph 16.1.1;

"FL FPLAL With Profits Fund Policy" means a Policy allocated to the FL FPLAL With Profits Fund;

"FL FPLAL With Profits Fund PPFM" means the PPFM governing the FL FPLAL With Profits Fund known as the "Principles and Practices of Financial Management of the FL FPLAL With Profits Fund", as in force from time to time;

"FL Funds" means FL WL With Profits Fund, FL FLAS With Profits Fund, the FL FLC New With Profits Fund, the FL FLC Old With Profits Fund, the FL FPLAL With Profits Fund, the FL FP With Profits Fund and the FL Non Profit Fund;

"FL Non Profit Fund" or **"FLL NPF"** means the non-profit fund established and maintained by FLL pursuant to the Demutualisation Scheme and, with effect from the Effective Date, maintained pursuant to paragraph 16.1.1;

"FL WL Linked Funds" means a new corresponding Linked Fund of FLL established in accordance with paragraph 18.1 in relation to a Linked Fund of FLWL;

"FL WL NPF Support Account" means the memorandum account having that name established pursuant to paragraph 12.2.2;

"FL WL Remaining Support Amount" means the amount of support remaining available in the FL WL WPF Support Account, taking account of any Permanent Contributions determined in accordance with Part VI of Schedule 4;

"FL WL SHF Support Account" means the memorandum account having that name established pursuant to paragraph 12.2.1;

"FL WL Unitised With Profits Policy" means a Unitised With Profits Policy or Hybrid Policy allocated to the FLWL NPF under the WLUK Scheme;

"FL WL With Profits Fund" or **"FL WL WPF"** means the with profits fund established by FLL as of the Effective Date pursuant to paragraph 12.1;

"FL WL With Profits Fund PPFM" means the PPFM governing the FL WL With Profits Fund known as the "Principles and Practices of Financial Management of the FL WL With Profits Fund", as in force from time to time;

"FL WL WPF Support Account" means the FL WL NPF Support Account and the FL WL SHF Support Account;

"FLAS" means Friends Life Assurance Society Limited, a company incorporated in England and Wales with registered number 00776273;

"FLAS Long Term Fund" means the Long Term Fund maintained by FLAS prior to the 2012 Scheme Effective Date;

"FLC" means Friends Life Company Limited, a company incorporated in England and Wales with registered number 03291349;

"FLC 2012 Residual Assets" means any Asset of FLC which is a Residual Asset for the purposes of the 2012 Scheme and which is held on trust by FLC for FLL pursuant to paragraph 8 of the 2012 Scheme;

"FLC 2012 Residual Liabilities" means any Liability of FLC which is a Residual Liability for the purposes of the 2012 Scheme and which is held on trust by FLC for FLL pursuant to paragraph 8 of the 2012 Scheme;

"FLC 2001 Scheme" means the scheme pursuant to section 49 of, and Schedule 2C to, the Insurance Companies Act 1982 (application no. 4569 of 2000), the effective date of which was 1 April 2001 (and which was amended by orders of the Court on 7 July 2006) which provided for the transfer of the business of AELLAS to FLC (then known as AXA Sun Life plc) and which ceased to have effect in accordance with the terms of the 2012 Scheme;

"FLC 2001 Scheme Effective Date" means 00.01 on 1 April 2001;

"FLC Fund Merger" has the meaning given to it in paragraph 35.1;

"FLC Fund Merger Date" has the meaning given to it in paragraph 35.3;

"FLC Long Term Fund" means the Long Term Fund established and maintained by FLC immediately prior to the Effective Date;

"FLC Long Term Fund Business" means the business allocated to the FLC Long Term Fund immediately prior to the Effective Date;

"FLC NPF" means the non-profit fund established and maintained by FLC;

"FLC NWPF" means the with profits fund known as the "New With Profits Fund" established and maintained by FLC pursuant to the FLC 2001 Scheme;

"FLC Ongoing Capital Requirement" means the amount of capital required to be held by FLC as determined by the Regulatory Capital Resources Requirement together with such other amounts (if any) as FLC's board of directors, having taken account of appropriate actuarial advice, shall determine;

"FLC OWPF" means the with profits fund known as the "Old With Profits Fund", established and maintained by FLC pursuant to the FLC 2001 Scheme;

"FLC Protected Policy" means a "Transferred Policy", "Existing ASL Policy" or an "Excluded Policy" under the FLC 2001 Scheme, in each case under which any liability remains unsatisfied at the relevant time;

"FLC Retained Capital Amount" means such amount of Assets as FLC's board of directors, having taken account of appropriate actuarial advice, shall determine as sufficient to ensure that FLC is able to continue to meet its FLC Ongoing Capital Requirement at all times after the Effective Date for so long as it maintains a PRA authorisation;

"FLC Shareholder Fund" means the assets and liabilities of FLC other than those attributable to or represented by the FLC Long Term Fund and including, for the avoidance of doubt, FLC's Intellectual Property Rights;

"FLC Transferred Business" means the whole of the Long Term Business of FLC carried on immediately prior to the Effective Date, including all activities carried on in connection with or for the purposes of such business and any proposals for insurance not yet accepted at the Effective Date, save to the extent such business relates to the Excluded Policies or the FLC 2012 Residual Assets or the FLC 2012 Residual Liabilities;

"FLL" means Friends Life Limited, a company incorporated in England and Wales with registered number 04096141;

"FLL 2011 Scheme" means the scheme pursuant to Part VII of, and Schedule 12 to, the FSMA (application no. 6394 of 2011), the effective date of which was 1 December 2011 and which provided for the transfer of part of the business of Friends Life and Pensions Limited (then known as Friends Provident Pensions Limited) and all of the business of Bupa Health Assurance Limited and Friends Provident Life Assurance Limited to FLL (then known as Friends Provident Life and Pensions Limited), which ceased to have effect on the 2012 Scheme Effective Date;

"FLL Actuarial Function Holder" means (in respect of any period prior to the Solvency II Implementation Date) the person appointed by FLL from time to time to perform the "actuarial function", as set out in SUP 4.3.13R;

"FLL Board" means the board of directors of FLL from time to time;

"FLL Capital Policy" means the capital policy adopted by the FLL Board with effect from the 2012 Scheme Effective Date (as amended with effect from 7 May 2013) as may be amended or updated by the FLL Board from time to time in accordance with paragraph 34.2;

"FLL Chief Actuary" means the person appointed by FLL from time to time as its Chief Actuary;

"FLL CP Reserved Items" means those items identified as reserved items in the FLL Capital Policy;

"FLL PPFM" means the FL WL With Profits Fund PPFM, the FL FP With Profits Fund PPFM, the FL FLC Funds PPFM, the FL FLAS With Profits Fund PPFM and the FL FPLAL With Profits Fund PPFM or any other similar arrangements in respect of the With Profits Funds required to be established and maintained by Regulatory Requirements from time to time;

"FLL Shareholder Fund" means the Shareholder Fund established and maintained by FLL;

"FLL With Profits Actuary" means, in relation to any With Profits Fund, the person appointed by FLL from time to time as its With Profits Actuary;

"FLP" means Friends Life and Pensions Limited, a company incorporated in England and Wales with registered number 00475201;

"FLP Actuarial Function Holder" means (in respect of any period prior to the Solvency II Implementation Date) the person appointed by FLP from time to time to perform the "actuarial function", as set out in SUP 4.3.13R;

"FLP Chief Actuary " means the person appointed by FLP from time to time as its Chief Actuary;

"FLP Board" means the board of directors of FLP from time to time;

"FLP Capital Policy" means the capital policy adopted by the FLP Board with effect from the Effective Date, as may be amended or updated by the FLP Board from time to time in accordance with paragraph 34.4;

"FLP CP Reserved Items" means those items identified as reserved items in the FLP Capital Policy;

"FLP Non Profit Fund" or **"FLP NPF"** means the non-profit fund established and maintained by FLP;

"FLP Provision" means the following paragraphs of this Scheme: 10, 11, 13.1.3, 13.1.4, 14.2, 14.5, 15.2, 15.5, 16.1.3, 16.3, 16.5, 16.9, 18, 19, 34.3, 34.4, 42, 44.1, 44.2.1(A), 44.2.2, 44.3.3, 46 and 47;

"FLP Shareholder Fund" means the Shareholder Fund established and maintained by FLP;

"FLWL" means Friends Life WL Limited, a company incorporated in England and Wales with registered number 03116645;

"FLWL Embassy Policies" means every Policy written by FLWL and allocated to the FLWL NPF which falls within the categories described in Part I of Schedule 2 including:

- (a) policies written by FLWL which fall within the categories described in Part I of Schedule 2 which have lapsed (or which have been treated by FLWL as having lapsed) on or before the Effective Date and which are reinstated by FLWL after the Effective Date; and
- (b) all proposals for insurance received by or on behalf of FLWL before the Effective Date which have not become Policies in force by the Effective Date but which subsequently become Policies which fall within the categories described in Part I of Schedule 2;

"FLWL FLL NPF Transferred Assets" means all the Assets allocated to the FLWL NPF immediately prior to the Effective Date that are not FLWL FLP NPF Transferred Assets;

"FLWL FLL NPF Transferred Business" means the whole of the Long Term Business of FLWL carried on in relation to the FLWL Non-Embassy Policies immediately prior to the Effective Date, including all activities carried on in connection with or for the purposes of such business and any proposals for insurance not yet accepted at the Effective Date, save to the extent that such business relates to the Excluded Policies;

"FLWL FLL NPF Transferred Liabilities" means all the Liabilities allocated to the FLWL NPF immediately prior to the Effective Date that are not FLWL FLP NPF Transferred Liabilities;

"FLWL FLL Transferred Business" means the FLWL FLL NPF Transferred Business and the FLWL WPF Transferred Business;

"FLWL FLP NPF Amount" means an amount equal to the value of Pillar 1 Liabilities arising under the FLWL Embassy Policies immediately prior to the Effective Date;

"FLWL FLP NPF Transferred Assets" means the Assets selected by FLWL from amongst those allocated to the FLWL NPF immediately prior to the Effective Date with an Asset Value equal to the estimated value of the FLWL FLP NPF Amount;

"FLWL FLP NPF Transferred Business" means the whole of the Long Term Business of FLWL carried on in relation to the FLWL Embassy Policies immediately prior to the Effective Date, including all activities carried on in connection with or for the purposes of such business and any proposals for insurance not yet accepted at the Effective Date, save to the extent that such business relates to the Excluded Policies;

"FLWL FLP NPF Transferred Liabilities" means the Liabilities comprised in the FLWL FLP NPF Transferred Business and allocated to the FLWL NPF immediately prior to the Effective Date;

"FLWL Long Term Fund" means the Long Term Funds established and maintained by FLWL;

"FLWL Non-Embassy Policies" means every Policy written by FLWL and allocated to the FLWL NPF which falls within the categories described in Part II of Schedule 2 including:

- (a) policies written by FLWL which fall within the categories described in Part II of Schedule 2 which have lapsed (or which have been treated by FLWL as having lapsed) on or before the Effective Date and which are reinstated by FLWL after the Effective Date; and
- (b) all proposals for insurance received by or on behalf of FLWL before the Effective Date which have not become Policies in force by the Effective Date but which subsequently become Policies which fall within the categories described in Part II of Schedule 2;

"FLWL NPF" means the non-profit fund established and maintained by FLWL;

"FLWL Ongoing Capital Requirement" means the amount of capital required to be held by FLWL as determined by the Regulatory Capital Resources Requirement together with such other amounts (if any) as FLWL's board of directors, having taken account of appropriate actuarial advice, shall determine;

"FLWL Retained Capital Amount" means such amount of Assets as FLWL's board of directors, having taken account of appropriate actuarial advice, shall determine as sufficient to ensure that FLWL is able to continue to meet its FLWL Ongoing Capital Requirement at all times after the Effective Date for so long as it maintains a PRA authorisation.

"FLWL Segregated Sub-Fund Value" means the value (immediately prior to the Effective Date) of the "Segregated Sub-Fund" established and maintained by FLWL pursuant to the Colonial Scheme and the WLUK Scheme;

"FLWL Shareholder Fund" means the assets and liabilities of FLWL other than those attributable to or represented by the FLWL Long Term Fund and including, for the avoidance of doubt, FLWL's Intellectual Property Rights;

"FLWL Transferred Business" means the FLWL FLL Transferred Business and the FLWL FLP NPF Transferred Business;

"FLWL WPF" means the with profits fund established and maintained by FLWL;

"FLWL WPF Business" means the business allocated to the FLWL WPF immediately prior to the Effective Date;

"FLWL WPF Transferred Business" means the whole of the Long Term Business of FLWL carried on in relation to the Policies allocated to the FLWL WPF immediately prior to the Effective Date, including all activities carried on in connection with or for the purposes of such business and any proposals for insurance not yet accepted at the Effective Date, save to the extent that such business relates to the Excluded Policies;

"FPLAL Pre-amalgamation Closed Fund Policies" means those FL FPLAL With Profits Fund Policies allocated to the "Closed Fund" operated and maintained by NM Schroder Life Assurance Limited (subsequently renamed FP Life Assurance Limited) on 1 January 1995 and under which any Liability remains unsatisfied as at the relevant time;

"FPLAL Pre-amalgamation WPBF Policies" means those FL FPLAL With Profits Fund Policies allocated to the "With Profits Business Fund" operated and maintained by NM Schroder Life Assurance Limited (subsequently renamed FP Life Assurance Limited) on 1 January 1995 and under which any Liability remains unsatisfied as at the relevant time;

"Friends PPPLTC" means Friends PPPLTC Limited, a company incorporated in England and Wales with registered number 2561344 and whose registered office is at Pixham End, Dorking, Surrey, RH4 1QA;

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

"Fund" means any or all (as applicable) of the funds established and maintained (i) by FLL, including the FL Funds or (ii) by FLP, including the FLP Non Profit Fund;

"Further Temporary Transfer" has the meaning given to it in paragraph 29.2;

"GENPRU" means the General Prudential sourcebook issued by the PRA;

"Group" means FLL, its ultimate holding company and any of that holding company's subsidiaries from time to time;

"Guarantee Charge Account" means, in relation to the FL FP With Profits Fund, the amount of the Guarantee Fund as that term is defined in the glossary of the FL FP With Profits Fund PPFM;

"Guernsey Effective Date" means the time and date on which the Guernsey Scheme becomes effective in accordance with its terms;

"Guernsey Policy" means a Policy of any of the Transferors comprised in the Transferred Business that was written under Guernsey law or issued to a resident of the Bailiwick of Guernsey or part of the insurance business of any of the Transferors carried on in or from within the Bailiwick of Guernsey and which the Royal Court of Guernsey has jurisdiction to transfer pursuant to section 44(1) of the Insurance Business (Bailiwick of Guernsey) Law 2002;

"Guernsey Scheme" means the scheme of transfer referred to in paragraph 2.9.1;

"Hybrid Policy" means any Policy the effecting and carrying out of which constitutes in whole or in part Long Term Business and which includes the option to invest in both Unit Linked Units and With Profits Units;

"INSPRU" means (in respect of any period prior to the Solvency II Implementation Date) the Prudential Sourcebook for Insurers issued by the PRA;

"Intellectual Property Rights" means each of the following, to the extent beneficially owned by the relevant Transferor at the Effective Date:

- (a) goodwill;
- (b) trade or business names, service marks and trade marks (whether registered or not), registered and unregistered designs, design rights, copyrights and know-how and the goodwill therein and applications for any of the same and any other forms of protection of a similar nature and having equivalent or similar effect to any of them which may subsist anywhere in the world;

- (c) all rights to, and the exclusive ownership of, all client lists and customer databases relating to the Transferred Business; and
- (d) all design rights, database rights, software, systems developed by the relevant Transferor and any other intellectual property rights (whether registrable or not in any country);

"Internal Arrangements" has the meaning set out in paragraph 20.1;

"Internal Cedant" has the meaning given to it in paragraph 20.1;

"Internal Reassurer" has the meaning given to it in paragraph 20.1;

"Internally Reassured Policy" has the meaning given to it in paragraph 20.3;

"IPRU(INS)" means (in respect of any period prior to the Solvency II Implementation Date) the Interim Prudential Sourcebook for Insurers issued by the PRA;

"Jersey Effective Date" means the time and date on which the Jersey Scheme becomes effective in accordance with its terms;

"Jersey Policy" means a Policy of any of the Transferors comprised in the Transferred Business carried on by any of the Transferors in or from within Jersey (as such expression is interpreted for the purposes of the Insurance Business (Jersey) Law 1996) and which the Royal Court of Jersey has jurisdiction to transfer pursuant to Article 27 of, and Schedule 2 to, the Insurance (Business) Jersey Law 1996;

"Jersey Scheme" means the scheme of transfer referred to in paragraph 2.9.2;

"Level 2 Delegated Acts" means Regulation (EU) 2015/35 of the European Commission supplementing the Solvency II Directive, published in the Official Journal of the European Commission on 17 January 2015;

"Liability" means any debt or liability (whether direct or indirect, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, or due or to become due) including all liability to taxation, and including all costs and expenses relating thereto;

"LIBOR" means the three month British Bankers' Association Interest Settlement Rate for sterling deposits as at 11.00 a.m. on the Business Day immediately prior to the Effective Date, as displayed on the appropriate page on the Bloomberg screen or, if that page is replaced or that service ceases to be available, such other page or service displaying the appropriate rate that the relevant Transferor and the relevant Transferee may agree (each acting reasonably);

"Linked Fund" means an internal linked fund maintained by either of the Transferors prior to the Effective Date or by the relevant Transferee prior to or following the Effective Date for the purpose of calculating benefits payable under Linked Policies, other than (for the avoidance of doubt) benefits determined by reference to the value of notional units whose value or number vary by reference to bonuses declared, or surpluses otherwise distributed;

"Linked Policies" means Policies of either of the Transferors 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);

"Long Term Business" means the business of effecting or carrying out long term insurance contracts as principal, being contracts falling within Part II of Schedule 1 to the RAO;

"Long Term Fund" means (in respect of any period prior to the Solvency II Implementation Date) any fund established and maintained by each Transferor and each Transferee pursuant to INSPRU 1.5.22R in respect of Long Term Business;

"Monitored Policies" means Policies from time to time allocated to the FL FLC Old With Profits Fund, or to the FL Non Profit Fund with the right to switch into with profit investment in the FL FLC Old With Profits Fund, (but not including Policies reassured into the FL FLC Old With Profits Fund pursuant to paragraph 22);

"New Fund Proportion" means 87.2875 per cent;

"non-BLAGAB trade losses" means the losses, calculated in accordance with the ordinary trading rules, in respect of Long Term Business which, had such Long Term Business produced profits, would be subject to tax pursuant to section 71 to Finance Act 2012;

"non-BLAGAB trade profits" means the profits which would be subject to tax pursuant to section 71 to Finance Act 2012;

"Non Participating Business" means:

- (a) Non Participating Policies,
- (b) the Unit Linked Part of Hybrid Policies,
- (c) Attaching Risk Benefits attributable to With Profits Policies and Hybrid Policies,
- (d) in the case of Multiplan and Lifecare Policies, guaranteed insurability options or accidental death benefits thereunder,
- (e) in the case of Conventional With Profits Policies, waiver of premium benefits, and
- (f) all policies originally written by Friends PPPLTC;

"Non Participating Policy" means any Unit Linked Policy, or other Policy which confers in respect of the entire Policy an entitlement only to guaranteed benefits which are not calculated by reference to Unit Linked Units or any right to participate in surplus;

"Non-Profit Policy" means a Policy which is not a With Profits Policy;

"Notional Asset Accounts" means the accounts to be operated in accordance with paragraph 16.8;

"NPF Balancing Amount" has the meaning given to it in paragraph 10.2.3;

"NPF Balancing Assets" means, the property of FLP selected by FLP (in the case of paragraph 10.3.1) or the property of FLL selected by FLL (in the case of paragraph 10.3.2) in each case having an Asset Value on the NPF Balancing Assets Transfer Date equal to the absolute value of the NPF Balancing Amount together with an amount of interest equal to interest at LIBOR on such amount calculated on a daily basis from the Effective Date to the NPF Balancing Assets Transfer Date;

"NPF Balancing Assets Transfer Date" means a date selected by FLP (in the case of paragraph 10.3.1) or FLL (in the case of paragraph 10.3.2) not being more than 5 days after the FLP Board has determined the NPF Balancing Amount;

"NWPF Switch" means a switch into the FL FLC New With Profits Fund in respect of either a Pre-2001 ASL Hybrid Policy in respect of which an Election was made or a Post-2001 ASL Hybrid Policy;

"Old Fund Proportion" means 12.7125 per cent;

"Ongoing Capital Requirements" means the FLWL Ongoing Capital Requirement and the FLC Ongoing Capital Requirement, as the context requires;

"Order" means an order made by the Court pursuant to section 111 of FSMA sanctioning this Scheme and any order (including any subsequent order) in relation to this Scheme made by the Court pursuant to section 112 of FSMA;

"OWPF Reassured Policies" has the meaning given to it in paragraph 22.1.2;

"OWPF Switch" means a switch into the FL FLC Old With Profits Fund in respect of Pre-2001 ASL Hybrid Policy in respect of which an Election was not made;

"Permanent Contributions" means:

- (a) any Temporary Transfers, together with any accrued Enhancements outstanding thereon, which have been converted into a contribution by virtue of paragraph 29.6; or

(b) any contribution of Assets made to the FL WL With Profits Fund from the FL WL WPF Support Account in accordance with Part VI of Schedule 4;

"PHI Policies" means Policies the effecting and carrying out of which constitutes Long Term Business falling within Class IV in Part II of Schedule 1 to the RAO;

"Pillar 1 Assets" means, in relation to a Fund (and in respect of any period prior to the Solvency II Implementation Date), the assets of the Fund determined in accordance with Prudential Regulation;

"Pillar 1 Liabilities" means, in relation to a Fund or any part thereof (and in respect of any period prior to the Solvency II Implementation Date), the liabilities of the Fund determined in accordance with Prudential Regulation;

"Pillar 2 Basis" means, in respect of any Fund (and in respect of any period prior to the Solvency II Implementation Date), the basis used in FLL's most recent individual capital assessment in respect of that Fund, subject to any individual capital guidance given to FLL by the PRA in respect of that Fund, in each case in accordance with INSPRU 7.1;

"Policy" has the meaning set out in the Financial Services and Markets Act 2000 (Meaning of "Policy" and "Policyholder") Order 2001 (SI 2001/2361);

"Post-2001 ASL Hybrid Policy" means a Hybrid Policy written by FLC after the FLC 2001 Scheme Effective Date;

"PPB Amount" means any amount or amounts determined as such in accordance with Part II of Schedule 6;

"PPB Deficit" has the meaning given to it in Part I of Schedule 6;

"PPFM" means the principles and practices of financial management document prepared and issued by an insurer in respect of a with profits fund as required by COBS 20.3;

"PRA" means the Prudential Regulation Authority and any successor regulatory authority;

"PRA Glossary" means the Glossary Part of the PRA Rulebook for Solvency II Firms;

"PRA Rules" means the rules and guidance contained in the PRA Handbook of Rules and Guidance;

"Pre-2001 ASL Hybrid Policy" means a Hybrid Policy which is a FLC Protected Policy;

"Prudential Regulation" means the principles for the valuation of assets and liabilities of insurance companies carrying on business of the type carried on by the Transferors and the Transferees prescribed by (in respect of any period prior to the Solvency II Implementation Date) the relevant provisions of GENPRU and INSPRU (including, but not limited to, GENPRU 1.3 and INSPRU 1.2) or (following the Solvency II Implementation Date) the Solvency II Requirements;

"RAO" means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);

"RBM Account" means the Reorganisation Bonus memorandum account established pursuant to paragraph 11.4 of the 2012 Scheme and to be maintained pursuant to paragraph 16.12;

"Regulatory Capital Resources Requirement" means, in respect of any period prior to the Solvency II Implementation Date and in relation to a PRA authorised entity, the capital resources requirements set out in GENPRU 2.1;

"Regulatory Requirements" means the FSMA, the PRA Rules and the FCA Rules and the Solvency II Requirements;

"Regulatory Return" means (in respect of any period prior to the Solvency II Implementation Date) the returns to the PRA required by Chapter 9, and in particular Rule 9.6, of IPRU(INS);

"Reinsurance Arrangements" means any reinsurance policies or other arrangements having similar effect to reinsurance policies, including for such purposes any Internal Arrangements;

"Relevant Board" means the FLL Board or the FLP Board, as the context requires;

"Relevant Date" means the Effective Date, except in the case of any Residual Asset or Residual Liability, in which case it means the applicable Subsequent Transfer Date;

"Relevant Liabilities" means those:

- (a) liabilities under any arrangements equivalent to an internal reinsurance in place between the FL Funds immediately before the Effective Date;
- (b) liabilities under any arrangements equivalent to an internal reinsurance in place between the FLWL NPF and the FLWL WPF immediately before the Effective Date;

"Reorganisation Bonus" has the meaning given to it in the FL FLC Funds PPFM;

"Replacement Policy" has the meaning given to it in paragraph 6.2.2(A);

"Residual Asset" means in relation to the Transferred Business of a particular Transferor:

- (a) any Asset comprised in or relating to the Transferred Business of that Transferor, the transfer of which pursuant to this Scheme:
 - (i) is agreed by the relevant Transferor and the relevant Transferee, or is proved by any third party, to be subject to the law of any country or territory other than the United Kingdom and that further steps, in addition to the Order, are required to secure that its transfer to the relevant Transferee is fully effective under the law of that country or territory;
 - (ii) requires, at the Effective Date, (1) the consent of any third party; or (2) 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 the relevant Transferor or to claim compensation in damages or otherwise, and which the Court either does not have jurisdiction to transfer pursuant to section 112 of FSMA without such steps being taken as are referred to in (a)(i) or in relation to which the Court has not determined, pursuant to section 112A(2)(b) of FSMA, to disapply any entitlement referred to in (a)(ii) or (a)(iii), but in any case to the extent only of that part of the interest of the relevant Transferor in any such Asset the transfer of which requires such steps and/or consent and/or waiver;
- (b) any interest of the relevant Transferor in any Asset comprised in the Transferred Business of that Transferor the transfer of which the relevant Transferor and the relevant Transferee agree prior to the Effective Date is to be delayed until after the Effective Date;
- (c) any interest of the relevant Transferor in any Asset comprised in the Transferred Business which the relevant Transferor and the relevant Transferee shall agree prior to the Effective Date is more conveniently to be transferred pursuant to this Scheme after the Effective Date in conjunction with any Asset referred to in paragraphs (a) and/or (b) of this definition or in conjunction with a Residual Liability of the relevant Transferor;
- (d) the Retained Capital Amount in respect of the relevant Transferor (including 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 Date in respect of that Retained Capital Amount); and

- (e) 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 Date in respect of any such relevant Asset referred to in paragraphs (a) to (c) of this definition,

but excluding the rights, benefits and powers under the Excluded Policies of the relevant Transferor;

"Residual Liability" means in relation to the Transferred Business of a particular Transferor:

- (a) any Liability comprised in or relating to the Transferred Business of that Transferor, the transfer of which:
- (i) is agreed by the relevant Transferor, or is proved by any third party, to be subject to the law of any country or territory other than the United Kingdom and that further steps, in addition to the Order, are required to secure that its transfer to the relevant Transferee 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 the relevant Transferor or to claim compensation in damages or otherwise, and which the Court either does not have jurisdiction to transfer pursuant to section 112 of FSMA without the necessary steps being taken or the termination and/or compensation rights being waived or which the Court determines not so to transfer by the virtue of the Order, 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 relevant Transferor's Transferred Business, the transfer of which that Transferor and the relevant Transferee agree prior to the Effective Date is to be delayed;
- (c) any other Liability comprised in the relevant Transferred Business which that Transferor and the relevant Transferee agree prior to the Effective Date is more conveniently to be transferred pursuant to this Scheme after the Effective Date in conjunction with any relevant Liabilities referred to in paragraphs (a) and (b) of this definition or in conjunction with a Residual Asset of the relevant Transferor; and
- (d) any Liability that is attributable to or connected with a Residual Asset or a Residual Liability referred to in paragraphs (a) to (c) above of the relevant Transferor 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 Excluded Policies of that Transferor;

"Retained Capital Amount" means, as the context requires, the FLWL Retained Capital Amount or the FLC Retained Capital Amount;

"Retained Records" means any accounting and financial and other records of a Transferor relating to the relevant Transferred Business which the relevant Transferor is required by law to retain;

"RPI" or **"Retail Prices Index"** means the Retail Prices Index maintained by the Office for National Statistics (or such other substantially equivalent index as the Relevant Board, having taken appropriate advice, may substitute therefor);

"Run Off Factor" means a value which with effect from 31 December 2015 shall be 1, and which shall be reduced by 0.1 on each subsequent 31 December, until 31 December 2025, and which with effect from 31 December 2025 shall be zero;

"Schedule 3 Amount" has the meaning given to it in Schedule 3;

"Scheme" means this Scheme in its original form or with or subject to any modification, addition or condition which may be approved or imposed in accordance with paragraph 44;

"Shareholder Fund" means:

- (a) in relation to a Transferor, the assets and liabilities of that Transferor other than those attributable to or represented by its Long Term Fund(s);
- (b) in relation to a relevant Transferee, the assets and liabilities of that Transferee other than:
 - (i) prior to the Solvency II Implementation Date, those attributable to or represented by its Long Term Fund(s);
 - (ii) following the Solvency II Implementation Date, those attributable to or represented by:
 - (x) (in the case of FLL) the With Profits Funds (or such other with profits funds as are established and maintained by FLL from time to time) and the FLL NPF; or
 - (y) (in the case of FLP) the FLP NPF;

"Shortfall" means the extent that the cost of guarantees for FL FP Post Demutualisation Policies is greater than the value of reasonable future deductions in respect of the cost of guarantees for FL FP Post Demutualisation Policies plus or minus the value of the Guarantee Charge Account;

"Solvency II Directive" means Directive 2009/138/EC of the European Parliament and the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance, as amended;

"Solvency II Implementation Date" means 00:00:01 on 1 January 2016 or, if later, 00:00:01 on the date on which the Solvency II Directive is implemented in the United Kingdom;

"Solvency II Requirements" means the Solvency II Directive and any directive, legislation, regulation, decision, order, decree, determination, award, standard, guidance or rule which implements, gives effect to or is made pursuant to the Solvency II Directive, including the Level 2 Delegated Acts;

"Special Scheme Bonus" means any bonus declared pursuant to Schedule 8;

"Special Scheme Bonus Calculation Date" means 31st December 2015, and every fifth 31st December thereafter until a merger of the FL FLC Funds has taken place in accordance with paragraph 35;

"Specified Policies" means Demutualisation Protected Policies, 2012 Transferred Policies, Transferred Policies and Excluded Policies;

"Specified Year End Support Amount", in respect of each Support Account has the meaning given to it in respect of that Support Account in Schedule 4;

"Stressed Management Action Value" means the absolute value of additional management actions incorporated into the calculation of capital requirements on a Pillar 2 Basis leading to those capital requirements being lower than they would have been based on applying the same management action calculation and parameters in the stress event as in the calculation of the liabilities on a Pillar 2 Basis;

"Subsequent Transfer Date" means in relation to any Residual Asset, Residual Liability or Excluded Policy, any date after the Effective Date on which such Residual Asset, Residual Liability or Excluded Policy is transferred to the Transferee, including:

- (a) in respect of any Residual Asset or Residual Liability falling within paragraph (a) of the respective definitions thereof and of any other Residual Liability which is attributable to or connected with any such Residual Asset, the date on which the requisite steps, or where applicable, the requisite consent or waiver to enable the same to be transferred from the relevant Transferor to the Transferee upon the terms of this Scheme (where applicable, without any third party right to terminate or to compensation) is:

- (i) obtained;
- (ii) no longer required; or
- (iii) dispensed with by Order of the Court;
- (b) in respect of any Residual Asset or Residual Liability falling within paragraph (b) of the respective definitions thereof, and of any other Residual Liability which is attributable to or connected with any such Residual Asset, the date agreed in writing by the relevant Transferor and the Transferee;
- (c) in respect of any Residual Asset or Residual Liability falling within paragraph (c) of the respective definitions thereof, and of any other Residual Liability which is attributable to or connected with any such Residual Asset, the transfer date applicable to the Assets or Liabilities (as the case may be) in conjunction with which it was determined to be a Residual Asset or Residual Liability;
- (d) in respect of any Residual Asset falling within paragraph (d) of the definition thereof, the date on which the relevant Transferor's board of directors, having taken appropriate actuarial advice, determines that such Residual Asset is no longer required to ensure that the relevant Transferor is able to continue to meet its Ongoing Capital Requirement;
- (e) in respect of any Residual Asset falling within paragraph (e) of the definition thereof or Residual Liability falling within paragraph (d) of the definition thereof, the date on which such Residual Asset is received or earned by the relevant Transferor or, in the case of a Residual Liability, the date on which such Liability is incurred by the relevant Transferor;
- (f) in respect of any Excluded Policy falling within paragraph (a), (b) and (d) of the definition thereof, the date on which the transfer of all rights, title, interest in, and obligations under such Policy is fully effective in the UK and under the law of any other country or territory to which it is subject; and
- (g) in respect of any Excluded Policy falling within paragraph (c) of the definition thereof, the Guernsey Effective Date or the Jersey Effective Date (as the case may be);

"SUP" means the Supervision Manual jointly issued by the PRA and FCA;

"Support Account" means:

- (a) in relation to the FL FP With Profits Fund, the FL FP NPF Support Account and/or the FL FP SHF Support Account and/or the FL FP Post Demutualisation NPF Support Account and/or the FL FP Post Demutualisation SHF Support Account, as the context requires;
- (b) in relation to the FL FLC Funds, the FL FLC Funds NPF Support Account and/or the FL FLC Funds SHF Support Account, as the context requires; and
- (c) in relation to the FL FLAS With Profits Fund, the FL FLAS NPF Support Account and/or the FL FLAS SHF Support Account, as the context requires;
- (d) in relation to the FL WL With Profits Fund, the FL WL NPF Support Account and/or the FL WL SHF Support Account, as the context requires;

"Supporting Fund" or **"Supporting Funds"** has the meaning given to it in paragraph 29.1;

"tax" or **"taxation"** means all forms of tax, duty, rate, levy, charge or other imposition or withholding whenever and by whatever authority imposed and whether of the United Kingdom or elsewhere, including (without limitation) income tax (including income tax or amounts equivalent to or in respect of income tax required to be deducted or withheld from or accounted for in respect of any payment), corporation tax, advance corporation tax, capital gains tax, inheritance tax, value added tax, customs duties, excise duties, stamp duty, stamp duty reserve tax, stamp duty land tax, national insurance and other similar contributions, and any other taxes, duties, rates, levies, charges, imposts or withholdings

corresponding to, similar to, replaced by or replacing any of them, together with any interest, penalty, surcharge or fine in connection with such taxation or in connection with the failure to file any return for the purposes of any taxation and regardless of whether any such taxes, duties, rates, levies, charges, imposts, withholdings, interests, penalties, fines or surcharges are chargeable directly or primarily to any of the Transferors or any other person;

"Tax Relief" means any reliefs, allowances or credits in respect of any taxation, any deductions in computing income, profits or gains for the purposes of any taxation, or any right to repayment of taxation;

"Technical Provisions" means the value of "technical provisions" as defined in the PRA Glossary;

"Temporary Transfer" means the 2012 Initial Temporary Transfers, any 2012 Further Temporary Transfers or any Further Temporary Transfers, as the context requires and in the case of any Further Temporary Transfers made on the terms set out in paragraph 29.1 or in the case of the 2012 Initial Temporary Transfers or the 2012 Further Temporary Transfers, made on the terms set out in paragraph 28.1 of the 2012 Scheme;

"Transferee" means:

- (a) FLP, in relation to the transfer pursuant to this Scheme of:
 - (i) the FLWL FLP NPF Transferred Business from FLWL to FLP;
 - (ii) the FLC Transferred Business from FLC to FLP;
- (b) FLL, in relation to the transfer of the FLWL FLL Transferred Business from FLWL to FLL;

as the context requires, and "Transferees" and "relevant Transferee" shall be construed accordingly;

"Transferor" means:

- (a) FLWL, in relation to the transfer pursuant to this Scheme of:
 - (i) the FLWL FLL Transferred Business from FLWL to FLL;
 - (ii) the FLWL FLP NPF Transferred Business from FLWL to FLP;
- (b) FLC, in relation to the transfer pursuant to this Scheme of the FLC Transferred Business from FLC to FLP,

as the context requires, and "Transferors" and "relevant Transferor" shall be construed accordingly;

"Transferred Assets" means:

- (a) in relation to FLWL, all Assets of FLWL whatsoever and wheresoever situated comprised in or attributable to the FLWL Transferred Business immediately prior to the Effective Date including (without prejudice to the generality of the foregoing):
 - (i) all rights, benefits and powers of FLWL under or by virtue of the Transferred Policies;
 - (ii) all rights and claims (present or future, actual or contingent) against any third party in relation to the FLWL Transferred Business or arising as a result of FLWL having carried on the FLWL Transferred Business;
 - (iii) all rights, benefits and powers of FLWL under or by virtue of Contracts (whether or not FLWL is a party to such Contracts and including, without limitation, the Transferred Reassurance Agreements);
 - (iv) all rights, benefits and powers of FLWL under or by virtue of the Wealth Scheme;
 - (v) all Assets attributable to the Excluded Policies (except if and for so long as such Assets constitute a Residual Asset);

- (vi) all Assets allocated at the Effective Date to the FLWL Shareholder Fund; and
- (vii) all books, records, files and papers, whether in hard copy or computer format, relating to the relevant Transferred Business, including insurance and reinsurance contracts, claims and underwriting files, sales and promotional literature, manuals and data, sales and purchase correspondence and lists of present and former customers, excluding the Retained Records, but excluding:
 - (1) FLWL's Residual Assets; and
 - (2) any rights, benefits and powers of FLWL under or relating to the Excluded Policies or the Excluded Policies Reassurance Arrangements;
- (b) in relation to FLC, all Assets of FLC whatsoever and wheresoever situated comprised in or attributable to the FLC Transferred Business immediately prior to the Effective Date including (without prejudice to the generality of the foregoing):
 - (i) all rights, benefits and powers of FLC under or by virtue of the Transferred Policies;
 - (ii) all rights and claims (present or future, actual or contingent) against any third party in relation to the FLC Transferred Business or arising as a result of FLC having carried on the FLC Transferred Business;
 - (iii) all rights, benefits and powers of FLC under or by virtue of Contracts in relation to the FLC Transferred Business (whether or not FLC is a party to such Contracts and including, without limitation, the Transferred Reassurance Agreements);
 - (iv) all Assets attributable to the Excluded Policies (except if and for so long as such Assets constitute a Residual Asset);
 - (v) all Assets allocated at the Effective Date to the FLC Shareholder Fund; and
 - (vi) all books, records, files and papers, whether in hard copy or computer format, relating to the relevant Transferred Business, including insurance and reinsurance contracts, claims and underwriting files, sales and promotional literature, manuals and data, sales and purchase correspondence and lists of present and former customers, excluding the Retained Records, but excluding:
 - (1) FLC's Residual Assets;
 - (2) the FLC 2012 Residual Assets; and
 - (3) any rights, benefits and powers of FLC under or relating to the Excluded Policies or the Excluded Policies Reassurance Arrangements;

"Transferred Business" means the FLWL Transferred Business and the FLC Transferred Business;

"Transferred Liabilities" means all liabilities of each Transferor whatsoever comprised in or attributable to the Transferred Business (whether allocated to the relevant Transferor's Long Term Fund or its Shareholder Fund) as at the Effective Date including (without prejudice to the generality of the foregoing):

- (a) all liabilities under or by virtue of the Transferred Policies;
 - (b) all liability to taxation attributable to the FLWL Transferred Business and the FLC Transferred Business or to the transfer thereof, whensoever incurred;
 - (c) in relation to FLWL, all liabilities under or by virtue of the Wealth Scheme;
- but excluding:
- (d) the Residual Liabilities;
 - (e) the FLC 2012 Residual Liabilities; and

(f) any liabilities under or relating to the Excluded Policies;

"Transferred Policies" every Policy comprised in the Transferred Business written by a Transferor under which any Liability remains unsatisfied or outstanding at the Effective Date, including:

- (a) Policies written by a Transferor which have lapsed (or which have been treated by a Transferor as having lapsed) on or before the Effective Date and which are reinstated by the relevant Transferee on or after the Effective Date;
- (b) all proposals for insurance received by or on behalf of a Transferor before the Effective Date which have not become Policies in force by the Effective Date but which subsequently become Policies; and
- (c) the Guernsey Policies (with effect from the Guernsey Effective Date only) and the Jersey policies (with effect from the Jersey Effective Date only),

but excluding the Excluded Policies;

"Transferred Reassurance Agreements" all contracts, agreements, policies and other arrangements of whatsoever nature made between a Transferor and a third party in the nature of reinsurance of the Transferred Business under or in connection with which any right or Liability remains unsatisfied or outstanding immediately prior to the Effective Date including, without limitation, those detailed in Section A of Part I, in Part II and in Part III of Schedule 1;

"Transitional Adjustments" means any adjustment which FLL makes to the value of its Assets or Liabilities under measures within the Solvency II Requirements which implement article 308c or 308d of the Solvency II Directive;

"Unit Linked Part of Hybrid Policies" means, in relation to any Hybrid Policy, that part of the Policy in respect of which the value of the benefits thereunder is measured by reference to Unit Linked Units allocated to that Policy, and the appropriate proportion (as determined by the Relevant Board having taken account of appropriate actuarial advice) of any Attaching Risk Benefits in respect of that Policy;

"Unit Linked Policy" means any Policy the effecting and carrying out of which constitutes in whole or in part Long Term Business which does not confer an option to invest in With Profits Units;

"Unit Linked Units" means notional units whose value or number vary by reference to the value of a Linked Fund for the purpose of calculating benefits payable under Policies;

"United Kingdom" means the United Kingdom of Great Britain and Northern Ireland;

"Unitised With Profits Policy" means any Policy under which the value of the benefits is measured in whole or in part by reference to With Profits Units allocated to that policy (and other guaranteed benefits not determined by reference to any right to participate in surplus) but which does not confer the option to invest in Unit Linked Units;

"Value of the With Profits Part" means, at any time in relation to a Hybrid Policy, the bid value at that time of all With Profits Units (or, as applicable, the With Profits Units concerned) less any deductions (as determined in accordance with the terms of the relevant Policy by the Relevant Board having taken account of appropriate actuarial advice), adjusted if appropriate in such manner as shall have been approved by the Relevant Board having taken account of appropriate actuarial advice to take account of any applicable market value adjustments or allocation of interim or terminal bonus;

"VAT" means value added or similar turnover or sales taxes, wheresoever imposed (including any interest, surcharges or penalties in respect of the same);

"Wealth Scheme" means the scheme pursuant to Part VII of FSMA (application no. 5190 of 2011), the effective date of which was 1 October 2011 and which provided for the transfer of part of the business of FLWL to AWL;

"Winterthur" means Winterthur 1 Limited, formerly known as Winterthur Life UK Limited, a company incorporated in England and Wales with registered number 0019772;

"With Profits Actuary" means, in relation to any With Profits Fund, the person appointed from time to time perform the "With Profits Actuary" controlled function (during the period prior to 7 March 2016, CF12A, and in the period after and including 7 March 2016, SIMF 21) or the equivalent successor function;

"With Profits Committee" or **"WPC"** means the With Profits Committee of FLL established in accordance with Regulatory Requirements;

"With Profits Fund" means any of the FL WL With Profits Fund, the FL FP With Profits Fund, the FL FLC New With Profits Fund, the FL FLC Old With Profits Fund, the FL FPLAL With Profits Fund and the FL FLAS With Profits Fund;

"With Profits Policy" means a Policy which confers on the holder a right to share in surplus (including without limitation a Policy under which either benefits provided or the contributions required to be made may vary by reference to bonuses declared on that Policy);

"With Profits Switch Premium" means in relation to a Hybrid Policy the amount derived from the cancellation of Unit Linked Units by reason of a switch, less any deductions as determined by the Relevant Board having taken account of appropriate actuarial advice having regard to the provisions of the Policy;

"With Profits Units" means the notional units whose value or number vary by reference to bonuses declared, or surpluses otherwise distributed, as determined by FLL for the purposes of calculating benefits payable under Policies;

"WLUK Scheme" means the scheme pursuant to Section 49 of, and Schedule 2C to, the Insurance Companies Act 1982 (application no. 7333 of 2000), the effective date of which was 1 June 2001 (and which was amended by an order of the Court made on 29 November 2004 and a further order of the Court made on 14 September 2011) and which ceases to have effect in accordance with paragraph 43 of this Scheme;

"WLUK Scheme Effective Date" means 1 June 2001;

"WLUK Scheme Policy" means all Policies which were transferred to FLWL by the WLUK Scheme and under which any liability remains unsatisfied at the relevant time;

"WPC Terms of Reference" means the terms of reference for the With Profits Committee, as in force from time to time following the Effective Date;

"Year End" means, subject to paragraph 1.2.18, the close of business on 31 December in any calendar year; and

"90:10 Funds" means the FL FLC Funds, the FL FP With Profits Fund, the FL FLAS With Profits Fund and the FL WL With Profits Fund.

1.2 In this Scheme:

1.2.1 **"property"** includes property, assets, rights (excluding contingent rights as to the repayment of tax) and powers of every description (whether present or future, actual or contingent) and includes property held on trust and securities, benefits, powers of any description and any interest whatsoever in any of the foregoing;

1.2.2 **"transfer"** includes (as the context may require) "assign", "assignment" or "assignment", "dispose" or "disposal" or "convey" or "conveyance";

1.2.3 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 and neuter and vice versa;

1.2.4 any reference in this Scheme:

(A) 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; and

- (B) to any rules or regulations issued by the PRA or the FCA shall be deemed to include a reference to such rules or regulations as amended or replaced from time to time; and
- 1.2.5 expressions used in this Scheme which have meanings under FSMA shall bear those meanings, including:
 - (A) **"State of the commitment"** which bears the meaning set out in paragraph 6, Part I of Schedule 12 to FSMA; and
 - (B) **"EEA State"** which bears the meaning set out in paragraph 8, Part I of Schedule 3 to FSMA;
- 1.2.6 expressions **"holding company"**, **"subsidiary"**, **"subsidiary undertaking"** and **"wholly-owned subsidiary"** shall have the same meanings as in the Companies Act 2006;
- 1.2.7 any reference to this Scheme shall include the Schedules to it and references to paragraphs, Parts or Schedules are to paragraphs or Parts of or Schedules to this Scheme;
- 1.2.8 headings are inserted for convenience only and shall not affect the construction of this Scheme;
- 1.2.9 any reference to a person shall include a reference to a body corporate, a partnership, an unincorporated association or to a person's executors or administrators, and for the avoidance of doubt, shall include a trustee;
- 1.2.10 if a period of time is specified from a given day or date or from the day or date of an actual event, it shall be calculated exclusive of that day or date;
- 1.2.11 any reference to writing shall include any modes of reproducing words in a legible and non-transitory form;
- 1.2.12 any reference to a document in the form agreed is to the form of the relevant document agreed between the relevant persons in accordance with this Scheme and initialled by or on behalf of each of them for the purpose of identification prior to the date on which the Court sanctions this Scheme;
- 1.2.13 any reference to the Relevant Board or to the board of directors of FLWL or FLC shall be deemed to include a reference to a duly constituted committee or duly authorised representative of the Relevant Board or such board of directors as appropriate;
- 1.2.14 any reference to **"includes"** or **"including"** shall mean **"includes without limitation"** or **"including without limitation"**;
- 1.2.15 the expression "variation" shall include any variation, supplement, deletion, replacement or termination, however effected;
- 1.2.16 any reference to an amount shall be exclusive of any applicable value added or other tax;
- 1.2.17 references to "the FLL Board having taken account of appropriate actuarial advice" or to "the FLP Board having taken account of appropriate actuarial advice" means, in relation to each Fund:
 - (A) the Relevant Board having taken advice from: (1) the Chief Actuary; or (2) if and to the extent that the matter will or may have an effect on the security or benefit expectations of any policyholder within any With Profits Fund, the With Profits Actuary relevant to that Fund (as the Relevant Board may in its sole discretion determine is appropriate but subject always to any relevant Regulatory Requirements); or (3) both (as the case may be); and
 - (B) the Relevant Board having given due regard to that advice (including the fact that the relevant Chief Actuary or relevant With Profits Actuary (as

the case may be) is subject to duties imposed by regulation when giving such advice),

provided that if the Relevant Board determines in its absolute discretion to obtain additional external actuarial advice, the reference shall be to the Relevant Board having also taken account of that external actuarial advice; and

- 1.2.18 in the event that FLL changes the date to which it prepares its financial report and accounts from 31 December, and the period for which it prepares such report and accounts from a calendar year, FLL shall make such changes to the definitions of "Financial Year" and "Year End" as the FLL With Profits Actuary may specify in order to ensure that such definitions continue to have the effect intended as at the Effective Date. Such changes shall be notified in writing to the PRA and the FCA within ten Business Days after they have taken effect.

PART B

INTRODUCTION

2. INTRODUCTION

- 2.1 FLWL is a company incorporated in England and Wales with registered number 03116645. The registered office of FLWL is at Pixham End, Dorking, Surrey RH4 1QA.
- 2.2 FLC is a company incorporated in England and Wales with registered number 03291349. The registered office of FLC is at Pixham End, Dorking, Surrey RH4 1QA.
- 2.3 FLP is a company incorporated in England and Wales with registered number 00475201. The registered office of FLP is at Pixham End, Dorking, Surrey RH4 1QA.
- 2.4 FLL is a company incorporated in England and Wales with registered number 04096141. The registered office of FLL is at Pixham End, Dorking, Surrey RH4 1QA.
- 2.5 Each of FLWL, FLC, FLP and FLL is an authorised person for the purposes of FSMA and each has a Part 4A permission under FSMA to carry on Long Term Business in the United Kingdom, as follows:
 - 2.5.1 FLWL has permission in classes I, III and IV set out in Part II of Schedule 1 to the RAO;
 - 2.5.2 FLC has permission in classes I, III, IV and VII set out in Part II of Schedule 1 to the RAO;
 - 2.5.3 FLP has permission in classes I, II, III, IV, VI and VII set out in Part II of Schedule 1 to the RAO;
 - 2.5.4 FLL has permission in classes I, II, III, IV, VI and VII set out in Part II of Schedule 1 to the RAO.
- 2.6 FLL is a wholly owned subsidiary of Friends Life Group plc, a company incorporated in England and Wales with registered company number 06986155, which is itself a subsidiary of Resolution Limited (a company incorporated in Guernsey with registered number 49558 and registered office at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL).
- 2.7 Each of FLWL, FLC and FLP is a wholly owned subsidiary of FLL.
- 2.8 It is proposed that:
 - 2.8.1 the whole of the Long Term Business carried on by FLWL, other than Long Term Business carried on by FLWL in relation to the FLWL Embassy Policies, all of which (including, for the avoidance of doubt, the Long Term Business constituted by the Jersey Policies and the Guernsey Policies) is carried on in the United Kingdom, other than the Excluded Policies shall, in accordance with this Scheme, be transferred to FLL;
 - 2.8.2 the whole of the Long Term Business carried on by FLWL in relation to the FLWL Embassy Policies, all of which (including, for the avoidance of doubt, the Long Term Business constituted by the Jersey Policies and the Guernsey Policies,) is carried on in the United Kingdom, other than the Excluded Policies shall, in accordance with this Scheme, be transferred to FLP;
 - 2.8.3 the whole of the Long Term Business carried on by FLC, all of which is carried on in the United Kingdom (including, for the avoidance of doubt, the Long Term Business constituted by the Jersey Policies and Guernsey Policies), other than the Excluded Policies, shall, in accordance with this Scheme, be transferred to FLP;
 - 2.8.4 the Assets and Liabilities allocated to the FLWL WPF shall, in accordance with this Scheme, be transferred to FL WL With Profits Fund;

- 2.8.5 the FLWL FLL NPF Transferred Assets and FLWL FLL NPF Transferred Liabilities allocated to the FLWL NPF shall, in accordance with this Scheme, be transferred to the FL Non Profit Fund;
 - 2.8.6 the FLWL FLP NPF Transferred Assets and FLWL FLP NPF Transferred Liabilities allocated to the FLWL NPF shall, in accordance with this Scheme, be transferred to the FLP Non Profit Fund;
 - 2.8.7 the Assets and Liabilities allocated to the FLC Long Term Fund shall, in accordance with this Scheme, be transferred to the FLP Non Profit Fund;
 - 2.8.8 the Assets and Liabilities allocated to the FLWL Shareholder Fund shall, in accordance with this Scheme, be transferred to the FLL Shareholder Fund; and
 - 2.8.9 the Assets and Liabilities allocated to the FLC Shareholder Fund shall, in accordance with this Scheme, be transferred to the FLP Shareholder Fund.
- 2.9 It is further proposed that:
- 2.9.1 the transfer of the Guernsey Policies to the relevant Transferee shall only take place to the extent that the transfer of such Policies to the relevant Transferee by a scheme of transfer pursuant to the Insurance Business (Bailiwick of Guernsey) Law 2002 has been approved by the Royal Court of Guernsey and has become effective; and
 - 2.9.2 the transfer of the Jersey Policies to the relevant Transferee shall only take place to the extent that the transfer of such Policies to the relevant Transferee by a scheme of transfer pursuant to the Insurance Business (Jersey) Law 1996 has been approved by the Royal Court of Jersey and has become effective.

PART C

TRANSFER

3. TRANSFER OF BUSINESS

- 3.1 Each part of the Transferred Business, the Residual Assets and the Residual Liabilities shall be transferred to and be vested in the relevant Transferee in accordance with this Scheme, so that:
- 3.1.1 subject to paragraph 8, on and with effect from the Effective Date, each Transferred Asset and all interest of the relevant Transferor in it shall, by the Order and without any further act or instrument, be transferred to and be vested in the relevant Transferee and the relevant Transferee shall succeed to each Transferred Asset as if in all respects it were the same person in law as the relevant Transferor, subject to all Encumbrances (if any) affecting such Asset in accordance with this Scheme;
 - 3.1.2 subject to paragraph 8, on and with effect from each Subsequent Transfer Date, each Residual Asset to which such Subsequent Transfer Date applies and all interest of the relevant Transferor in it shall, by the Order and without any further act or instrument, be transferred to and be vested in the relevant Transferee and the relevant Transferee shall succeed to each such Residual Asset as if in all respects it were the same person in law as the relevant Transferor, subject to all Encumbrances (if any) affecting such Asset in accordance with this Scheme;
 - 3.1.3 on and with effect from the Effective Date, each Transferred Liability shall, by the Order and without any further act or instrument, be transferred to and become a Liability of the relevant Transferee and the relevant Transferee shall succeed to the relevant Transferred Liability as if in all respects it were the same person in law as the relevant Transferor and such Transferred Liability shall cease to be a Liability of the relevant Transferor; and
 - 3.1.4 on and with effect from each Subsequent Transfer Date, each Residual Liability to which such Subsequent Transfer Date applies shall, by the Order and without any further act or instrument, be transferred to and become a Liability of the relevant Transferee and the relevant Transferee shall succeed to the relevant Residual Liability as if in all respects it were the same person in law as the relevant Transferor and such Residual Liability shall cease to be a Liability of the relevant Transferor.
- 3.2 For the avoidance of doubt and without limitation to the generality of the provisions of paragraph 3.1:
- 3.2.1 an offer or invitation to treat made to or by a Transferor prior to the Relevant Date in relation to the Transferred Business shall be construed and have effect after the Relevant Date as an offer or invitation to treat made to or by the relevant Transferee;
 - 3.2.2 any existing indemnity, power of attorney, authority, declaration or consent given to or by a Transferor relating to any part of the Transferred Business (including, for the avoidance of doubt, the Transferred Policies) shall have effect from the Relevant Date as if given to or, as the case may be, by the relevant Transferee;
 - 3.2.3 any Contract or Asset (including (i) any legal or beneficial title arising pursuant to any trust and (ii) any rights or Liabilities pursuant to any custody arrangements) transferred to and vested in the Transferee by virtue of the Order and which was held by a Transferor (whether alone or jointly with others) as a trustee, custodian or in a similar fiduciary capacity shall, with effect from the Relevant Date, be held by the relevant Transferee (alone or jointly, as the case may be and in the capacity of a trustee, custodian or in a similar fiduciary capacity, as the case may be) subject to the rights, powers and duties previously applicable to the relevant trust, custodian or other fiduciary arrangement in question;

- 3.2.4 any security in respect of the Transferred Business held immediately before the Relevant Date by a Transferor, or by a nominee or agent of or trustee for a Transferor, as security for the payment or discharge of any Liability shall, on and from that day, be held by the relevant Transferee, or, as the case may require, by that nominee, agent or trustee for the relevant Transferee, and be available to the relevant Transferee (whether for its own benefit or, as the case may be, for the benefit of any other person) as security for the payment or discharge of that Liability (and if not physically delivered to the relevant Transferee shall be deemed to be so delivered on that day); and
- 3.2.5 the relevant Transferee shall be entitled to rely on and enforce any consent, waiver, representation, statement or estoppel given or made to a Transferor by a person in relation to the Transferred Business prior to the Relevant Date as though such consent, waiver, representation, statement or estoppel had been given or made to the relevant Transferee and to the same extent that that Transferor would have been able to rely on or enforce the same.
- 3.3 On and with effect from the Effective Date, the relevant Transferee shall:
- 3.3.1 succeed to all rights, Liabilities and obligations of the relevant Transferor in respect of any personal data which relates to the Transferred Business and which is subject to the Data Protection Act 1998;
- 3.3.2 become the data controller of any personal data which relates to the Transferred Business and which is subject to the Data Protection Act 1998 in place of the relevant Transferor; and
- 3.3.3 in respect of any personal data which relates to the Transferred Business be under the same duty by virtue of any law as the relevant Transferor was under to respect the confidentiality and privacy of any person in relation to that personal data and shall be bound by any specific notice or consent given, or request made by, the data subject which was binding on the relevant Transferor and which required the relevant Transferor not to use the personal data for marketing purposes,
- and in any consent given by a data subject in respect of such data as is mentioned in this paragraph 3.3, any reference to a Transferor shall be deemed to include a reference to the relevant Transferee.
- 3.4 The relevant Transferee shall accept without investigation or requisition such title as the relevant Transferor shall have at the Effective Date to each relevant Transferred Asset and, at any Subsequent Transfer Date, to each relevant Residual Asset then transferred.
- 3.5 Each Transferor and each relevant Transferee shall take all such steps, and execute all such documents, as may be necessary or desirable:
- 3.5.1 to effect or perfect the transfer to and vesting in the relevant Transferee of any Transferred Asset or Residual Asset pursuant to this Scheme;
- 3.5.2 to effect or perfect the transfer to and assumption by the relevant Transferee of any Transferred Liability or Residual Liability pursuant to this Scheme; and
- 3.5.3 to correct any errors in the identity or amount of the Assets or Liabilities so transferred.
- 3.6 Unless and to the extent otherwise provided in the Order:
- 3.6.1 the transfer of any rights, benefits, Liabilities and obligations under or in connection with any Transferred Policy, Transferred Asset, Residual Asset, Transferred Liability or Residual Liability pursuant to this Scheme shall take effect and shall be valid and binding on all parties having any interest in the same notwithstanding any restriction on transferring, assigning or otherwise dealing with the same and such transfer shall take effect on the basis that it does not contravene any such restriction and does not give rise to any right to terminate,

modify, acquire or claim an interest or right, or to treat an interest or right as terminated or modified; and

3.6.2 any entitlement which, but for section 112A of FSMA, would or might arise to terminate, modify, acquire or claim an interest or right to treat an interest or right as terminated or modified as a result of anything done or pursuant to the Scheme will not be enforceable.

3.7 The Transferred Assets, Residual Assets, Transferred Liabilities and Residual Liabilities shall be allocated in accordance with Part D.

3.8 Schedule 9 shall apply.

4. CONTINUITY OF PROCEEDINGS

4.1 On and with effect from the Effective Date, any proceedings or applications to any authority (including, without limitation, any complaint or claim to any ombudsman) whether pending, current or future, by, against or in relation to and/or in respect of which a Transferor is a party (or, in the case of future proceedings, would have been a party but for this Scheme) (including, without limitation, as the plaintiff, claimant, applicant, defendant, respondent, pursuer, defender or petitioner) to the extent connected with the Transferred Business, the Transferred Policies, the Transferred Assets or the Transferred Liabilities shall be commenced or continued by or against the relevant Transferee and the relevant Transferee shall be entitled to all defences, claims, counterclaims, settlements, rights of set-off and any other rights that would have been available to the relevant Transferor in relation to the Transferred Business, the Transferred Policies, the Transferred Assets, the Transferred Liabilities and such proceedings or applications.

4.2 On and with effect from the Subsequent Transfer Date applicable thereto, any proceedings or applications to any authority (including, without limitation, any complaint or claim to any ombudsman) whether pending, current or future, by, against or in relation to and/or in respect of which a Transferor is a party (or, in the case of future proceedings, would have been a party but for this Scheme) (including, without limitation, as the plaintiff, claimant, applicant, defendant, respondent, pursuer, defender or petitioner) to the extent connected with the Residual Assets or the Residual Liabilities which are to be transferred on such Subsequent Transfer Date shall be commenced or continued by or against the relevant Transferee and the relevant Transferee shall be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to that Transferor in relation to the Residual Assets and the Residual Liabilities. Until such Subsequent Transfer Date, the relevant proceedings shall be commenced or continued by or against the relevant Transferor provided that the relevant Transferor shall consult with the relevant Transferee and take account of any reasonable comments made by the relevant Transferee in relation to such proceedings.

4.3 Any judgment, settlement, order or award obtained by or against a Transferor to the extent that it relates to any part of the Transferred Business, the Transferred Policies, the Transferred Assets, the Transferred Liabilities, the Residual Assets or Residual Liabilities and which is not fully satisfied before the Relevant Date shall, on that date and to the extent to which it was enforceable by or against the relevant Transferor immediately prior to such date, become enforceable by or against the relevant Transferee (to the exclusion of the relevant Transferor).

5. RIGHTS AND OBLIGATIONS UNDER TRANSFERRED POLICIES AND CONTRACTS

5.1 On and with effect from the Effective Date, the relevant Transferee shall become entitled to all the rights, benefits and powers of the relevant Transferor whatsoever subsisting on the Effective Date under or by virtue of the Transferred Policies.

5.2 Without prejudice to the generality of paragraph 5.1, where the benefits of any Transferred Policy are held under the terms of a trust, such terms, together with the terms of any rules applicable to any pension scheme in the case of any pension scheme under which benefits are referable to a Transferred Policy, shall operate and be construed on and from the

Effective Date on a basis which is consistent with the transfer of such Transferred Policy in accordance with the provisions of this Scheme. For the avoidance of doubt:

- 5.2.1 where the consent of a Transferor is required under any such terms, the consent of the relevant Transferee shall, with effect from the Effective Date, instead be treated as required; and
 - 5.2.2 where a power to appoint trustees under such terms is conferred on a Transferor, that power shall, with effect from the Effective Date, instead be treated as conferred on the relevant Transferee.
- 5.3 Subject to the terms of this Scheme, every person who is a holder of any of the Transferred Policies or is a party to, or has the benefit of, any other agreement with a Transferor relating to the Transferred Business shall on and with effect from the Effective Date become entitled, in succession to, and to the exclusion of, any rights which he may have had against a Transferor under any of the Transferred Policies or any other such agreement relating to the Transferred Business, to the same rights against the relevant Transferee subject to the terms of this Scheme as were available to him against that Transferor under such Policies or such other agreement relating to the Transferred Business and (as regards Transferred Policies under which premiums or other sums attributable or referable thereto continue to be payable) shall on and with effect from the Effective Date account to the relevant Transferee for any further or additional premiums or other sums attributable or referable thereto as and when the same become due and payable.
- 5.4 If any person entitled to do so with respect to a Transferred Policy or a 2012 Transferred Policy exercises any right or option granted under the terms of that Policy and either:
- 5.4.1 the right or option provides for a new, additional or replacement Policy to be issued; or
 - 5.4.2 it is appropriate in the opinion of the Relevant Board, having taken account of appropriate actuarial advice, in order to comply with that right or 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 the relevant Transferee of a Policy which complies with the terms of such right or option, but (without prejudice to the right of such person to have the right or option satisfied by the issue by the relevant Transferee of such a Policy) if the relevant Transferee is not at the time of the exercise of such right or option writing Policies complying exactly with the Policy to which the right or option refers, the relevant Transferee shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) the Policy commonly offered by the relevant Transferee or any other member of the Group which the relevant Transferee considers to be the nearest equivalent Policy in accordance with the terms and conditions applicable to Policies of the relevant Transferee or such other member of the Group (as the case may be) at that time, provided that the issue of such alternative Policy would not in the opinion of the Relevant Board (having taken account of appropriate actuarial advice) result in a liability or in an increase in liability to taxation of the holder of such Policy (or in the event that such liability or increase in liability would occur the relevant Transferee shall have the option to indemnify the policyholder in full and to issue, or procure the issue by another member of the Group of, another Policy pursuant to this paragraph) or otherwise fail to satisfy the reasonable expectations of the holder of such Policy.

- 5.5 All references in any Transferred Policy to a Transferor, its Board, its Actuarial Function Holder, its With Profits Actuary or any other officers, employees or agents of that Transferor shall from and after the Effective Date be read as references to the relevant Transferee, the Relevant Board, its With Profits Committee, its Chief Actuary (as the context requires), its With Profits Actuary or any other officers or employees of the relevant Transferee or, where appropriate, agents of the relevant Transferee to which the administration or investment management of the relevant part of the business carried on by the relevant Transferee has been delegated. In particular, but without limitation, all rights

and duties exercisable or expressed to be exercisable or responsibilities to be performed by a Transferor, its Board, its Actuarial Function Holder, its With Profits Actuary or any other officers, employees or agents of that Transferor in relation to any of the Transferred Policies or other agreements relating to the Transferred Business shall, from and after the Effective Date, be exercisable or required to be performed by the relevant Transferee, the Relevant Board, its With Profits Committee, its Chief Actuary (as the context requires), its With Profits Actuary or any other of its officers, employees or such agents. All references in a Transferred Policy to the group of companies of which a Transferor is or has been a member shall, where the context requires, be read and construed with effect from the Effective Date as references to the Group.

- 5.6 The relevant Transferee shall on and with effect from the Effective Date, as principal, take over from the relevant Transferor the administration and negotiation of proposals for insurance which would be Transferred Policies if a Transferor had determined to accept them (but whether or not the relevant Transferee does so determine). The relevant Transferee shall on and with effect from the Effective Date bear all expenses and liabilities in relation thereto and any liability in relation to interim death benefits. Nothing contained herein shall oblige the relevant Transferee to accept any proposal for insurance received by or on behalf of a Transferor before the Effective Date but not accepted by that Transferor by then.
- 5.7 The provisions of paragraphs 5.1 to 5.6 shall apply, mutatis mutandis, to:
- 5.7.1 the Wealth Scheme such that any obligations for FLWL to consult under paragraph 32 of the Wealth Scheme or rights for FLWL to be consulted under paragraph 18 of the Wealth Scheme shall be conferred on FLL in place of FLWL; and
- 5.7.2 all Contracts comprising part of the Transferred Assets or otherwise relating or referring to the Transferred Business or any part thereof.

6. EXCLUDED POLICIES

- 6.1 Subject to paragraphs 6.3 and 6.4, the Excluded Policies shall not be transferred to the relevant Transferee by this Scheme and all Liabilities attributable to the Excluded Policies shall remain Liabilities of the relevant Transferor and be fully reassured with effect from the Effective Date on the following basis:
- 6.1.1 all Liabilities of the Transferors attributable to the Excluded Policies and all other amounts paid or payable by a Transferor in respect of such Excluded Policies (including amounts paid or payable in connection with the surrender of any such Excluded Policy) shall be reassured in their entirety to the relevant Transferee on and with effect from the Effective Date (or in the case of Liabilities arising in respect of any Policy issued by a Transferor pursuant to paragraph 6.2, on and with effect from the date on which such Policy is issued);
- 6.1.2 the Liability of the relevant Transferee on and with effect from the Effective Date shall be such that the rights, benefits and powers provided to holders of Excluded Policies (including any Policy issued by a Transferor pursuant to paragraph 6.2) shall, to the extent possible, be the same as the rights, benefits and powers which would have been provided to such holders if the Excluded Policies had been Transferred Policies;
- 6.1.3 the premiums payable by a Transferor to the relevant Transferee in connection with the provision of the reinsurance described in this paragraph 6.1 shall comprise an amount equal to:
- (A) the aggregate amount of the Pillar 1 Liabilities relating to those Excluded Policies immediately prior to the Effective Date, provided that such amounts shall be deemed to have been satisfied by the transfer to the relevant Transferee of the appropriate proportion of the Transferred

Assets and such Assets or property shall be allocated in accordance with paragraph 14 of this Scheme; and

- (B) all subsequent premium payments and all other amounts received by a Transferor in respect of such Excluded Policies at any time after the Effective Date, which premiums and other amounts shall be paid to the relevant Transferee as soon as practicable after they are received and credited in accordance with paragraph 7.1 of this Scheme.

6.2 If any person entitled to do so with respect to an Excluded Policy exercises any right or option granted under the terms of that Policy and either:

- 6.2.1 the right or option provides for a new, additional or replacement Policy to be issued; or
- 6.2.2 it is appropriate in the opinion of the Relevant Board, having taken account of appropriate actuarial advice, in order to comply with that right or 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 the relevant Transferor of a Policy which complies with the terms of such right or option but (without prejudice to the right of such person to have the right or option satisfied by the issue by the relevant Transferor of such a Policy):

- (A) the relevant Transferee or any other member of the Group shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) a Policy which complies with the terms of such right or option (**"Replacement Policy"**); and
- (B) if the relevant Transferee is not at the time of the exercise of such right or option writing Replacement Policies, then the relevant Transferee or any other member of the Group shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) the Policy commonly offered by the relevant Transferee or such other member of the Group (as the case may be) which the relevant Transferee considers to be the nearest equivalent Policy to a Replacement Policy, in accordance with the terms and conditions applicable to Policies of the relevant Transferee or such other member of the Group (as the case may be) at that time,

provided that the issue of such Policy by the relevant Transferee or such other member of the Group (as the case may be) would not, in the opinion of the Relevant Board, having taken account of appropriate actuarial advice, result in a liability, or an increase in the liability, to taxation of the holder of such Policy (or in the event that such liability or increase in liability would occur the relevant Transferee shall have the option to indemnify the policyholder in full and to issue, or procure the issue by another member of the Group of, another Policy pursuant to this paragraph) which would not have resulted had such Policy been issued by the relevant Transferor or otherwise fail to satisfy the reasonable expectations of the holder of such Policy.

6.3 If all consents, permissions or other requirements for the transfer of an Excluded Policy from the relevant Transferor to the relevant Transferee are obtained:

- 6.3.1 such Excluded Policy shall promptly be transferred to the relevant Transferee, and shall thereafter be treated in all respects, as if it were a Transferred Policy; and
- 6.3.2 any Liability attributable to such Excluded Policy shall be transferred to the relevant Transferee, and shall thereafter be treated in all respects, as if it were a Transferred Liability.

6.4 If any Excluded Policy is novated to the relevant Transferee the Assets and Liabilities relating to such Policy shall, to the extent not previously transferred, be transferred to the relevant Transferee and such Policy shall thereafter be dealt with by the relevant

Transferee under the provisions of this Scheme in all respects as if such Excluded Policy were a Transferred Policy.

- 6.5 Jersey Policies shall be treated for all purposes of this Scheme as if they were Transferred Policies with effect from the Jersey Effective Date, and shall, on the later of the Effective Date and the Jersey Effective Date, be transferred to and vested in the relevant Transferee by the Order (in addition to any order of the Royal Court of Jersey).
- 6.6 Guernsey Policies shall be treated for all purposes of this Scheme as if they were Transferred Policies with effect from the Guernsey Effective Date, and shall, on the later of the Effective Date and the Guernsey Effective Date, be transferred to and vested in the relevant Transferee by the Order (in addition to any order of the Royal Court of Guernsey).

7. PREMIUMS, MANDATES AND OTHER PAYMENTS

- 7.1 All premiums attributable or referable to the Transferred Policies or the Excluded Policies shall on and after the Effective Date be payable to the relevant Transferee and shall be receivable and received by the relevant Transferee and shall be allocated to the fund to which the Policy to which they relate is allocated pursuant to paragraph 13 (or, in the case of Excluded Policies, to which they would have been allocated had they been Transferred Policies).
- 7.2 Any mandate or other instruction in force on the Effective Date (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 banker or other intermediary of premiums payable to a Transferor under or in respect of any of the Transferred Policies or the Excluded Policies shall thereafter take effect as if it had provided for and authorised such payment to the relevant Transferee.
- 7.3 Any mandate or other instruction in force on the Effective Date as to the manner of payment of any sum payable by a Transferor under any of the Transferred Policies or the Excluded Policies shall, on and from the Effective Date, continue in force as an effective authority to the relevant Transferee.

8. DECLARATION OF TRUST BY THE TRANSFERORS

- 8.1 If:
- 8.1.1 any Asset of a Transferor comprised in or attributable to the Transferred Business is not, or is not capable of being, transferred to and vested in the relevant Transferee by the Order on the Effective Date by reason of such Asset being a Residual Asset or being outside the jurisdiction of the Court or otherwise; or
 - 8.1.2 any Residual Asset is not, or is not capable of being, transferred to and vested in the relevant Transferee by the Order on the Subsequent Transfer Date applicable thereto; or
 - 8.1.3 the transfer of any Asset of a Transferor which is outside the jurisdiction of the Court and attributable to the Transferred Business but which transfer is not recognised by the laws of the jurisdiction in which such Asset is situated; or
 - 8.1.4 in any circumstances the relevant Transferee shall decide before the Effective Date (or, in the case of any Residual Asset, before the Subsequent Transfer Date applicable thereto) that it is expedient not to effect a transfer of any Asset of a Transferor,
- then that Transferor shall, from the Effective Date, hold any Asset referred to in paragraphs 8.1.1 to 8.1.4 as trustee for the relevant Transferee.
- 8.2 The Transferors shall be subject to the relevant Transferee's directions in respect of any Asset referred to in paragraphs 8.1.1 to 8.1.4 from the Effective Date until the relevant Asset is transferred to or otherwise vested in the relevant Transferee or is disposed of (whereupon the relevant Transferor shall account to the relevant Transferee for the proceeds of sale thereof), and the relevant Transferee shall have authority to act as the attorney of each of the Transferors in respect of such Asset for all such purposes.

- 8.3 In the event of any payment being made to, Asset being received by, or right being conferred upon a Transferor after the Effective Date in respect of the Transferred Business, any Transferred Asset, any Residual Asset or any other Asset referred to in paragraph 8.1, that Transferor shall, as soon as is reasonably practicable after its receipt, pay over the full amount of such payment or (to the extent to which it is able to do so) transfer such Asset or right to, or in accordance with the directions of, the relevant Transferee and the relevant Transferee shall indemnify the relevant Transferor on demand against any costs incurred in making any such payment or transfer.
- 8.4 The Retained Capital Amount shall only be subject to the provisions of this paragraph 8 insofar as such provisions shall be consistent with the relevant Transferor continuing to satisfy its Ongoing Capital Requirement.

9. INDEMNITIES IN FAVOUR OF THE TRANSFERORS

- 9.1 With effect from the Effective Date, until the relevant liability is transferred to the relevant Transferee, the relevant Transferee shall discharge on behalf of the relevant Transferor each Residual Liability (to the extent not reassured to the relevant Transferee under the Excluded Policies Reassurance Arrangements) and any other claim arising under the Transferred Policies and the Excluded Policies or otherwise in connection with the Transferred Business (other than regulatory capital costs), together with any reasonable costs, claims, charges and other liabilities reasonably incurred by such Transferor in connection with the foregoing.
- 9.2 Where such Residual Liabilities are the subject of a policy of indemnity insurance or a claim or right of recovery of the relevant Transferor against a third party which constitutes a Residual Asset, the undertaking in paragraph 9.1 shall apply only to the extent that the relevant Transferor, having made a claim under such a policy or against such third party, shall have failed to recover any such amount pursuant to rights it may have under such policy, claim or right of recovery (having used all reasonable endeavours to do so), provided, always, that the relevant Transferor shall:
- 9.2.1 promptly notify the relevant Transferee of the existence of such a right of recovery upon becoming aware of it; and
- 9.2.2 pay to the relevant Transferee, as soon as reasonably practicable after receipt, an amount equal to the amount recovered from the third party after deduction of any costs and expenses reasonably incurred by that Transferor in attempting to recover from a third party in accordance with this paragraph 9.2.

10. BALANCING AMOUNTS

- 10.1 Prior to the Effective Date, FLWL shall calculate and notify to FLL and FLP its best estimate of the FLWL FLP NPF Amount using the best information available to FLWL at the time of estimation.
- 10.2 On a date selected by FLP which is not more than 90 days after the Effective Date, FLP shall, having regard to the advice of the FLP Actuarial Function Holder, determine and certify:
- 10.2.1 the FLWL FLP NPF Amount;
- 10.2.2 the Asset Value as at the Effective Date of the FLWL FLP NPF Transferred Assets; and
- 10.2.3 the amount by which the figure certified under paragraph 10.2.1 exceeds the figure certified under paragraph 10.2.2 (such amount, which may be positive or negative, being the "**NPF Balancing Amount**").
- 10.3 On and with effect from the NPF Balancing Assets Transfer Date:
- 10.3.1 if the NPF Balancing Amount is negative, then the NPF Balancing Assets and all interest of FLP therein shall, by the Order and without any further act or instrument, be transferred from the FLP Non Profit Fund to, and be vested in, the

FL Non Profit Fund, subject to all Encumbrances (if any) affecting such NPF Balancing Assets, or

- 10.3.2 if the NPF Balancing Amount is positive, then the NPF Balancing Assets and all interest of FLL therein shall, by the Order and without any further act or instrument, be transferred from the FL Non Profit Fund to, and be vested in, the FLP Non Profit Fund, subject to all Encumbrances (if any) affecting such NPF Balancing Assets.

PART D

ALLOCATION AND MANAGEMENT OF TRANSFERRED POLICIES

11. PURPOSE OF ALLOCATIONS

Any allocation of property or attribution of liabilities, and any re-allocation or re-attribution of the same, which is made under the terms of this Scheme for the purpose of the maintenance of the FL WL With Profits Fund, the FL FLAS With Profits Fund, the FL FLC New With Profits Fund, the FL FLC Old With Profits Fund, the FL FPLAL With Profits Fund, the FL FP With Profits Fund, the FL Non Profit Fund, the FLP Non Profit Fund, the FLL Shareholder Fund or the FLP Shareholder Fund is for the purpose of establishing or recognising respective policyholder and shareholder entitlements from time to time and shall not be taken to limit the availability of all the property from time to time of the relevant Transferor to meet the liabilities which it is obliged by law to meet.

12. ESTABLISHMENT OF FUNDS AND ACCOUNTS

12.1 On and with effect from the Effective Date, FLL shall establish the FL WL With Profits Fund as a separate Fund.

12.2 On and with effect from the Effective Date FLL shall establish:

12.2.1 a memorandum account designated as the FL WL SHF Support Account within the FLL Shareholder Fund;

12.2.2 a memorandum account designated as the FL WL NPF Support Account within the FL Non Profit Fund.

12.3 On and with effect from the Effective Date, FLL shall ensure that the FL WL WPF Support Account has an Asset Value on the Effective Date equal to the FLWL Segregated Sub-Fund Value, provided that on, and with effect from, the Effective Date, the FL WL Remaining Support Amount may be held in either the FL WL SHF Support Account or the FL WL NPF Support Account in whole or in part or in any combination between such Support Accounts, in the absolute discretion of the FLL Board, subject to any Regulatory Requirements.

13. ALLOCATION OF POLICIES

13.1 On and with effect from the Effective Date:

13.1.1 all of the Transferred Policies which immediately prior to the Effective Date are allocated to the FLWL WPF shall be allocated to the FL WL With Profits Fund;

13.1.2 all of the Transferred Policies that are FLWL Non-Embassy Policies which immediately prior to the Effective Date are allocated to the FLWL NPF shall be allocated to the FL Non Profit Fund;

13.1.3 all of the Transferred Policies that are FLWL Embassy Policies which immediately prior to the Effective Date are allocated to the FLWL NPF shall be allocated to the FLP Non Profit Fund;

13.1.4 all of the Transferred Policies which immediately prior to the Effective Date are allocated to the FLC Long Term Fund shall be allocated to the FLP Non Profit Fund.

13.2 On and with effect from the Guernsey Effective Date (if later than the Effective Date), each Guernsey Policy shall be allocated to the fund to which it would have been allocated in accordance with the provisions of paragraph 13.1 had it been a Transferred Policy on the Effective Date.

13.3 On and with effect from the Jersey Effective Date (if later than the Effective Date), each Jersey Policy shall be allocated to the fund to which it would have been allocated in accordance with the provisions of paragraph 13.1 had it been a Transferred Policy on the Effective Date.

14. ALLOCATION OF ASSETS

14.1 On and with effect from the Effective Date, there shall be allocated to the FLL Shareholder Fund:

- 14.1.1 all of the Transferred Assets allocated immediately prior to the Effective Date to the FLWL Shareholder Fund; and
- 14.1.2 the beneficial interest in all Assets held on trust pursuant to paragraph 8.1 and the right to receive any payment, Asset or right pursuant to paragraph 8.3, to the extent that, but for falling within the provisions of paragraph 8.1, such Asset (or the Asset to which such payment, Asset or right relates) would have fallen within the provisions of this paragraph 14.1.

14.2 On and with effect from the Effective Date, there shall be allocated to the FLP Shareholder Fund:

- 14.2.1 all of the Transferred Assets allocated immediately prior to the Effective Date to the FLC Shareholder Fund; and
- 14.2.2 the beneficial interest in all Assets held on trust pursuant to paragraph 8.1, and the right to receive any payment, Asset or right pursuant to paragraph 8.3, to the extent that, but for falling within the provision of paragraph 8.1, such Asset (or the Asset to which such payment, Asset or right relates) would have fallen within the provisions of this paragraph 14.2.

14.3 On and with effect from the Effective Date, the following shall be allocated to the FL WL With Profits Fund:

- 14.3.1 all of the Transferred Assets allocated immediately prior to the Effective Date to the FLWL WPF; and
- 14.3.2 to the extent that the same relate to the FLWL WPF Business:
 - (A) all rights and benefits arising under the Excluded Policies Reassurance Arrangements; and
 - (B) the beneficial interest in all Assets held on trust pursuant to paragraph 8.1, and the right to receive any payment, Asset or right pursuant to paragraph 8.3, to the extent that, but for falling within the provisions of paragraph 8.1, such Asset (or the Asset to which such payment, Asset or right relates) would have fallen within the provisions of this paragraph 14.3.

14.4 On and with effect from the Effective Date, the following shall be allocated to the FL Non Profit Fund:

- 14.4.1 the FLWL FLL NPF Transferred Assets;
- 14.4.2 to the extent that the same relate to FLWL FLL NPF Transferred Business:
 - (A) all rights and benefits arising under the Excluded Policies Reassurance Arrangements; and
 - (B) the beneficial interest in all Assets held on trust pursuant to paragraph 8.1, and the right to receive any payment, Asset or right pursuant to paragraph 8.3, to the extent that, but for falling within the provisions of paragraph 8.1, such Asset (or the Asset to which such payment, Asset or right relates) would have fallen within the provisions of this paragraph 14.4.

14.5 On and with effect from the Effective Date, the following shall be allocated to the FLP Non Profit Fund:

- 14.5.1 the FLWL FLP NPF Transferred Assets;
- 14.5.2 to the extent that the same relate to FLWL FLP NPF Transferred Business:

- (A) all rights and benefits arising under the Excluded Policies Reassurance Arrangements; and
 - (B) the beneficial interest in all Assets held on trust pursuant to paragraph 8.1, and the right to receive any payment, Asset or right pursuant to paragraph 8.3, to the extent that, but for falling within the provisions of paragraph 8.1, such Asset (or the Asset to which such payment, Asset or right relates) would have fallen within the provisions of this paragraph 14.5.
- 14.5.3 all of the Transferred Assets allocated immediately prior to the Effective Date to the FLC Long Term Fund; and
- 14.5.4 to the extent that the same relate to the FLC Long Term Fund Business:
- (A) all rights and benefits arising under the Excluded Policies Reassurance Arrangements; and
 - (B) the beneficial interest in all Assets held on trust pursuant to paragraph 8.1, and the right to receive any payment, Asset or right pursuant to paragraph 8.3, to the extent that, but for falling within the provisions of paragraph 8.1, such Asset (or the Asset to which such payment, Asset or right relates) would have fallen within the provisions of this paragraph 14.5.
- 14.6 On and with effect from the applicable Subsequent Transfer Date, each Residual Asset to which that Subsequent Transfer Date relates shall be allocated to the fund to which it would have been allocated in accordance with the provisions of paragraphs 14.1 to 14.5 had it been a Transferred Asset.
- 15. ALLOCATION OF LIABILITIES**
- 15.1 On and with effect from the Effective Date, there shall be allocated to the FLL Shareholder Fund all of the Transferred Liabilities allocated immediately prior to the Effective Date to the FLWL Shareholder Fund.
- 15.2 On and with effect from the Effective Date, there shall be allocated to the FLP Shareholder Fund all of the Transferred Liabilities allocated immediately prior to the Effective Date to the FLC Shareholder Fund.
- 15.3 On and with effect from the Effective Date, the following shall be allocated to the FL WL With Profits Fund:
- 15.3.1 all Transferred Liabilities allocated to the FLWL WPF immediately prior to the Effective Date;
 - 15.3.2 to the extent that the same relate to the FLWL WPF Business, all Liabilities attributable to the Excluded Policies Reassurance Arrangements;
 - 15.3.3 the liability to indemnify the relevant Transferor pursuant to paragraph 8.3 to the extent that the payment or Asset to which such indemnity relates is allocated by paragraph 14 to the FL WL With Profits Fund; and
 - 15.3.4 the liability to discharge liabilities on the relevant Transferor's behalf pursuant to paragraph 9, to the extent that such liability relates to the FL WL With Profits Fund.
- 15.4 On and with effect from the Effective Date, the following shall be allocated to the FL Non Profit Fund:
- 15.4.1 the FLWL FLL NPF Transferred Liabilities;
 - 15.4.2 to the extent that the same relate to the FLWL Non-Embassy Policies and FLWL FLL NPF Transferred Assets, all Liabilities attributable to the Excluded Policies Reassurance Arrangements;

- 15.4.3 the liability to indemnify the relevant Transferor pursuant to paragraph 8.3 to the extent that the payment or Asset to which such indemnity relates is allocated by paragraph 14 to the FL Non Profit Fund; and
- 15.4.4 the liability to discharge liabilities on the relevant Transferor's behalf pursuant to paragraph 9, to the extent that such liability relates to the FL Non Profit Fund.
- 15.5 On and with effect from the Effective Date, the following shall be allocated to the FLP Non Profit Fund:
 - 15.5.1 the FLWL FLP NPF Transferred Liabilities;
 - 15.5.2 all Transferred Liabilities allocated to the FLC Long Term Fund immediately prior to the Effective Date;
 - 15.5.3 to the extent that the same relate to (i) the FLWL Embassy Policies and FLWL FLP NPF Transferred Assets; or (ii) the FLC Long Term Fund, all Liabilities attributable to the Excluded Policies Reassurance Arrangements;
 - 15.5.4 the liability to indemnify the Transferors pursuant to paragraph 8.3 to the extent that the payment or Asset to which such indemnity relates is allocated by paragraph 14 to the FLP Non Profit Fund; and
 - 15.5.5 the liability to discharge liabilities on each Transferor's behalf pursuant to paragraph 9, to the extent that such liability relates to the FLP Non Profit Fund.
- 15.6 On and with effect from the applicable Subsequent Transfer Date, each Residual Liability to which that Subsequent Transfer Date relates shall be allocated to the fund to which it would have been allocated in accordance with the provisions of paragraphs 15.1 to 15.5 had it been a Transferred Liability.
- 15.7 If any doubt or difference shall arise as to the allocation or attribution of any Transferred Asset, Transferred Liability, Residual Asset or Residual Liability in accordance with this Scheme, the same shall be determined by the Relevant Board, having taken account of appropriate actuarial advice.

PART E

OPERATION OF FUNDS

16. MAINTENANCE OF FUNDS AND ACCOUNTS

- 16.1 On and with effect from the Effective Date:
- 16.1.1 the FL WL With Profits Fund shall be, and the FL FLAS With Profits Fund, the FL FLC New With Profits Fund, the FL FLC Old With Profits Fund, the FL FP With Profits Fund, the FL FPLAL With Profits Fund and the FL Non Profit Fund shall continue to be, separately maintained as separate Funds;
- 16.1.2 FLL shall procure that separate accounting records for the FL WL With Profits Fund, the FL FLAS With Profits Fund, the FL FLC New With Profits Fund, the FL FLC Old With Profits Fund, the FL FP With Profits Fund, the FL FPLAL With Profits Fund and the FL Non Profit Fund shall be, or shall continue to be, maintained which shall be sufficient to enable the separate identification of the property and liabilities respectively allocated to the FL WL With Profits Fund, the FL FLAS With Profits Fund, the FL FLC New With Profits Fund, the FL FLC Old With Profits Fund, the FL FP With Profits Fund, the FL FPLAL With Profits Fund and the FL Non Profit Fund; and
- 16.1.3 the FLP Non Profit Fund shall continue to be maintained as a separate Fund. FLP shall procure that separate accounting records for the FLP Non Profit Fund shall continue to be maintained which shall be sufficient to enable the separate identification of the property and liabilities allocated to the FLP Non Profit Fund.
- 16.2 As at the Effective Date, there shall continue to be allocated to the FL FLAS With Profits Fund, the FL FLC New With Profits Fund and the FL FLC Old With Profits Fund, the FL FP With Profits Fund, the FL FPLAL With Profits Fund and the FL Non Profit Fund all of the Policies, Assets and Liabilities that were allocated to the FL FLAS With Profits Fund, the FL FLC New With Profits Fund and the FL FLC Old With Profits Fund, the FL FP With Profits Fund, the FL FPLAL With Profits Fund and the FL Non Profit Fund immediately prior to the Effective Date.
- 16.3 As at the Effective Date, there shall continue to be allocated to the FLP Non Profit Fund all of the Policies, Assets and Liabilities that were allocated to the FLP Non Profit Fund immediately prior to the Effective Date.
- 16.4 The FLL Shareholder Fund shall continue to be separately maintained and FLL shall procure that separate accounting records for the FLL Shareholder Fund shall continue to be maintained which shall be sufficient to enable the separate identification of the property and liabilities allocated to the FLL Shareholder Fund.
- 16.5 The FLP Shareholder Fund shall continue to be separately maintained and FLP shall procure that separate accounting records for the FLP Shareholder Fund shall continue to be maintained which will be sufficient to enable the separate identification of the property and liabilities allocated to the FLP Shareholder Fund.
- 16.6 The Assets of the FL FLC Funds may, at the discretion of the FLL Board having taken account of appropriate actuarial advice, be specifically allocated to one (or more) of the FL FLC Funds. Any Asset specifically allocated to a FL FLC Fund may, at the discretion of the FLL Board after having taken appropriate actuarial advice, cease to be specifically allocated and become pooled and notionally allocated to one or more FL FLC Funds in accordance with this Part E and the FL FLC Funds PPFM.
- 16.7 Where Assets are not specifically allocated to one of the FL FLC Funds they shall be pooled and notionally allocated to one (or more) of the FL FLC Funds in accordance with this Part E and the FL FLC Funds PPFM taking into account the nature of the relevant Liabilities.
- 16.8 Where Assets are not specifically allocated, the respective interests of the FL FLC New With Profits Fund and the FL FLC Old With Profits Fund in those Assets will be determined

by the operation of Notional Asset Accounts, to which Assets and Liabilities shall be credited and debited in accordance with the usual practice of FLL (but subject to the provisions of this Scheme) and which will be maintained in accordance with the accounting principles adopted from time to time by FLL for the purposes of its annual accounts prepared in accordance with the Companies Act 2006.

- 16.9 Nothing in this Scheme shall at any time prevent either FLL or FLP from establishing and maintaining other Funds and writing in or reinsuring to any such other Funds any Long Term Business.
- 16.10 On and with effect from the Effective Date FLL shall maintain, or continue to maintain:
- 16.10.1 a memorandum account designated as the FL FLC Funds SHF Support Account within the FLL Shareholder Fund;
 - 16.10.2 a memorandum account designated as the FL FLC Funds NPF Support Account within the FL Non Profit Fund;
 - 16.10.3 a memorandum account designated as the FL FP SHF Support Account within the FLL Shareholder Fund;
 - 16.10.4 a memorandum account designated as the FL FP NPF Support Account within the FL Non Profit Fund;
 - 16.10.5 a memorandum account designated as the FL FP Post Demutualisation NPF Support Account within the FL Non Profit Fund;
 - 16.10.6 a memorandum account designated as the FL FP Post Demutualisation SHF Support Account within the FLL Shareholder Fund;
 - 16.10.7 a memorandum account designated as the FL FLAS NPF Support Account within the FL Non Profit Fund;
 - 16.10.8 a memorandum account designated as the FL FLAS SHF Support Account within the FLL Shareholder Fund;
 - 16.10.9 a memorandum account designated as the FL FP NPF Additional Account within the FL Non Profit Fund;
 - 16.10.10 a memorandum account designated as the FL FP SHF Additional Account within the FLL Shareholder Fund;
 - 16.10.11 a memorandum account designated as the FL FLC Additional Account within the FL Non Profit Fund;
 - 16.10.12 a memorandum account designated as the FL WL SHF Support Account within the FLL Shareholder Fund; and
 - 16.10.13 a memorandum account designated as the FL WL NPF Support Account within the FL Non Profit Fund.
- 16.11 On and with effect from the Effective Date, FLL shall ensure that:
- 16.11.1 the FL FLC Funds Support Account;
 - 16.11.2 the FL FLC Additional Account;
 - 16.11.3 the FL FP With Profits Support Account;
 - 16.11.4 the FL FP Post Demutualisation With Profits Support Account;
 - 16.11.5 the FL FLAS WPF Support Account; and
 - 16.11.6 the FL FP Additional Account;
- each have the respective Asset Value on the Effective Date as set out in Schedule 4, provided that on, and with effect from, the Effective Date:
- 16.11.7 the FL FLC Remaining Support Amount may be held in either the FL FLC Funds SHF Support Account or the FL FLC Funds NPF Support Account as determined in accordance with Schedule 4;

- 16.11.8 the FL FP Remaining Support Amount may be held in either the FL FP SHF Support Account or the FL FP NPF Support Account; and
 - 16.11.9 the FL FP Post Demutualisation Remaining Support Amount may be held in either the FL FP Post Demutualisation SHF Support Account or the FL FP Post Demutualisation NPF Support Account;
 - 16.11.10 the FL FLAS Remaining Support Amount may be held in either the FL FLAS SHF Support Account or the FL FLAS NPF Support Account;
 - 16.11.11 the FL FP Remaining Additional Amount may be held in either the FL FP SHF Additional Account or the FL FP NPF Additional Account;
- in whole or in part or in any combination between such Support Accounts, in the absolute discretion of the FLL Board, subject to any Regulatory Requirements.

16.12 On and with effect from the Effective Date FLL shall continue to maintain the RBM Account as a memorandum account within the FL FLC New With Profits Fund having an Asset Value on the Effective Date equal to the Asset Value of the RBM Account immediately prior to the Effective Date.

17. **FL FLC FUNDS AND FL FP WITH PROFITS FUND: ADDITIONAL PREMIUMS, INCREMENTS AND NEW BUSINESS**

17.1 No Long Term Business undertaken by FLL after the Effective Date shall be allocated to the FL FLC Old With Profits Fund other than:

- 17.1.1 additional premiums or increments receivable in respect of any Policy allocated to the FL FLC Old With Profits Fund;
- 17.1.2 any Policy coming into force as a result of an option or right contained in any Policy allocated to the FL FLC Old With Profits Fund where the allocation of such new Policy to any other Fund would, in the opinion of the FLL Board having taken account of appropriate actuarial advice, fail to satisfy the reasonable expectations of the holder of such Policy; and
- 17.1.3 Excluded Policies which are novated or transferred to FLL and which would have been allocated to such FL FLC Old With Profits Fund if they had been Transferred Policies.

17.2 No Long Term Business undertaken by FLL after the Effective Date shall be allocated to the FL FLC New With Profits Fund other than:

- 17.2.1 additional premiums or increments receivable in respect of any Policy allocated to the FL FLC New With Profits Fund;
- 17.2.2 any Policy coming into force as a result of an option or right contained in any Policy allocated to the FL FLC New With Profits Fund where the allocation of such new Policy to any other Fund would, in the opinion of the FLL Board having taken account of appropriate actuarial advice, fail to satisfy the reasonable expectations of the holder of such Policy; and
- 17.2.3 Excluded Policies which are novated or transferred to FLL and which would have been allocated to such FL FLC New With Profits Fund if they had been Transferred Policies.

17.3 FLL shall be entitled to write or reassure any Policy in or to the FL FP With Profits Fund if:

- 17.3.1 it is required to do so under the terms of a Demutualisation Protected Policy; or
- 17.3.2 whether or not so required, if the FLL Board so determines;

provided that in the opinion of the FLL Board, having taken account of appropriate actuarial advice, the volume and nature of such business does not adversely affect the reasonable expectations of the holders of Demutualisation Protected Policies.

18. **LINKED FUNDS**

- 18.1 On and with effect from the Effective Date, the Assets and any associated Liabilities comprised in each Linked Fund of a Transferor shall be allocated to and become comprised in a new corresponding Linked Fund established by FLL or FLP within the Fund to which they are allocated in accordance with paragraphs 14 and 15, comprising immediately following the Effective Date the same number and value of units as were comprised within the relevant Linked Fund of the relevant Transferor immediately prior to the Effective Date.
- 18.2 On and with effect from the Effective Date:
- 18.2.1 subject always to the provisions of this paragraph 18, in relation to any rights, powers and benefits under Transferred Policies which are linked to a Linked Fund established by FLL or FLP pursuant to paragraph 18.1, FLL or FLP shall become entitled to the same rights, powers and benefits and be subject to the same duties and liabilities as applied to the relevant Transferor in relation to the corresponding Linked Fund of the relevant Transferor immediately prior to the Effective Date; and
- 18.2.2 benefits under any Transferred Policy which, immediately prior to the Effective Date, were linked to any one or more Linked Fund(s) of a Transferor shall become linked to the corresponding new Linked Fund(s) of FLL or FLP and FLL or FLP shall as at the Effective Date allocate to each such Transferred Policy the same number and classes of units in the corresponding new Linked Fund(s) of FLL or FLP as the number and classes of units in the relevant Linked Fund(s) of the relevant Transferor which were allocated to the Transferred Policy immediately prior to the Effective Date.
- 18.3 If any Asset comprised in a Linked Fund of any Transferor falls within the provisions of paragraph 8.1, all interests and rights in relation to such Asset shall be allocated to the relevant Linked Fund established by FLL or FLP to which such Asset would, had it been a Transferred Asset, have been allocated.
- 18.4 On and with effect from the relevant Subsequent Transfer Date each Residual Asset which is comprised in a Linked Fund of each Transferor shall be allocated to the Linked Fund of FLL or FLP to which it would have been allocated pursuant to this paragraph 18 had it been a Transferred Asset.
- 19. MERGER AND CLOSURE OF LINKED FUNDS**
- 19.1 Unless precluded by Regulatory Requirements and/or the terms of the relevant Policies, the FLL Board and the FLP Board shall be at liberty at any time and from time to time upon the advice of the FLL Chief Actuary or, as the case may be, the FLP Chief Actuary, to close existing Linked Funds, to amalgamate any Linked Fund or any part or parts thereof with any other Linked Fund or any part or parts thereof or to divide any Linked Fund into one or more Linked Funds, or to effect any combination of the aforesaid.
- 19.2 In the event that the FLL Board or the FLP Board considers, having taken account of appropriate actuarial advice, that any group of policyholders may have been disadvantaged financially by any action taken pursuant to the provisions of this paragraph 19, the FLL Board or the FLP Board shall consider whether appropriate compensation should be contributed to any relevant Linked Fund.
- 20. INTERNAL ARRANGEMENTS AND REASSURANCE**
- 20.1 Subject to paragraphs 20.9, 21 and 22, FLL:
- 20.1.1 shall establish, or continue to maintain (as applicable) arrangements equivalent to an internal reinsurance between the FL Funds in relation to the Relevant Liabilities; and
- 20.1.2 may, with effect from the Effective Date, establish arrangements equivalent to an internal reinsurance between the FL Funds in relation to any other Liabilities,

such arrangements to be set out in a document and to comply with the provisions of this paragraph 20 (such arrangements and documentation together constituting the "**Internal Arrangements**"). In relation to any Internal Arrangement, the Fund providing the protection equivalent to reinsurance shall be the "**Internal Reassurer**" and the Fund benefitting from such protection shall be the "**Internal Cedant**".

- 20.2 The Internal Arrangements referred to in paragraph 20.1.2 shall be approved by the FLL Board, having taken account of appropriate actuarial advice, which advice must indicate that such Internal Arrangements on the terms proposed would not adversely affect the reasonable expectations of the holders of Policies allocated to the fund or funds affected by the same.
- 20.3 For the purpose of this paragraph 20 any Policy which is to any extent the subject of Internal Arrangements under this paragraph shall be referred to as an "Internally Reassured Policy".
- 20.4 The liability of the Internal Reassurer in respect of any Internally Reassured Policy shall cease at the same time as the liability of the Internal Cedant ceases in respect of that Internally Reassured Policy.
- 20.5 There shall be transferred from the Internal Cedant to the Internal Reassurer premiums determined on a basis referred to from time to time in the Internal Arrangements.
- 20.6 A transfer of the amount of any claim to be made on the Internal Reassurer by the Internal Cedant in respect of an Internally Reassured Policy shall be made equal to the amount paid by the Internal Cedant in respect of the claim.
- 20.7 All transfers to be effected pursuant to this paragraph 20 shall be made promptly.
- 20.8 The FLL Board may at any time, having taken account of appropriate actuarial advice, amend or terminate any of the Internal Arrangements and effect such consequential transfers or alternative arrangements between the Funds as may be determined by the Relevant Board to be appropriate. The terms of any such amendment or termination and any consequential transfer or alternative arrangements between the Funds shall be notified to the PRA and FCA in writing within ten Business Days after they have taken effect.
- 20.9 With effect from the Effective Date, FLL and FLP shall, if required, establish reinsurance arrangements between FLL and FLP rather than Internal Arrangements within FLL or FLP in relation to those Relevant Liabilities identified in Section B of Part I of Schedule 1.

21. **REASSURANCE BY AND OF THE FL FP WITH PROFITS FUND**

- 21.1 With the exception of the Internal Arrangements in relation to the Relevant Liabilities, FLL shall only undertake, and allocate to the FL FP With Profits Fund liabilities arising under, Internal Arrangements or other reinsurance obligations in respect of Long Term Business (or amend or terminate any such arrangements), if the FLL With Profits Actuary shall first have confirmed in writing his opinion that such reinsurance on the terms proposed (or, as the case may be, the terms of any proposed amendment or termination) is not likely to adversely affect the reasonable expectations of the holders of Demutualisation Protected Policies.
- 21.2 The FLL Board may from time to time, having taken account of appropriate actuarial advice, arrange for the provision of reinsurance or equivalent arrangements (including Internal Arrangements) in relation to all or any Policies allocated to the FL FP With Profits Fund, and may amend or terminate any such arrangements, provided that (except in the case of Internal Arrangements in relation to Relevant Liabilities) the FLL With Profits Actuary shall first have confirmed in writing his opinion that such arrangements on the terms proposed (or, as the case may be, the terms of any amendment or termination thereof), where effected with other members of the Group or with any other With Profit Fund (or such other with profits funds as are established and maintained by FLL from time to time) or the FL Non Profit Fund, is not likely in his opinion to affect adversely the reasonable expectations of the holders of Demutualisation Protected Policies.

22. REASSURANCE BETWEEN THE FL FLC FUNDS

22.1 FLL shall with effect from the Effective Date continue to maintain arrangements equivalent to internal reinsurance arrangements between the FL FLC New With Profits Fund and the FL FLC Old With Profits Fund complying with the provisions of this paragraph 22.1.

22.1.1 The reinsurance arrangements shall be on original premium terms, and shall be in the form previously approved by the FLL Board (having taken account of appropriate actuarial advice) pursuant to the 2012 Scheme.

22.1.2 The FL FLC Old With Profits Fund shall reinsure:

- (A) the Old Fund Proportion of all liabilities (net of external reinsurance) excluding liabilities in respect of past allocations of Special Scheme Bonus; and
- (B) the full amount of all liabilities in respect of past allocations of Special Scheme Bonus,

of the following Policies ("**OWPF Reassured Policies**"):

- (C) all Conventional Non-Participating Policies which came into effect following the FLC 2001 Scheme Effective Date and are allocated from time to time to the FL FLC New With Profits Fund; and
- (D) all other Policies which came into effect following the FLC 2001 Scheme Effective Date and are allocated to the FL FLC New With Profits Fund from time to time other than Elected Policies and any additional premiums, increments and Policies coming into force as a result of any option or right contained in any Elected Policy;

and reference to a OWPF Reassured Policy shall be construed as a reference to that OWPF Reassured Policy net of any external reinsurance in respect of it. For the avoidance of doubt, Policies which are referred in this paragraph 22.1.2 to as "coming into effect" following the FLC 2001 Scheme Effective Date shall not include increments on existing Policies which were written before the FLC 2001 Scheme Effective Date.

22.1.3 The liability of the FL FLC Old With Profits Fund in respect of any OWPF Reassured Policy shall cease at the same time as the liability of the FL FLC New With Profits Fund ceases in respect of that OWPF Reassured Policy.

22.1.4 The FL FLC New With Profits Fund shall transfer reinsurance premiums to the FL FLC Old With Profits Fund equal to the Old Fund Proportion multiplied by the premiums (including With Profits Switch Premiums) due to be received by the FL FLC New With Profits Fund in respect of each OWPF Reassured Policy. The FL FLC Old With Profits Fund shall transfer to the FL FLC New With Profits Fund:

- (A) reinsurance commissions equal to the Old Fund Proportion multiplied by the commission paid by the FL FLC New With Profits Fund in respect of the OWPF Reassured Policy; and
- (B) expense allowances equal to the Old Fund Proportion multiplied by the expense allowances paid by the FL FLC New With Profits Fund to the FL Non Profit Fund in respect of the OWPF Reassured Policy.

22.1.5 Bonuses and market value adjustments shall be set by the FLL Board having taken account of appropriate actuarial advice in respect of OWPF Reassured Policies, taking into account the bonus and investment philosophies underlying with profits business allocated to the FL FLC Old With Profits Fund, in accordance with the FL FLC Funds PPFM.

22.1.6 A transfer of the amount of any claim to be made to the FL FLC New With Profits Fund by the FL FLC Old With Profits Fund in respect of a OWPF Reassured Policy shall be made equal to (a) in the case of Non Participating Business, the Old Fund Proportion multiplied by the amount paid by the FL FLC New With

Profits Fund in respect of the claim and (b) in the case of With Profits Policies shall be determined in accordance with the bonus and investment philosophies underlying with profits business allocated to the FL FLC Old With Profits Fund and in accordance with the FL FLC Funds PPFM.

22.1.7 All sums to be transferred pursuant to this paragraph 22 shall be made promptly.

23. DELAY IN ALLOCATION OR MISALLOCATION TO THE FUNDS

23.1 If:

23.1.1 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 Fund in accordance with this Scheme; or

23.1.2 there has been, for any reason, any incorrect allocation of any receipts, payment or other item to any Fund which occurred but was not remedied prior to the Effective Date of this Scheme;

the Relevant Board, having taken account of appropriate actuarial advice, may make such adjustment between the Funds as it considers appropriate in accordance with the principles underlying this Scheme (and, in the case of paragraph 23.1.2, the 2012 Scheme, the WLUK Scheme, the Colonial Scheme, the FLC 2001 Scheme, the Demutualisation Scheme or the FLL 2011 Scheme) to take account of such delay or incorrect allocation.

24. REALLOCATION OF POLICIES

24.1 At any time after the Effective Date, FLL may re-allocate to the FL Non Profit Fund any Non-Profit Policy allocated to any With Profits Fund provided that:

24.1.1 such re-allocation is not contrary to the terms of the Policy;

24.1.2 in the opinion of the FLL Board, having taken account of appropriate actuarial advice, and with the agreement of the With Profits Committee, Assets are being transferred or reallocated:

(A) from the relevant With Profits Fund to the FL Non Profit Fund; and/or

(B) from the FL Non Profit Fund to the relevant With Profits Fund;

which have a market value which is fair and equitable (in the context of the risks and rewards being re-allocated to the FL Non Profit Fund in respect of the Policy); and

24.1.3 in circumstances where any Assets are to be transferred or reallocated from the relevant With Profits Fund to the FL Non Profit Fund pursuant to this paragraph 24, or from the FL Non Profit Fund to the relevant With Profits Fund, which, when taken together with any other Assets so transferred or reallocated in the last 12 months prior to the giving of the notice referred to in paragraph 24.1.3(A) below, have a market value in aggregate of more than £20,000,000:

(A) the FLL Board has notified the PRA and the FCA of the proposed transfer or reallocation and neither the PRA nor the FCA has objected thereto within 60 days of such notification; and

(B) an independent actuary has provided FLL with a certificate to the effect that such transfer will not have a material adverse effect on policyholders whose Policies are allocated to the FL Non Profit Fund or the relevant With Profits Fund;

and the FLL Board shall be permitted to make any amendments to the terms of this Scheme, without the consent of the Court, as are considered necessary or desirable as a consequence of such transfer or reallocation of Non-Profit Policies, provided that:

(C) the FLL Board has notified the PRA and the FCA of the proposed changes and neither the PRA nor the FCA has objected thereto within 60 days of such notification; and

(D) an independent actuary has provided FLL with a certificate to the effect that such changes will not have a material adverse effect on policyholders whose Policies are allocated to the FL Non Profit Fund or the relevant With Profits Fund.

24.2 Where, but for the provisions of this Scheme, FLL would be obliged after the Effective Date to write and allocate to a With Profits Fund any Non-Profit Policies (including pension annuities) by reason of rights arising from the holding of Policies and which are exercised by the policyholder after the Effective Date, FLL shall not be obliged to allocate any such Policy to the relevant With Profits Fund but may instead allocate such Policy to the FL Non Profit Fund on such basis as the FLL Board determines from time to time having taken account of appropriate actuarial advice and with the agreement of the With Profits Committee.

25. SWITCHES AND HYBRID POLICIES

25.1 Whenever a switch is effected in respect of that part of a Hybrid Policy which is at the relevant time allocated to the FL Non Profit Fund and that switch is a NWPF Switch, an OWPF Switch or a DPP Switch, an amount equal to the With Profits Switch Premium in respect thereof shall be transferred from the FL Non Profit Fund and credited to the relevant With Profits Fund.

25.2 Whenever a switch is effected in respect of that part of a Hybrid Policy which is at the relevant time allocated to a With Profits Fund (other than by way of reinsurance that is not an Internal Arrangement), an amount equal to the Value of the With Profits Part attributable to the With Profits Units cancelled in respect of such Policy in the relevant With Profits Fund shall be transferred from that With Profits Fund and credited to the FL Non Profit Fund.

25.3 Nothing in this Scheme shall restrict FLL at any time after the Effective Date from writing any Hybrid Policy and transferring amounts between the FL FP With Profits Fund and the FL Non Profit Fund to reflect the terms of any switch effected in respect of any such Policy, provided that no such transfer shall be made which would adversely affect the reasonable expectations of the holders of Demutualisation Protected Policies.

26. SWITCH REBALANCING BETWEEN FL FLC FUNDS

26.1 Except where the volumes of new business written in the FL FLC Old With Profits Fund are insignificant, the FLL Board having taken account of appropriate actuarial advice shall monitor the volume of switching in the FL FLC Old With Profits Fund and on each Calculation Date shall determine:

26.1.1 the aggregate Value of the With Profits Part attributable to the With Profits Units cancelled in respect of such switches within the FL FLC Old With Profits Fund during the period since the previous Calculation Date;

26.1.2 the aggregate Value of the With Profits Switch Premiums in respect of switches to With Profits Units in the FL FLC Old With Profits Fund during that period;

26.1.3 the "**Net With Profits Switch Amount**", being the amount in paragraph 26.1.1 less the amount in paragraph 26.1.2.

26.2 The FLL Board having taken account of appropriate actuarial advice shall be entitled to adjust the proportion of the OWPF Reassured Policies to be reassured to the FL FLC Old With Profits Fund in the period between Calculation Dates (an "**adjustment period**") in order to ensure that:

26.2.1 the proportion which the aggregate of the premiums in respect of all OWPF Reassured Policies (excluding Conventional Non Participating Policies) that are allocated or reassured to the FL FLC Old With Profits Fund and the Net With Profits Switch Amount bears to the aggregate of all premiums in respect of OWPF Reassured Policies (excluding Conventional Non Participating Policies) and the Net With Profits Switch Amount,
is equal to

26.2.2 the Old Fund Proportion,

provided that no adjustment shall be made if it would change the proportion of OWPF Reassured Policies (excluding Conventional Non Participating Policies) that are reassured

to the FL FLC Old With Profits Fund by less than 1% during the adjustment period. For the purposes of this paragraph the Net With Profits Switch Amount shall be treated as new single premiums, and reinsurance premiums in respect of OWPF Reassured Policies shall be measured as new annual premiums plus new single premiums.

27. **FLL PPFMS**

- 27.1 With effect from the Effective Date, FLL shall manage the With Profits Funds so as to comply with the FLL PPFMs, as follows:
- (A) the FL FP With Profits Fund shall be managed so as to comply with the FL FP With Profits Fund PPFM;
 - (B) the FL FLC Funds shall be managed so as to comply with the FL FLC Funds PPFM;
 - (C) the FL FPLAL With Profits Fund shall be managed so as to comply with the FL FPLAL With Profits Fund PPFM;
 - (D) the FL FLAS With Profits Fund shall be managed so as to comply with the FL FLAS With Profits Fund PPFM; and
 - (E) the FL WL With Profits Fund shall be managed so as to comply with the FL WL With Profits Fund PPFM.
- 27.2 FLL will comply with Regulatory Requirements and any applicable requirements of the relevant FLL PPFM when making any amendments to the FLL PPFMs, including, for the avoidance of doubt, when making any amendments to the provisions in the relevant FLL PPFMs governing the amendment thereof.
- 27.3 If at any time after the Effective Date, Regulatory Requirements no longer require FLL to maintain the FLL PPFMs, or the Regulatory Requirements requiring the maintenance of the FLL PPFMs are significantly amended, unless FLL would be required by Regulatory Requirements following these changes to establish and maintain arrangements equivalent to those in the FLL PPFMs (including those provisions relating to amendment set out in paragraph 27.2), then FLL will establish and maintain arrangements equivalent to those in the FLL PPFMs as if the relevant Regulatory Requirements to maintain the FLL PPFMs had been explicitly set out in this Scheme and had continued to bind FLL, and references to the FLL PPFMs in paragraph 27.1 shall thereafter refer to such equivalent arrangements.

28. **SUPPORT ACCOUNTS**

- 28.1 For the period from the Effective Date until such date, not being earlier than 31 December 2031, as the FLL Board, having taken account of appropriate actuarial advice, may decide, FLL shall continue to maintain records of the amount of the FL FP With Profits Support Account.
- 28.2 The amount of the FL FP With Profits Support Account shall from time to time be reduced by amounts debited in accordance with Schedule 4.
- 28.3 From the Effective Date FLL shall continue to maintain records of the amount of the FL FP Post Demutualisation With Profits Support Account.
- 28.4 The amount of the FL FP Post Demutualisation With Profits Support Account shall from time to time be reduced by any amounts so determined by the FLL Board in accordance with Schedule 4.
- 28.5 From the Effective Date FLL shall continue to maintain records of the amount of the FL FLC Funds Support Account.
- 28.6 The amount of the FL FLC Funds Support Account shall from time to time be increased or reduced by amounts credited or debited in accordance with Schedule 4.
- 28.7 From the Effective Date FLL shall continue to maintain records of the amount of the FL FLAS WPF Support Account.

- 28.8 The amount of the FL FLAS WPF Support Account shall from time to time be reduced by amounts debited in accordance with Schedule 4.
- 28.9 From the Effective Date FLL shall continue to maintain records of the amount of the FL FLC Additional Account.
- 28.10 The amount of the FL FLC Additional Account shall from time to time be reduced by amounts debited in accordance with Schedule 4.
- 28.11 For the period from the Effective Date until such date, not being earlier than 31 December 2020, as the FLL Board, having taken account of appropriate actuarial advice, may decide, FLL shall continue to maintain records of the amount of the FL FP Additional Account.
- 28.12 The amount of the FL FP Additional Account shall from time to time be reduced in accordance with Schedule 4. The amount of the FL FP Additional Account may also be reduced from time to time by any amount so determined by the FLL Board, having taken account of appropriate actuarial advice.
- 28.13 From the Effective Date FLL shall maintain records of the amount of the FL WL WPF Support Account.
- 28.14 The amount of the FL WL WPF Support Account shall from time to time be reduced by amounts debited in accordance with Schedule 4.
- 28.15 Whilst the FL Non Profit Fund and FLL Shareholder Fund continue to hold in aggregate Adjusted NP and SF Regulatory Assets greater than the Adjusted NP Regulatory Liabilities of the FL Non Profit Fund:
- 28.15.1 the FL FP Remaining Support Amount and the FL FP Post Demutualisation Remaining Support Amount shall (in addition to other appropriate considerations) be taken into account in the management (including in relation to the determination of investment and bonus policy) of the FL FP With Profits Fund on the basis specified in the FL FP With Profits Fund PPFM;
- 28.15.2 the FL FLC Remaining Support Amount and any Temporary Transfers shall (in addition to other appropriate considerations) be taken into account in the management (including in relation to the determination of investment and bonus policy) of the FL FLC Funds on the basis specified in the FL FLC Funds PPFM;
- 28.15.3 the FL FLAS Remaining Support Amount shall (in addition to other appropriate considerations) be taken into account in the management (including in relation to the determination of investment and bonus policy) of the FL FLAS With Profits Fund on the basis specified in the FL FLAS With Profits Fund PPFM; and
- 28.15.4 the FL WL Remaining Support Amount shall not (in addition to other appropriate considerations) be taken into account in the management (including in relation to the determination of investment and bonus policy) of the FL WL With Profits Fund on the basis specified in the FL WL With Profits Fund PPFM.

29. **TEMPORARY TRANSFERS AND PERMANENT CONTRIBUTIONS**

- 29.1 In circumstances where this Scheme provides for a Temporary Transfer to be made, FLL will transfer Assets selected by the FLL Board, having taken account of appropriate actuarial advice, from either or both of the FL Non Profit Fund and/or the FLL Shareholder Fund (as appropriate, depending on whether the relevant Support Account is allocated to the FL Non Profit Fund or the FLL Shareholder Fund) (the "**Supporting Funds**" or, as applicable, each a "**Supporting Fund**") to the relevant With Profits Fund by way of a Temporary Transfer on terms such that:
- 29.1.1 the value of the property so transferred shall be determined in accordance with Prudential Regulation and shall be the principal amount of such Temporary Transfer, as determined pursuant to paragraph 29.2;
 - 29.1.2 amounts from time to time representing the balance of a Temporary Transfer shall be increased or, as the case may be, decreased by Enhancements, unless such amounts are paid pursuant to paragraph 29.5;
 - 29.1.3 neither the transfer of such property representing the principal amount of a Temporary Transfer nor its increase or reduction by Enhancements shall give rise to a liability of the relevant With Profits Fund or an asset of the Supporting Fund;
 - 29.1.4 in relation to the FL FP With Profits Fund and the FL FLAS With Profits Fund, the requirements of this Scheme in respect of repayment of Temporary Transfers and the payment of Enhancements shall be ignored for the purpose of determining the investment and bonus policy applicable to the FL FP With Profits Fund and the FL FLAS With Profits Fund in accordance with the relevant FLL PPFM;
 - 29.1.5 in relation to an FL FLC Fund, the existence of any Temporary Transfers to an FL FLC Fund shall be ignored for the purpose of determining the investment and bonus policy applicable to that FL FLC Fund in accordance with this Scheme and the FL FLC Funds PPFM, save to the extent that a Permanent Contribution has been made to the relevant FL FLC Fund (which Permanent Contribution, for the avoidance of doubt, shall not be so ignored); and
 - 29.1.6 repayments of the Temporary Transfer will occur only in accordance with paragraph 29.3 or, as applicable, 29.4. Upon any such repayment, property selected by the FLL Board, having taken appropriate actuarial advice, with a market value as at the most recent practicable date equal to the amount of such repayment shall be transferred from the relevant With Profits Fund to the Supporting Fund.
- 29.2 Subject to paragraph 29.3 and 29.4, one or more further Temporary Transfers (each a "**Further Temporary Transfer**") shall be made by FLL:
- (A) if a Deficit is determined by the FLL Board, having taken account of appropriate actuarial advice, to have arisen in a FL FLC Fund, in which event the amount of the Further Temporary Transfer advanced to that FL FLC Fund from the FL FLC Funds NPF Support Account shall be the amount of the Deficit or, if smaller, the amount which would result in the aggregate of all Temporary Transfers then outstanding, together with any Permanent Contributions made, from the FL FLC Funds NPF Support Account to the FL FLC Funds being equal to the amount at that time of the FL FLC Funds Support Account determined in accordance with Schedule 4, and, if necessary in order to enable the transfer contemplated by this paragraph to occur, a transfer as contemplated by paragraph 29.2(B) below shall first occur; and
 - (B) if, in order for the transfer contemplated by paragraph 29.2(A) to take place, any amounts are required to be transferred from the FL FLC Funds SHF Support Account, then such amount shall be transferred from the FL

FLC Funds SHF Support Account to the FL FLC Funds NPF Support Account;

- (C) if a Deficit is determined by the FLL Board, having taken account of appropriate actuarial advice, to have arisen in the FL FP With Profits Fund, in which event the amount of the Further Temporary Transfer advanced to the FL FP With Profits Fund from the FL FP With Profits Support Account shall be the amount of the Deficit or, if smaller, the amount which would result in the aggregate of all Temporary Transfers then outstanding from the FL FP With Profits Support Account to the FL FP With Profits Fund being equal to the amount at that time of the relevant Specified Year End Support Amount in respect of the FL FP With Profits Support Account determined in accordance with Schedule 4;
- (D) if a Shortfall is determined by the FLL Board, having taken account of appropriate actuarial advice, to have arisen in respect of the FL FP Post Demutualisation Policies, in which event the amount of the Further Temporary Transfer advanced to the FL FP With Profits Fund from the FL FP Post Demutualisation With Profits Support Account shall be the amount of the Shortfall or, if smaller, the amount which would result in the aggregate of all Temporary Transfers then outstanding from the FL FP Post Demutualisation With Profits Support Account to the FL FP With Profits Fund being equal to the amount at that time of the relevant Specified Year End Support Amount in respect of the FL FP Post Demutualisation With Profits Support Account in accordance with Schedule 4;
- (E) if a Deficit is determined by the FLL Board, having taken account of appropriate actuarial advice, to have arisen in the FL FLAS With Profits Fund, in which event the amount of the Further Temporary Transfer advanced to that FL FLAS With Profits Fund from the FL FLAS WPF Support Account shall be the amount of the Deficit or, if smaller, the amount which would result in the aggregate of all Temporary Transfers then outstanding from that FL FLAS WPF Support Account to the FL FLAS With Profits Fund being equal to the amount at that time of the relevant Specified Year End Support Amount in respect of the FL FLAS WPF Support Account determined in accordance with Schedule 4;
- (F) in any event (whether or not a Deficit has arisen with respect to a particular With Profits Fund) if the FLL Board so determines, in which event the amount of the Further Temporary Transfer shall be the amount so determined by the FLL Board (having taken account of appropriate actuarial advice);
- (G) from the FL FLC Funds Support Account if a PPB Deficit is determined in accordance with the provisions of Schedule 6;

provided that no Further Temporary Transfer shall be made from any Support Account established within the FL Non Profit Fund which would result in the aggregate value of all Adjusted NP Regulatory Assets allocated to the FL Non Profit Fund or held in trust for FLL the beneficial ownership in respect of which is allocated to the FL Non Profit Fund pursuant to paragraphs 8 and 14.4.2(B) (in the case of a Temporary Transfer to an FL FLC Fund, together with the amounts from time to time credited to the FL FLC Funds SHF Support Account) being less than the aggregate value of all Adjusted NP Regulatory Liabilities allocated to the FL Non Profit Fund.

29.3 The 2012 Initial Temporary Transfers shall be repaid (in full or in part):

- 29.3.1 as at each Year End to the extent that the amount of a relevant 2012 Initial Temporary Transfer is greater than the Specified Year End Support Amount determined in accordance with the provisions of Schedule 4; or

29.3.2 in any event if the FLL Board so determines;
provided always that:

- (A) such a payment shall be contingent on the FLL Board, taking account of appropriate actuarial advice, having determined that following such a payment a Deficit or (in the case of the FL FLC Funds) a PPB Deficit would not have arisen in the relevant With Profits Fund repaying the 2012 Initial Temporary Transfer; and
- (B) such a payment from the FL FP With Profits Fund to the relevant Supporting Fund in respect of the repayment of a 2012 Initial Temporary Transfer made from the FL FP With Profits Support Account shall be made only if the amount certified under paragraph 32.1 as the Schedule 3 Amount in respect of the Financial Year ended on that (or in the case of paragraph 29.3.2, the most recent) Year End, less the amount of any Enhancement payable from the FL FP With Profits Fund to the relevant Supporting Fund in relation to a Temporary Transfer made from the FL FP With Profits Support Account as at such Year End pursuant to paragraph 29.5.1, is not negative.

29.4 A Further Temporary Transfer or 2012 Further Temporary Transfer may be repaid at any time at the discretion of the FLL Board, having taken account of appropriate actuarial advice, but only if and to the extent that the FLL Board, having taken account of appropriate actuarial advice, determines that following any such repayment a Deficit or (in the case of the FL FLC Funds) a PPB Deficit would not have arisen in the relevant With Profits Fund repaying the Further Temporary Transfer or 2012 Further Temporary Transfer.

29.5 In respect of each Temporary Transfer which is from time to time outstanding, an Enhancement shall be calculated as at each Year End and:

29.5.1 if the Enhancement is a positive amount, such Enhancement shall be paid provided always that:

- (A) such payment shall be contingent on the FLL Board, having taken account of appropriate actuarial advice, having determined that following such a payment a Deficit would not have arisen in the With Profits Fund making the payment and any payment due under this paragraph shall be made in priority to repayments of the 2012 Initial Temporary Transfer pursuant to paragraph 29.3 and Schedule 4; and
- (B) such a payment from the FL FP With Profits Fund to the relevant Supporting Fund in relation to a Temporary Transfer made from the FL FP With Profits Support Account shall be made only if the amount certified under paragraph 32.1 as the Schedule 3 Amount in respect of the Financial Year ended on that Year End is not negative;

and upon any such payment, property selected by the FLL Board, having taken account of appropriate actuarial advice, with a market value as at the most recent practicable date equal to the amount to be so paid shall cease to be property of the relevant With Profits Fund and shall be credited to the relevant Supporting Fund; and

29.5.2 if the Enhancement is a negative amount, property selected by the FLL Board, having taken account of appropriate actuarial advice, with a market value as at the most recent practicable date equal to the amount by which such Enhancement is negative shall be transferred from the relevant Supporting Fund to the relevant With Profits Fund.

29.6 If the FLL Board, having taken account of appropriate actuarial advice, determines that a Temporary Transfer shall be made pursuant to paragraph 29.2 to the FL FLC Funds, it shall also determine (also having taken account of appropriate actuarial advice) at the same time, and at each Year End thereafter while any part of the relevant Temporary Transfer remains outstanding, whether the factors which have given rise to the Temporary

Transfer, or prevented its repayment, are such that the FL FLC Fund in receipt of the Temporary Transfer is likely to recover and be able to repay the Temporary Transfer. If and to the extent that the FLL Board determines that such repayment will not be likely in the foreseeable future, the Temporary Transfer and any accrued Enhancements outstanding thereon, shall be converted to a contribution to the relevant receiving FL FLC Fund pursuant to this paragraph 29.6 such that the Temporary Transfer shall no longer be liable to be repaid pursuant to paragraph 29.3 or 29.4 and no further Enhancements shall accrue or be payable thereon.

29.7 One or more Permanent Contributions may be made from the FL WL WPF Support Account to the FL WL With Profits Fund in accordance with Part VI of Schedule 4.

30. FUTURE ALLOCATIONS OF SURPLUS FROM THE 90:10 FUNDS

30.1 In order that, after the Effective Date:

30.1.1 the methodology, as determined by the FL FLC Funds PPFM, for the allocation of surplus in the FL FLC New With Profits Fund is consistent with the methodology for the allocation of surplus in the FLC NWPF prior to the 2012 Scheme Effective Date and in the FL FLC New With Profits Fund under the 2012 Scheme;

30.1.2 the methodology, as determined by the FL FLC Funds PPFM, for the allocation of surplus in the FL FLC Old With Profits Fund is consistent with the methodology for the allocation of surplus in the FLC OWPF prior to the 2012 Scheme Effective Date and in the FL FLC Old With Profits Fund under the 2012 Scheme;

30.1.3 the methodology, as determined by the FL FP With Profits Fund PPFM, for the allocation of surplus in the FL FP With Profits Fund is consistent with the methodology for the allocation of surplus in that fund before the 2012 Scheme Effective Date and under the 2012 Scheme;

30.1.4 the methodology, as determined by the relevant FL FLAS With Profits Fund PPFM, for the allocation of surplus in the FL FLAS With Profits Fund is consistent with the methodology for the allocation of surplus in the FLAS Long Term Fund before the 2012 Scheme Effective Date and in the FL FLAS With Profits Fund under the 2012 Scheme;

30.1.5 the methodology, as determined by the relevant FL WL With Profits Fund PPFM, for the allocation of surplus in the FL WL With Profits Fund is consistent with the methodology for the allocation of surplus in the FLWL WPF under the WLUK Scheme;

following the Effective Date, and, in the case of the FL FLC Old With Profits Fund, subject to paragraph 30.2, and in the case of the FL FP With Profits Fund, after having made full provision for its obligations pursuant to paragraph 32:

30.1.6 FLL shall procure that the excess of the assets over the liabilities of each 90:10 Fund shall be determined by an actuarial assessment conducted in accordance with Regulatory Requirements by the FLL Board having taken account of appropriate actuarial advice at such intervals, being not less than once in every 12 months (or such longer time as the PRA and FCA may allow), as the FLL Board may determine;

30.1.7 the FLL Board, having taken account of appropriate actuarial advice, shall:

(A) in determining the excess of the assets over the liabilities of any 90:10 Fund ascertained pursuant to paragraph 30.1.6, reserve within that 90:10 Fund or carry forward unallocated, such amounts as it considers appropriate to be set aside to be carried forward as part of that 90:10 Fund; and

(B) set aside the remainder to be divided between the FLL Shareholder Fund and holders of With Profits Policies allocated to that 90:10 Fund;

- 30.1.8 other than in respect of the FL FP With Profits Fund, to which paragraph 30.1.9 shall apply, in respect of each other 90:10 Fund, an amount not less than 90 per cent. of sums set aside pursuant to paragraph 30.1.7(B) shall be allocated by way of bonus with respect to those With Profits Policies allocated to that 90:10 Fund, in the case of Reorganisation Bonus and otherwise, on such basis as shall be determined by the FLL Board having taken account of appropriate actuarial advice save that the same percentage (not being less than 90 per cent.) shall be set aside in respect of each category of With Profits Policies allocated to each FL FLC Fund as the percentage applied to similar categories of With Profits Policies respectively allocated to the other FL FLC Fund; and
- 30.1.9 in respect of the FL FP With Profits Fund, an amount not less than 90 per cent. of sums set aside pursuant to paragraph 30.1.7(B) attributable to Conventional With Profits Policies and an amount equal to 100 per cent. of sums set aside pursuant to paragraph 30.1.7(B) attributable to Hybrid Policies and Unitised With Profits Policies shall be allocated by way of bonus with respect to such With Profits Policies allocated to that Fund on such basis as shall be determined by the FLL Board having taken account of appropriate actuarial advice;
- 30.1.10 the balance of the amount set aside pursuant to paragraph 30.1.7(B) shall be recognised as declared surplus of the relevant 90:10 Fund and, subject to the provisions of the relevant FLL PPFM, transferred to the FLL Shareholder Fund.
- 30.2 As at each Special Scheme Bonus Calculation Date, FLL shall calculate and allocate to relevant Policies the Special Scheme Bonus in accordance with Schedule 8.
- 31. FUTURE ALLOCATIONS OF SURPLUS WITHIN THE FL FPLAL WITH PROFITS FUND**
- 31.1 Any surplus arising in the FL FPLAL With Profits Fund which is distributed will be distributed solely to holders of FL FPLAL With Profits Fund Policies carrying the right to participate in profits.
- 31.2 FLL shall in any distribution of surplus of the FL FPLAL With Profits Fund which is declared after the Effective Date declare reversionary bonus rates for FPLAL Pre-amalgamation WPBF Policies which are 80 per cent. of the corresponding reversionary bonus rates declared for FPLAL Pre-amalgamation Closed Fund Policies. FLL shall declare terminal bonuses on a policy becoming a claim by death or maturity at such rates as the FLL Board (having taken account of appropriate actuarial advice) shall deem to be equitable having regard to the surplus generated by that class of Policies
- 31.3 In each year a statement of the breakdown of assets allocated to the FL FPLAL With Profits Fund by broad type or definable category shall either:
- 31.3.1 be sent to holders of FL FPLAL With Profits Fund Policies carrying the right to participate in profits and still then in force; or
- 31.3.2 be made available on a website to which such holders shall be directed.
- 32. SCHEDULE 3 AMOUNT**
- 32.1 After the Effective Date, following each actuarial valuation of the FL FP With Profits Fund in accordance with Schedule 3, the FLL Chief Actuary shall calculate and certify in writing to the FLL Board the Schedule 3 Amount in respect of the period ended on the date as at which such actuarial valuation is carried out.
- 32.2 If the Schedule 3 Amount is positive, as soon as practicable following the date on which the certificate referred to in paragraph 32.1 above is delivered to the FLL Board an amount of property with a value determined in accordance with Prudential Regulation equal to 60 per cent. of the Schedule 3 Amount shall cease to be property of the FL FP With Profits Fund and shall be credited to the FL Non Profit Fund.
- 33. FUTURE ALLOCATIONS OF SURPLUS FROM THE FL NON PROFIT FUND**

33.1 For so long as there remains a requirement under Regulatory Requirements to maintain a separation between the FL Non Profit Fund and the FLL Shareholder Fund, the transfer of assets from the FL Non Profit Fund to the FLL Shareholder Fund shall be subject to Regulatory Requirements, the FLL Capital Policy and to paragraph 8 of Part II of Schedule 4 but shall otherwise be unconstrained by this Scheme.

33.2 The Deferred Bonus Policies shall, with effect from the Effective Date, entitle the holders thereof to the fixed bonuses specified in Schedule 10 (which bonuses shall, for the avoidance of doubt, be paid out of and be borne by the FL Non Profit Fund). The FLL Board, having taken account of appropriate actuarial advice, shall reserve out of the surplus assets of the FL Non Profit Fund such amount as it shall consider appropriate to cover such bonuses. For the avoidance of doubt, the holders of Deferred Bonus Policies shall not be eligible to participate in any other surplus, whether arising in the FL Non Profit Fund, the FLL Shareholder Fund or any other Fund.

34. FLL CAPITAL POLICY AND FLP CAPITAL POLICY

34.1 With effect from the Effective Date, FLL shall maintain and comply with the FLL Capital Policy.

34.2 The FLL Board shall from time to time be entitled to:

34.2.1 make minor and/or technical amendments to the FLL Capital Policy (including amendments to correct manifest errors);

34.2.2 subject to paragraph 34.2.3, make amendments to the FLL Capital Policy not falling under paragraph 34.2.1 in consultation with the With Profits Committee;

34.2.3 after having taken account of appropriate actuarial advice and having consulted the With Profits Committee, the PRA and the FCA, make amendments to the FLL CP Reserved Items (for the avoidance of doubt, a proposal to change whether a provision of the FLL Capital Policy is a FLL CP Reserved Item shall amount to an amendment falling within this paragraph 34.2.3),

but, for the avoidance of doubt, any provision of this Scheme which is also reflected in the FLL Capital Policy may only be amended in accordance with the applicable provisions of paragraph 44.

34.3 With effect from the Effective Date, FLP shall maintain and comply with the FLP Capital Policy.

34.4 The FLP Board shall from time to time be entitled to:

34.4.1 subject to 34.4.2, make minor, technical or other amendments to the FLP Capital Policy (including amendments to correct manifest errors);

34.4.2 after having taken account of appropriate actuarial advice and having consulted the PRA and the FCA, make amendments to the FLP CP Reserved Items (for the avoidance of doubt, a proposal to change whether a provision of the FLP Capital Policy is a FLP CP Reserved Item shall amount to an amendment falling within this paragraph 34.4.2);

but, for the avoidance of doubt, any provision of this Scheme which is also reflected in the FLP Capital Policy may only be amended in accordance with the applicable provisions of paragraph 44.

35. MERGER AND CLOSURE OF FUNDS

Merger of the FL FLC Funds

35.1 When:-

35.1.1 the PPB Amount attributable to Monitored Policies falls below five per cent of the PPB Amount attributable to Monitored Policies and other Policies to the extent reassured to the FL FLC Old With Profits Fund, and the equity backing ratios of the FL FLC Old With Profits Fund and the FL FLC New With Profits Fund are not,

in the opinion of the FLL Board having taken account of appropriate actuarial advice, materially different; or

35.1.2 the PPB Amount attributable to Monitored Policies falls below one per cent of the PPB Amount attributable to Monitored Policies and other Policies to the extent reassured to the FL FLC Old With Profits Fund;

and less than 5% of the number of Monitored Policies on the FLC 2001 Scheme Effective Date are still in force and are still Monitored Policies; or

35.1.3 the PPB Amount attributable to Monitored Policies is zero;

then the requirement to maintain the FL FLC Old With Profits Fund and the FL FLC New With Profits Fund as separate sub-funds shall cease, and the FLL Board having taken account of appropriate actuarial advice may by resolution notified to the PRA and the FCA determine that the FL FLC Old With Profits Fund shall be transferred to and become part of the FL FLC New With Profits Fund on a specified date (an "**FLC Fund Merger**").

35.2 FLL shall only carry out an FLC Fund Merger if the FLL Board has obtained a certificate from an independent actuary (such independent actuary to be appointed by the FLL Board with the approval of the PRA and the FCA) to the effect that the FLC Fund Merger will not have a material adverse effect on the reasonable expectations of the policyholders of both the FL FLC Old With Profits Fund and the FL FLC New With Profits Fund and in particular (but without limitation) with regard to the reasonable expectations that such policyholders have in respect of Reorganisation Bonuses, Special Scheme Bonuses or any other category of bonus, and the need to ensure that, having taken account of all amounts properly chargeable to the FL FLC Old With Profits Fund in accordance with this Scheme, the excess of the Assets specifically or notionally allocated to the FL FLC Old With Profits Fund over the Liabilities specifically or notionally allocated to the FL FLC Old With Profits Fund are distributed to the holders of Monitored Policies over time or by way of shareholder transfers consistent with paragraph 30.1.9.

35.3 The FLC Fund Merger shall occur on the date determined by the FLL Board (the "**FLC Fund Merger Date**"), having taken account of appropriate actuarial advice, being no more than 12 months following the notification of the PRA and the FCA referred to in paragraph 35.1.

35.4 On the FLC Fund Merger Date, FLL shall re-allocate all Policies, Assets and Liabilities allocated to the FL FLC Old With Profits Fund to the FL FLC New With Profits Fund.

35.5 If the RBM Account is greater than zero at the FLC Fund Merger Date, then Reorganisation Bonuses shall be declared in the form of additional reversionary or annual bonuses on With Profits Policies allocated at that time to the FL FLC New With Profits Fund and which were in force prior to the Effective Date, so as to ensure that the RBM Account is fully exhausted at that date.

35.6 From the FLC Fund Merger Date, the With Profits Policies transferred from the FL FLC Old With Profits Fund to the FL FLC New With Profits Fund shall have the right to participate in the profits of the FL FLC New With Profits Fund arising after the FLC Fund Merger Date and the FLL Board, in determining future bonus policy for the With Profits Policies formerly comprised within the FL FLC Old With Profits Fund, shall have regard to the bonus policy applied in relation to the FL FLC Old With Profits Fund prior to the FLC Fund Merger Date.

35.7 From the FLC Fund Merger Date:

35.7.1 those elements of the FL FLC Funds PPFM which are applicable to the FL FLC Old With Profits Fund shall cease to have effect;

35.7.2 the requirement to maintain the RBM Account shall cease to have effect;

35.7.3 the references in this Scheme to FL FLC Old With Profits Fund shall be disregarded apart from the references in paragraphs 35.1 to 35.6;

35.7.4 each Policy allocated or reassured to the FL FLC Old With Profits Fund immediately prior to the FLC Fund Merger Date shall be deemed to be amended

with effect from the FLC Fund Merger Date to reflect the relevant provisions of this paragraph 35.

Closure of the FL FPLAL With Profits Fund

- 35.8 Following such time as the number of in force FL FPLAL With Profits Fund Policies falls in the aggregate below 5,000 FLL may, but shall no longer be obliged to, maintain the FL FPLAL With Profits Fund as a separate fund and if it does not do so then any existing surplus calculated on a basis which is realistic having regard to then current and likely future financial and other relevant circumstances shall be distributed by way of cash or reversionary bonus or benefit increases to the then remaining holders of in force FL FPLAL With Profits Fund Policies in such manner as the FLL Board (having taken account of appropriate actuarial advice) may determine and thereupon any remaining assets then allocated to the FL FPLAL With Profits Fund and liabilities relative to such assets or to the FL FPLAL With Profits Fund Policies shall be allocated to the FL Non Profit Fund and such FL FPLAL With Profits Fund Policies shall cease to carry any further right to participate in profits.
- 35.9 Following such time as the number of in force FL FPLAL With Profits Fund Policies falls in the aggregate below 500, FLL shall cease thereafter to maintain the FL FPLAL With Profits Fund as a separate fund and the provisions of paragraph 35.8 shall apply mutatis mutandis.

Closure of the FL FLAS With Profits Fund, the FL FLC New With Profits Fund, the FL FP With Profits Fund and the FL WL With Profits Fund

- 35.10 If:
- 35.10.1 the amount of the liabilities of the FL FLAS With Profits Fund, determined in accordance with Prudential Regulation, falls below £250 million;
 - 35.10.2 following an FLC Fund Merger Date, the amount of the liabilities of the FL FLC New With Profits Fund, determined in accordance with Prudential Regulation, falls below £250 million;
 - 35.10.3 the amount of the liabilities of the FL FP With Profits Fund, determined in accordance with Prudential Regulation, falls below £250 million; or
 - 35.10.4 the amount of the liabilities of the FL WL With Profits Fund, determined in accordance with Prudential Regulation, falls below £100 million,
- FLL may, having notified the PRA and the FCA and provided that the PRA and the FCA have not objected thereto within 60 days of such notification, close the relevant With Profits Fund (the "**Closing Fund**") on the Fund Closure Date in accordance with paragraphs 35.11, 35.12 and 35.13.
- 35.11 The "**Fund Closure Date**" shall be the date determined by the FLL Board, having taken account of appropriate actuarial advice, being no more than 12 months following the approval of the PRA and the FCA referred to in paragraph 35.10.
- 35.12 The FLL Board (having taken account of appropriate actuarial advice) shall calculate the surplus in the Closing Fund immediately before the Fund Closure Date (and after making provision for the repayment of all Temporary Transfers and accrued but unpaid Enhancements by the relevant Closing Fund on the Fund Closure Date) and shall distribute such surplus, in such manner as it shall determine, by way of cash or reversionary bonus or benefit increases to holders of Policies allocated to the Closing Fund immediately before the Fund Closure Date and thereupon any remaining assets then allocated to the Closing Fund and liabilities relative to such assets or to the Policies allocated to the Closing Fund shall be allocated to the FL Non Profit Fund and such Policies shall cease to carry any further right to participate in profits of FLL arising after the Fund Closure Date.
- 35.13 From the Fund Closure Date:
- 35.13.1 the relevant FLL PPFM for the Closing Fund shall cease to have effect;

- 35.13.2 the references in this Scheme to the Closing Fund shall be disregarded apart from the references in paragraphs 35.10 to 35.13;
- 35.13.3 each Policy allocated or reassured to the Closing Fund immediately prior to the Fund Closure Date shall be deemed to be amended with effect from the Fund Closure Date to reflect the relevant provisions of this paragraph 35.
- 35.14 If the amount of the liabilities of the FL WL With Profits Fund, determined in accordance with Prudential Regulation, falls below £10 million, FLL shall close the FL WL With Profits Fund, and the provisions of paragraphs 35.11 to 35.13 shall apply mutatis mutandis.

36. CERTIFICATIONS

- 36.1 FLL shall publish and cause to be delivered to the PRA and the FCA no later than 20 weeks after the Year End of 2016, 18 weeks after the Year End of 2017, 16 weeks after the Year End of 2018 and 14 weeks after every subsequent Year End:
- 36.1.1 a certificate in writing from the FLL Board, having taken account of appropriate actuarial advice, stating whether the provisions of Parts E and F of this Scheme have been complied with since the date of the last such certificate (and, if not, detailing the respects in which such provisions have not been complied with);
- 36.1.2 a certificate in writing from the FLL Board, having taken account of appropriate actuarial advice, that the then current investment policy accords with the objective set out in the FL FPLAL With Profits Fund PPFM;
- 36.1.3 a certificate in writing from the FLL With Profits Actuary stating whether the provisions of this Scheme applicable to the FLL FP With Profits Fund and relating to actuarial matters and any other matters in respect of which consultation with or advice or approval of that With Profits Actuary is required pursuant to this Scheme have been complied with in all material respects since the date of the last such certificate (and, if not, detailing the respects in which such provisions have not been so complied with);
- 36.1.4 a certificate in writing from the With Profits Committee, having been advised by the FLL With Profits Actuary and having regard solely to the interests of the Monitored Policies, stating whether, since the date of the last such certificate:
- (A) the FL FLC Old With Profits Fund has been managed in a manner that was consistent with this Scheme and which is fair to the holders of Monitored Policies, together with such other confirmations as are required from time to time by the WPC Terms of Reference (which shall, as at the Effective Date, include, without limitation, confirmations as to compliance with investment and bonus policy); and
- (B) any amendments to the FL FLC Funds PPFM in such period have been made in accordance with Regulatory Requirements and the terms of the FL FLC Funds PPFM.
- 36.2 If more than one Regulatory Return is made by FLL in relation to the period from (and including) the Effective Date to (and including) 31 December 2014, the first certificates required to be delivered pursuant to paragraph 36.1 shall be required to be delivered on or before the date of delivery of the Regulatory Return to the latest period ending on or before 31 December 2014 in relation to which a Regulatory Return is prepared by FLL.
- 36.3 A copy of each certificate referred to in paragraph 36.1.3 and 36.1.4 shall be sent to the FLL Board before it is sent to the PRA and the FCA.

37. WITH PROFITS ACTUARY DUTIES

- 37.1 The FLL With Profits Actuary shall advise the FLL Board and the With Profits Committee as to the proper operation of the With Profits Funds in accordance with the provisions of this Scheme and, in particular, as to any constraints which he may determine to be necessary in the operation of the Funds in order to safeguard the interests and reasonable expectations of the holders of Policies allocated to the With Profits Funds.

- 37.2 The FLL With Profits Actuary shall inform the FLL Board and the With Profits Committee if at any time he is of the opinion that any With Profits Fund is being operated in a manner such that:
- 37.2.1 he may be unable to advise the FLL Board pursuant to paragraph 36.1.1 that, so far as relates to actuarial matters, the relevant provisions of this Scheme have been complied with;
 - 37.2.2 he may be required to notify any matters in the next certificate he is required to give the PRA and the FCA in accordance with paragraph 36.1.3; or
 - 37.2.3 he may be unable to advise the With Profits Committee in relation to the certificate required in accordance with paragraph 36.1.4 that the FL FLC Old With Profits Fund was managed and any amendments to the FL FLC Funds PPFM were made, in each case in the ways contemplated by that paragraph.
- 37.3 If the FLL With Profits Actuary shall determine that the FLL Board is taking or failing to take, or has taken or failed to take any action and that such action, or failure to take action, is or may in his opinion be prejudicial to the proper implementation of this Scheme or to the reasonable expectations of the holders of With Profits Policies, and he is dissatisfied with the reasons given by the FLL Board for such action or failure to take action, he shall, having sought such guidance from the Institute and Faculty of Actuaries as he thinks appropriate, be obliged to report his concerns in writing to the PRA and the FCA.
- 37.4 The obligations and duties imposed on the FLL With Profits Actuary by this Scheme shall be in addition to his statutory duties under Regulatory Requirements.

38. DUTIES OF THE WITH PROFITS COMMITTEE

- 38.1 In carrying out its duties in relation to the FL FLC Funds the With Profits Committee shall, without prejudice to Regulatory Requirements or the WPC Terms of Reference, have regard separately to:
- 38.1.1 the interests and reasonable expectations of the holders of Monitored Policies (and will report on these to the FLL Board); and
 - 38.1.2 the interests and reasonable expectations of all the holders of Policies within the FL FLC Funds.
- 38.2 In addition to those powers and obligations set out in the WPC Terms of Reference, the With Profits Committee shall have the powers set out in Schedule 5 when carrying out its duties under this paragraph 38.
- 38.3 The WPC Terms of Reference (in so far as they relate to the Monitored Policies) may only be amended in accordance with any applicable provisions contained in the WPC Terms of Reference and provided that, for all amendments other than those of a minor and/or technical nature (including for this purpose any amendments to correct manifest errors) or those required to be made by a change to Regulatory Requirements, the PRA and the FCA have been given notice of such amendments and either each of the PRA and the FCA have, before the expiration of the period of three months beginning with the date on which it received such notice, notified FLL that it does not object to the amendment, or that period has elapsed without either the PRA or the FCA having served on FLL a written notice of objection, provided always that any change to the form or content of the certificate required to be provided pursuant to paragraph 36.1.4 shall require notice to be given to the PRA and the FCA in accordance with this paragraph.
- 38.4 Notwithstanding any other provision in this Scheme, in carrying out its duties, the With Profits Committee shall be entitled to take actuarial advice where necessary to comply with Regulatory Requirements and/or otherwise where the With Profits Committee considers appropriate.

39. EXPENSES AND CHARGES

- 39.1 There shall be allocated to the FL FPLAL With Profits Fund, in respect of the maintenance and termination of Long Term Business (other than Long Term Business identified by the

FLL With Profits Actuary as consisting of group policies), only such amounts in respect of expenses and charges (excluding investment management fees) as are determined in accordance with Part I of Schedule 7.

39.2 In relation to the Demutualisation Protected Policies allocated to the FL FP With Profits Fund there shall be allocated only such amounts in respect of expenses and charges as are determined in accordance with Part II of Schedule 7.

39.3 There shall be allocated to the FL WL With Profits Fund only such amounts in respect of expenses and charges as are determined in accordance with Part III of Schedule 7.

40. MISCELLANEOUS PROVISIONS

40.1 Save as expressly required or permitted by this Scheme, there shall not at any time on or after the Effective Date be any transfer, exchange or re-allocation of property or liabilities between any Funds or between any With Profits Fund and the FLL Shareholder Fund except for:

40.1.1 a transfer or exchange of listed securities at mid-market value;

40.1.2 a transfer, exchange or re-allocation of property other than listed securities on such arm's length terms as may have been approved by the FLL Board, and in the case of any transfer, exchange or re-allocation to, from or in relation to a With Profits Fund, the details of which are notified to the With Profits Committee within a reasonable time thereafter;

40.1.3 a transfer, exchange or reallocation of non-Policy liabilities which has been authorised, and the terms of which approved, by the FLL Board after having taken account of appropriate actuarial advice.

40.2 Notwithstanding paragraphs 40.1.1 and 40.1.2, such transfer or exchange or re-allocation may take place on such other terms as the Relevant Board determines are fair to relevant policyholders, having taken account of appropriate actuarial advice and such transfer or exchange or re-allocation having been agreed in writing with the With Profits Committee.

41. TAXATION

41.1 Subject to the remainder of this paragraph 41, taxation, including deferred taxation, and Tax Reliefs attributable to the With Profits Funds shall be calculated on the basis that:

41.1.1 the With Profits Funds other than the FL FPLAL With Profits Fund and the FL WL With Profits Fund are each separate proprietary companies;

41.1.2 in the case of each of the FL FPLAL With Profits Fund and the FL WL With Profits Fund, it is a separate United Kingdom mutual life assurance company subject to taxation in the United Kingdom,

and such amounts of taxation, including deferred taxation, so calculated shall be charged or credited to the respective With Profits Fund.

41.2 Taxation (including deferred taxation) will be charged or credited to the With Profits Funds, and Tax Reliefs attributed to the With Profits Funds, in accordance with paragraph 41.1 by the Relevant Board having taken account of appropriate actuarial advice in a fair and equitable manner taking into account in the case of each With Profits Fund the nature of the business written, the profit arising and the relevant investment return, and in accordance with the relevant FLL PPFM applicable to that With Profits Fund, which set out how the calculation in paragraph 41.1 is to be made in certain circumstances as described therein.

41.3 Any Tax Reliefs calculated to be available to each of the FL FP With Profits Fund, FLC NWPF, FLC OWPF, FL FPLAL With Profits Fund, and FLAS Long Term Fund immediately before the Effective Date and not utilised in the period ending on the 2012 Scheme Effective Date, and any Tax Reliefs calculated to be available to the FLWL WPF and not

utilised in the period ending on the Effective Date, will be allocated to the FL FP With Profits Fund, the FL FLC New With Profits Fund, the FL FLC Old With Profits Fund, the FL FPLAL With Profits Fund, the FL FLAS With Profits Fund and the FL WL With Profits Fund respectively.

- 41.4 Any incremental tax that may arise in respect of BLAGAB trade profits or BLAGAB trade losses or non-BLAGAB trade profits or non-BLAGAB trade losses (and after taking into account any Tax Reliefs allocated pursuant to paragraph 41.3):
- 41.4.1 in respect of business effected prior to the Demutualisation Scheme Effective Date and transferred pursuant to the Demutualisation Scheme to the FL FP With Profits Fund, will be charged to that Fund for so long as such incremental tax arising in the FL FP With Profits Fund does not exceed the Determined Amount Value, and to the extent that it does so exceed the Determined Amount Value, will be charged to the FL Non Profit Fund;
 - 41.4.2 in respect of business of the FL FP With Profits Fund other than that referred to in paragraph 41.4.1 above, of the FL FLC Old With Profits Fund and of the FL FLAS With Profits Fund, will be charged to the FL FP With Profits Fund, the FL FLC Old With Profits Fund and the FL FLAS With Profits Fund respectively; and
 - 41.4.3 in respect of business of the FL FLC New With Profits Fund, will be charged to the FL Non Profit Fund for so long as such incremental tax arising in the FL FLC Old With Profits Fund is borne by the estate in that Fund and, if it is not so borne, will be charged to the FL FLC New With Profits Fund.
- 41.5 Paragraph 41.4 has effect for the period to 31 December 2012 as if the references to BLAGAB trade profits, BLAGAB trade losses, non-BLAGAB trade profits and non-BLAGAB trade losses were instead references to the equivalent terms (and hence the equivalent amounts) under the corresponding statutory provisions in force as at that date .
- 41.6 Notwithstanding any other provisions of this paragraph 41 or the relevant FLL PPFM the Relevant Board may, at its discretion (and in relation to circumstances which are outside the normal course of events), determine that taxation (including deferred taxation) will be charged or credited to the With Profits Funds, and Tax Reliefs attributed to the With Profits Funds, on a different basis to that set out in paragraphs 41.1 and 41.2 above and the relevant FLL PPFM, subject to the agreement of the FLL With Profits Actuary that such different basis is fair and equitable taking into account the circumstances in which the determination is made.

PART F

MISCELLANEOUS PROVISIONS

42. EFFECTIVE DATE

- 42.1 Except as provided in this paragraph and paragraph 42.2, this Scheme shall become effective at 00.01 a.m. GMT on 28 December 2013 or such other time and date as FLWL, FLC, FLL and FLP may agree (being a date and time falling after the making of the Order sanctioning this Scheme) and in any case no later than the date referred to in paragraph 42.2.
- 42.2 Unless all the provisions of this Scheme shall have become effective on or before 30 June 2014 or such later date and/or time, if any, as FLWL, FLC, FLL and FLP may approve and the Court may allow, this Scheme shall lapse.

43. CONTINUITY WITH PREVIOUS SCHEMES AND ORDERS

- 43.1 Subject to paragraph 43.2 and without prejudice to any liabilities thereunder which arise prior to the Effective Date, the Existing Schemes shall cease to have effect at the Effective Date.
- 43.2 The 2012 Scheme shall continue to have effect solely to the extent necessary to:
- 43.2.1 enable the FLL Board to give the certificates required by paragraphs 35.1.1 and 35.1.2 of the 2012 Scheme to be included in the Regulatory Return immediately following the Effective Date;
 - 43.2.2 enable the FLL With Profits Actuary to give the certificate required by paragraphs 35.1.3 or the 2012 Scheme to be included in the Regulatory Return immediately following the Effective Date; and
 - 43.2.3 enable the With Profits Committee to give the certificate required by paragraph 35.1.4 of the 2012 Scheme to be included in the Regulatory Return immediately following the Effective Date.

44. MODIFICATIONS, AMENDMENTS OR ADDITIONS

- 44.1 FLWL, FLC, FLL and FLP may together consent for and on behalf of themselves and all other persons concerned (other than the PRA and the FCA) to any modification of or addition to this Scheme or to any further condition or provision affecting the same which, prior to its sanction of this Scheme, the Court may approve or impose.
- 44.2 At any time after the sanction of this Scheme by the Court:
- 44.2.1 FLL shall be at liberty to apply to the Court for consent to amend the terms of this Scheme, provided that in any such case:
 - (A) FLP shall have given its consent (such consent not to be unreasonably withheld) to any such amendment which is an amendment to an FLP Provision;
 - (B) each of the PRA and the FCA shall be notified of and have the right to be heard at any hearing of the Court at which such application is considered;
 - (C) such application shall be accompanied by a certificate from an independent actuary to the effect that in his opinion the proposed amendment will not adversely affect the security or reasonable expectations of the holders of Specified Policies; andif such consent is granted, FLL may amend the terms of this Scheme in accordance with such consent.

- 44.2.2 FLP shall be at liberty to apply to the Court for consent to amend the terms of any FLP Provision, provided that in any such case:
- (A) FLL shall have given its consent (such consent not to be unreasonably withheld) to such amendment;
 - (B) each of the PRA and the FCA shall be notified of and have the right to be heard at any hearing of the Court at which such application is considered;
 - (C) such application shall be accompanied by a certificate from an independent actuary to the effect that in his opinion the proposed amendment will not adversely affect the security or reasonable expectations of the holders of Specified Policies; and
- if such consent is granted, FLP may amend the terms of such FLP Provision in accordance with such consent.
- 44.3 The consent of the Court shall not be required in relation to:
- 44.3.1 any amendment to this Scheme for which specific provision is made elsewhere in this Scheme, provided that such specific provision is fully complied with;
 - 44.3.2 minor and/or technical amendments to the terms of this Scheme (including amendments to correct manifest errors), provided that each of the PRA and the FCA has been notified of the same by FLL and has not objected thereto within 30 days of such notification and the FLL Board, where appropriate, has taken appropriate actuarial and/or legal advice, as relevant, in relation to the amendments;
 - 44.3.3 amendments to the terms of the Scheme which are reasonably considered by the FLL Board (in the case of the application of this Scheme to FLL) or the FLP Board (in the case of the application of this Scheme to FLP) to be necessary to ensure the provisions of this Scheme operate in the intended manner in circumstances where the provision to which the proposed variation applies will be materially affected by a variation to Regulatory Requirements (including the introduction of Solvency II) (in this paragraph a "**Regulatory Change**"), provided that:
 - (A) each of the PRA and the FCA has been notified of the proposed amendments by FLL or FLP (as the case may be) and has not objected thereto within 60 days of such notification;
 - (B) the With Profits Committee has been consulted if the proposed amendment is relevant to the function of the With Profits Committee, as described in the WPC Terms of Reference; and
 - (C) an independent actuary has provided FLL (in the case of the application of this Scheme to FLL) or FLP (in the case of the application of this Scheme to FLP) with a certificate to the effect that in his opinion the implementation of the proposed amendments will not have an adverse effect on the security or reasonable expectations of Policyholders as they stood before the implementation of the Regulatory Change.
- 44.4 At any time after 31 December 2031 all or any of the requirements of this Scheme in respect of separate treatment of, or otherwise applicable to Demutualisation Protected Policies may be modified or cease to apply (and this Scheme shall be deemed to have been amended accordingly) on such terms as the FLL With Profits Actuary may recommend in writing, provided that no such modification or cessation shall be permitted which would adversely affect the reasonable expectations of the holders of Demutualisation Protected Policies then remaining in force. Any proposed recommendation shall be notified in writing to the PRA and the FCA at least one month before it is proposed to take effect and the final form of such recommendation shall take

account of all comments thereon by the PRA and the FCA made within one month after such notification.

45. EVIDENCE OF TRANSFER

45.1 The production of a copy of the Order with any modifications, amendments and/or additions made under paragraph 44, shall for all purposes be evidence of the transfer to, and vesting in, the relevant Transferee:

45.1.1 on and with effect from the Effective Date, of the Transferred Business, the Transferred Assets, the Transferred Liabilities and the Transferred Policies; and

45.1.2 with effect from each relevant Subsequent Transfer Date, of the Residual Assets and Residual Liabilities.

46. COSTS AND EXPENSES

The costs and expenses of the preparation and carrying into effect of this Scheme shall be borne by the FL Non Profit Fund, the FLP Non Profit Fund, the FLC Long Term Fund, the FLWL NPF, Friends Life Management Services Limited and Friends Life Services Limited as determined by the Relevant Board.

47. SUCCESSORS AND ASSIGNS

This Scheme will bind and enure to the benefit of the successors and assigns of each of FLWL, FLC, FLL and FLP respectively.

48. THIRD PARTY RIGHTS

It is not intended that any person who is not a party to this Scheme may enforce any of its terms, whether by virtue of the Contracts (Rights of Third Parties) Act 1999 or otherwise.

49. GOVERNING LAW

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

Dated this 10th day of July 2013

SCHEDULE 1

REASSURANCE AGREEMENTS AND EQUIVALENT ARRANGEMENTS

PART I

SECTION A

INTRA-GROUP ARRANGEMENTS

Ref	Initial Cedant	Initial Reassurer	Final Cedant	Final Reassurer	Effective date	Type of arrangement
199	FLWL NPF	FLL NPF	FLL NPF	FLL NPF	7 September 2009	Fund Access arrangement
99	FLWL NPF	FLL NPF	FLL NPF	FLL NPF	15 September 2010	Fund Access arrangement
98	FLC NPF	FLWL NPF	FLP NPF	FLP NPF	15 September 2010	Fund Access arrangement
162	FLC NPF	FLL NPF	FLP NPF	FLL NPF	28 December 2012	Fund Access arrangement

SECTION B

FLWL INTER-FUND ARRANGEMENTS

Ref	Initial Cedant	Initial Reassurer	Final Cedant	Final Reassurer	Effective date	Type of arrangement
164	FLWL NPF	FLWL WPF	FLL NPF	FL WL WPF	01 January 2001	UWP Fund Access arrangement
164	FLWL NPF	FLWL WPF	FLP NPF	FL WL WPF	01 January 2001	UWP Fund Access arrangement
165	FLWL WPF	FLWL NPF	FL WL WPF	FLL NPF	01 January 2001	Fund Access arrangement
165	FLWL WPF	FLWL NPF	FL WL WPF	FLP NPF	01 January 2001	Fund Access arrangement

PART II

EXTERNAL FLWL REASSURANCE AGREEMENTS TO BE TRANSFERRED TO FLL

Ref	Reassurer	Effective date	Business covered
176	Winterthur Life Switzerland	01 January 1986	Group Disability Claims in payment
177	Swiss Re Europe S.A.	01 January 1984	Unit Linked Life Assurance Contracts Death Benefit (individual linked life and pensions)
178	Swiss Re Europe S.A.	01 January 1995	Home Provider & Home Partner death/critical illness benefits (individual linked life and pensions)
179	Swiss Re Europe S.A.	01 January 1995	Home Health and Home Partner Individual PHI Contracts
180	Swiss Re Europe S.A.	01 July 1988	Colonial Mutual Individual PHI
181	Swiss Re Europe S.A.	01 October 1996	Colonial Health Link Income Replacement Plans
182	Swiss Re Europe S.A.	01 April 1971	Capital Life Pacemaker Investment Plans. Pacemaker (quota share)
183	Swiss Re Europe S.A.	01 September 1976	Capital Life Pacemaker 2 Plans
184	Swiss Re Europe S.A.	01 April 1971	Capital Life Pacemaker contracts Pacemaker (Risk Premium)
185	Swiss Re Europe S.A.	01 November 1986	Individual PHI Policies
186	Swiss Re Europe S.A.	01 May 1976	All life assurance contracts underwritten by Provident Life Association of London Limited
187	Swiss Re Europe S.A.	01 October 1985	Individual and group life assurance
188	Swiss Re Europe S.A.	01 October 1995	Individual Unit Linked, Ordinary or Pension Policies and Group Life
189	Swiss Re Europe S.A.	01 January 1987	Colonial Mutual Life contracts
190	Kolnische Ruckversicherungs-Gesellschaft AG (The Cologne Re)	15 December 1997	Accidental Death Benefit
191	Canada Life International Re Ltd	01 January 2006	Pension annuity business (quota share)
192	Hannover Life Re (UK) Ltd Pacific Life Re Ltd and	Effective dates as agreed on	Facultative Cessions Products agreed on individual risk basis

Ref	Reassurer	Effective date	Business covered
	Friends Life Ltd	individual basis	
194	SCOR Global Life SE	01 April 1998	Variety of plans with critical illness cover

PART III

EXTERNAL FLWL REASSURANCE AGREEMENTS TO BE TRANSFERRED TO FLP

Ref	Reassurer	Effective date	Business covered
166	AXA Wealth Limited	01 October 2011	Fund Access arrangement
168	Aberdeen Asset Management Life and Pensions Ltd	07 December 2011	Fund Access arrangement
169	Scottish Equitable plc (trading as AEGON Scottish Equitable)	04 September 2013	Fund Access arrangement
170	Baillie Gifford Life Ltd	19 July 1999	Fund Access arrangement
171	BlackRock Life Limited (formerly BlackRock Asset Management Pensions Limited)	16 November 1998	Fund Access arrangement
172	BlackRock Life Limited (formerly BlackRock Pensions Limited)	29 October 2001	Fund Access arrangement
173	Legal and General Assurance (Pensions Management) Limited	30 August 2011	Fund Access arrangement
174	Schroder Pension Management Ltd	12 October 2007	Fund Access arrangement
175	Threadneedle Pensions Limited	01 October 2011	Fund Access arrangement
195	Aviva Investors Pensions Limited	01 October 2011	Fund Access arrangement
196	HSBC Life (UK) Limited	28 October 2008	Fund Access arrangement
197	Invesco Pensions Ltd	06 October 2008	Fund Access arrangement

SCHEDULE 2

TRANSFERRED POLICIES

PART I

FLWL EMBASSY POLICIES

Those Policies written by FLWL and administered on the "Embassy" administration system (and other manual records) which includes:

- (a) unit linked pensions including Group Personal Pensions, Group Stakeholder Pensions, Section 32 and 32a Buyout Plans ; and
- (b) occupational pensions including Contracted In Money Purchase Schemes, Group Additional Voluntary Contribution Schemes and Chapter IV Defined Contribution Schemes.

PART II

FLWL NON-EMBASSY POLICIES AND FLWL WPF BUSINESS

Those Policies written by FLWL and administered on the "LIFE" and "Adept" administration systems (and other manual records) which includes:

- (a) unit linked products;
- (b) unitised and conventional with-profits products;
- (c) pure protection products including Term Assurance, Critical Illness and Permanent Health Insurance;
- (d) pension products including Personal Pensions, Executive Personal Pensions and Self Invested Personal Pensions, Section 32s, Retirement Annuity Contracts and Trustee Investment Plans (including Rainbow Investor Money Plans ("RIMP")); and
- (e) other life products including Bonds, Endowments and Whole of Life Policies.

SCHEDULE 3

CALCULATION OF CERTAIN MISCELLANEOUS FL FP WITH PROFITS FUND SURPLUS

For each Financial Year, the Schedule 3 Amount in relation to all Demutualisation Protected Policies which were in force at any time during the period to which such calculation relates other than, in each case, Conventional With Profits Policies and PHI Policies (together "**Schedule 3 Policies**"), shall be computed as the aggregate of the following (the "**Schedule 3 Amount**"):

- (A) premiums less, in the case of Linked Policies or Unitised With Profits Policies, the investment element of those premiums plus any emerging annual management charges due from the Linked Funds including, in respect of Unitised With Profits Policies, notional annual management charges equal to the annual management charge which is applicable to the corresponding Linked Policy at the Demutualisation Scheme Effective Date
PLUS
- (B) investment income and gains received or accrued which are attributable to the statutory reserves of Policies excluding any unit linked reserves
PLUS
- (C) risk premiums charged to Unitised With Profits Policy or Linked Policy units
PLUS
- (D) any amount received in respect of, or reduction in non-linked reserves resulting from, a reinsurance or other transaction in respect of, or relating to, all or any category of Schedule 3 Policies, being a transaction:
 - (1) of which notice has been given to the PRA and the FCA and either each of the PRA and the FCA has, before the expiration of the period of one month beginning with the date on which it received such notice, notified FLL that it does not object to the transaction being designated for the purposes of this Schedule, or that period has elapsed without either the PRA or the FCA having served on FLL written notice of objection to such designation; and
 - (2) which has been designated for the purposes of this Schedule by the FLL Board (a "**Designated Transaction**")LESS
- (E) aggregate of any amounts paid or repaid to a reinsurer or other party pursuant to a Designated Transaction and any increase in non-linked reserves resulting from recapture of liabilities under a Designated Transaction
LESS (OR PLUS) AS THE CASE MAY BE
- (F) increase (or reduction) in non-linked reserves in respect of Schedule 3 Policies arising from any factor other than a Designated Transaction
LESS
- (G) claims less, in the case of Linked Policies or Unitised With Profits Policies, the investment element of those claims
LESS
- (H) Expenses determined in accordance with Schedule 7 attributable to the Policies
LESS
- (I) the amount (if any) by which the Schedule 3 Amount in respect of the previous year was negative

For the purposes of the calculation of the Schedule 3 Amount the term "non-linked reserves" shall be interpreted on a basis determined by the FLL Board, having taken account of appropriate actuarial advice, which so far as possible shall avoid the occurrence of a profit or loss arising on

the Solvency II Implementation Date solely as a result of the implementation of the Solvency II Requirements in respect of item (F) of the calculation of the Schedule 3 Amount, and the term “statutory reserves of Policies excluding any unit linked reserves” shall be consistently interpreted.

Premiums, claims, non-linked reserves, expenses and attributed investment income and gains taken into account in determining the Schedule 3 Amount shall be calculated net of amounts attributable to reassurances (other than any Designated Transaction, unless the FLL Board specifies otherwise at the time it designates the relevant transaction) on the basis which the FLL Board regards as appropriate.

Investment income and gains and expenses taken into account in this calculation shall be adjusted for policyholder tax attributable thereto on the basis which the FLL Board regards as appropriate.

SCHEDULE 4

SUPPORT ACCOUNTS AND ADDITIONAL ACCOUNTS

PART I

FL FP WITH PROFITS SUPPORT ACCOUNT

1. The "**Specified Year End Support Amount**" in relation to the FL FP With Profits Support Account shall be determined in accordance with the following table:

Year End	Specified Year End Support Amount (£)
31 December 2012	65,610,000
31 December 2013	59,049,000
31 December 2014	53,144,000
31 December 2015	47,830,000
31 December 2016	43,047,000
31 December 2017	38,742,000
31 December 2018	34,868,000
31 December 2019	31,381,000
31 December 2020	28,243,000
31 December 2021	25,419,000
31 December 2022	22,877,000
31 December 2023	20,589,000
31 December 2024	18,530,000
31 December 2025	16,677,000
31 December 2026	15,009,000
31 December 2027	13,509,000
31 December 2028	12,158,000
31 December 2029	10,942,000
31 December 2030	9,848,000
31 December 2031	0

PART II

FL FLC FUNDS SUPPORT ACCOUNT AND ADDITIONAL ACCOUNTS

1. In this Part II the following expressions bear the following meanings:
 - "**2015 5 Year Test Support Account Component**" means the amount determined as at 31 December 2015 in accordance with paragraph 5;
 - "**2020 5 Year Test Support Account Component**" means the amount determined as at 31 December 2020 in accordance with paragraph 5;
 - "**2015 Maximum Base Amount**" means the Support Account Component immediately prior to the close of business on 31 December 2015;
 - "**2020 Maximum Base Amount**" means the Support Account Component immediately prior to the close of business on 31 December 2020;
 - "**AA Adjustment**" means an amount calculated by the FLL Board with the agreement of the FLL With Profits Actuary which is equal to statutory profit that has emerged over the period from 1 January 2012 to 28 December 2012 in respect of the FLC Long Term Fund plus the nominal interest attributable to the Value of In Force in respect of the policies allocated to the FLC Long Term Fund over the period from 1 January 2012 to 28 December 2012;
 - "**Additional Account Component**" means the amount determined from time to time in accordance with paragraphs 4, 5, 6 and 7 of this Part II;
 - "**Annual Calculation Date**" means 31 December of each calendar year, starting in 2012;
 - "**Appropriate Assets**" means such assets as FLL determines from time to time, having taken account of appropriate actuarial advice, and having regard to the prospective use of such assets to make Temporary Transfers in accordance with paragraph 29 of this Scheme and the other obligations set out in this Part II;
 - "**Current Calculation Date**" means the FL FLC Calculation Date as at which the amount of the FL FLC Funds Support Account is being calculated and determined;
 - "**2012 Scheme Effective Date Support Amount**" means £406,000,000 (four hundred and six million pounds), held in Appropriate Assets;
 - "**FL FLC Calculation Date**" means 31 December 2015, 31 December 2020 and 31 December 2025;
 - "**most recent available Regulatory Returns**" means the Regulatory Returns for the company or all of the companies to be used in a given calculation for their then most recent completed financial period in respect of which Regulatory Returns are publicly available for that company or those companies. In the case of references to the Regulatory Returns of more than one company, such references shall only be deemed to be the most recent available Regulatory Returns when all such companies have filed their Regulatory Returns in respect of their then most recent completed financial period provided that any company which has not made its Regulatory Returns for the most recent completed financial period by 31 March following the end of such financial period shall be excluded from any given calculation;
 - "**Minimum Statutory Free Assets Ratio**" means the Statutory With Profits Free Assets Ratio of the Peer Company having the third highest Statutory With Profits Free Assets Ratio of the Peer Companies;
 - "**Net With Profits Liabilities**" means the total of the mathematical reserves, net of reinsurance ceded, in respect of with profit business shown on line 21 of Form 18 in respect of the FL FLC Funds or the Peer Company as the context demands;
 - "**PCC Percentage**" means 65% in 2015 and 50% in 2020;
 - "**Peer Companies**" subject to this Part II, the twelve largest UK companies (being companies authorised with a Part 4A permission under FSMA to carry on Long Term

Business in the United Kingdom) carrying on Long Term Business measured by Net With Profits Liabilities determined from the most recent available Regulatory Returns of such companies, provided that the following companies shall not be included in the group of twelve Peer Companies:-

- (a) Friends Life Group plc and any body corporate which is its subsidiary which carries on Long Term Business;
- (b) any company that is closed to new with profits business (whether direct or through inwards reinsurance) other than increments; and
- (c) any company which FLL reasonably determines:-
 - (i) was not one of the largest twelve UK companies (within the meaning set out in this definition) measured by the volume of new business introduced to it by independent financial advisers in the period covered by its most recent available Regulatory Returns; or
 - (ii) did not have at least 50 per cent of its new business introduced to it by independent financial advisers in the period covered by its most recent available Regulatory Returns (new business being measured by annual premiums plus one tenth of single premiums in each case),and so that a reference in this paragraph (c) to independent financial advisers shall include, if future regulation permits, representatives that are tied to more than one marketing group; and

"Peer Company" means any one of them and in the event that fewer than twelve companies qualify as a Peer Company for the purposes of this definition, the Peer Companies shall comprise such companies as do so qualify;

"Prudent Capital Calculation" means, as at any FL FLC Calculation Date, the aggregate of:

- (a) the PCC Percentage of the capital requirement in respect of the FL FLC New With Profits Fund, determined on a Pillar 2 Basis plus any Stressed Management Action Value in respect of the FL FLC New With Profits Fund as at that FL FLC Calculation Date; plus
- (b) 90 per cent. of any Temporary Transfer then outstanding from, and Permanent Contribution that has been made to, the FL FLC New With Profits Fund from the FL FLC Funds Support Account as at that FL FLC Calculation Date; plus
- (c) the amount (if any, and expressed as a positive number) by which the realistic value of liabilities (on a Pillar 2 Basis) of the FL FLC New With Profits Fund as at that FL FLC Calculation Date exceeds the realistic value of assets (on a Pillar 2 Basis) of the FL FLC New With Profits Fund as at that FL FLC Calculation Date, in each case determined on a Pillar 2 Basis and excluding any Temporary Transfers then outstanding;

"Specified Year End Support Amount" has the meaning given to it in paragraph 10 of this Part II;

"Statutory Free Assets" means as at the relevant Annual Calculation Date:

- (a) in the case of FLL, the result of the following calculation:
 - (i) the element of the Support Account Component held within the FL FLC Funds NPF Support Account; plus
 - (ii) the aggregate of the amounts shown in Form 18, Line 11 of the relevant Regulatory Returns for each of the FL FLC New With Profits Fund and the FL FLC Old With Profits Fund; less
 - (iii) the aggregate of the amounts shown in Form 18, Line 13 of the relevant Regulatory Returns for each of the FL FLC New With Profits Fund and the FL FLC Old With Profits Fund and the amounts shown in Form 18, Line 29 of the

relevant Regulatory Returns for each of the FL FLC New With Profits Fund and the FL FLC Old With Profits Fund, and

- (b) in the case of a Peer Company the assets in the long-term fund (Form 13, Line 89) less the mathematical reserves (Form 14, Line 11) and other reserves (Form 14, Lines 12 and 49);

For the avoidance of doubt, the Statutory Free Assets shall be calculated using the Support Account Component as at the Annual Calculation Date as determined in accordance with paragraphs 5, 6 and 7 of this Part II and before any adjustment to the Support Account Component as at the Annual Calculation Date as determined in accordance with paragraph 8 of this Part II.

"Statutory With Profits Free Assets Ratio" means the ratio of the Statutory Free Assets to the Net With Profits Liabilities (in each case using the most recent available Regulatory Returns);

"Support Account Component" means the amount determined from time to time in accordance with paragraphs 4, 5, 6 and 7 and 8 of this Part II and required to be held as Appropriate Assets; and

"Value of In Force" means on any date the present value of the projected future after tax profits expected to arise from a specified block of business on or after that date.

2. The amount of the FL FLC Funds Support Account at any time shall be calculated in accordance with the provisions of this Part II. As at the 2012 Scheme Effective Date the amount of the FL FLC Funds NPF Support Account and the amount of the FL FLC Funds SHF Support Account shall be determined by the FLL Board with the agreement of the FLL With Profits Actuary and the FLL Actuarial Function Holder provided that the aggregate amount in the FL FLC Funds NPF Support Account and the FL FLC Funds SHF Support Account shall be equal to the 2012 Scheme Effective Date Support Amount.
3. From the 2012 Scheme Effective Date the amount of the FL FLC Funds Support Account shall be the aggregate of the Support Account Component and the Additional Account Component. The Support Account Component shall be held within the FL FLC Funds NPF Support Account or the FL FLC Funds SHF Support Account, or a combination of the FL FLC Funds NPF Support Account and the FL FLC Funds SHF Support Account, at all times in Appropriate Assets.
4. From the 2012 Scheme Effective Date until 31 December 2012 the amount of the Support Account Component shall be the 2012 Scheme Effective Date Support Amount. From the 2012 Scheme Effective Date until 31 December 2015 the amount of the Additional Account Component shall be zero.
5. With effect from 31 December 2015 the FLL Board, having taken account of appropriate actuarial advice, shall:
 - 5.1 determine the amount of the 2015 5 Year Test Support Account Component as at 31 December 2015 as the 2015 Maximum Base Amount, or, if lower, the figure calculated as the Prudent Capital Calculation as at 31 December 2015, provided that the amount of the 2015 5 Year Test Support Account Component shall not be less than the Specified Year End Support Amount (determined in accordance with the table set out in paragraph 10 of this Part II), in which case the 2015 5 Year Test Support Account Component shall be the Specified Year End Support Amount. If, following the Prudent Capital Calculation in accordance with this paragraph 5.1, the amount of the 2015 5 Year Test Support Account Component is lower than the 2015 Maximum Base Amount the Additional Account Component shall be zero. At the Current Calculation Date the Support Account Component shall be equal to the 2015 5 Year Test Support Account Component. The Additional Account Component shall only be a positive figure in circumstances where the result of the Prudent Capital Calculation is greater than the 2015 Maximum Base Amount and in such circumstance, the amount of such Additional Account Component shall, subject to the Additional Account Component never being greater than the amount of the

FL FLC Additional Account as at 31 December 2015, be an amount equal to the result of the Prudent Capital Calculation less the 2015 Maximum Base Amount;

- 5.2 determine the amount of the 2020 5 Year Test Support Account Component as at 31 December 2020 as the 2020 Maximum Base Amount, or, if lower, the figure calculated as the Prudent Capital Calculation as at 31 December 2020, provided that the amount of the 2020 5 Year Test Support Account Component shall not be less than the Specified Year End Support Amount (determined in accordance with the table set out in paragraph 10 of this Part II), in which case the 2020 5 Year Test Support Account Component shall be the Specified Year End Support Amount. At the Current Calculation Date, the Support Account Component shall be equal to the 2020 5 Year Test Support Account Component. For the avoidance of any doubt, the Additional Account Component as at 31 December 2020 shall be zero;
- 5.3 with effect from 31 December 2025, review, in consultation with the PRA and the FCA, the arrangements for maintaining the FL FLC Funds Support Account contained in this Part II.
6. Any reduction in the amount of the FL FLC Funds Support Account made from time to time in accordance with the provisions of this Part II shall be subject to:
 - 6.1 any Regulatory Requirements;
 - 6.2 the approval of the FLL Board, including for the purposes of such approval, the FLL Board being satisfied that having taken account of appropriate actuarial advice, any reduction in the amount of the FL FLC Funds Support Account would not adversely affect the reasonable expectations of holders of Policies within the FL FLC Funds (other than to an immaterial extent); and
 - 6.3 the PRA, the FCA and the With Profits Committee having been notified of such reduction.
7. At each Annual Calculation Date, if the FL FLC Additional Account, as determined in accordance with paragraph 9 of this Part II, falls below the level of the Additional Account Component, then the Additional Account Component shall be set equal to the value of the FL FLC Additional Account and the consequent reduction in the Additional Account Component shall be added to the Support Account Component element of the FL FLC Funds NPF Support Account. For the avoidance of doubt, when they are performed as at the same date, the calculation in this paragraph 7 shall be performed after the calculation in paragraph 5 of this Part II;
8. At each Annual Calculation Date, and subject always to paragraphs 8.3 and 8.4 below:
 - 8.1 the FL FLC Additional Account shall be reduced in accordance with paragraph 9 of this Part II. Any such reduction in the FL FLC Additional Account, less any reduction in the Additional Account Component in accordance with paragraph 7 of this Part II, shall be matched by a corresponding increase in the Support Account Component element of the FL FLC Funds NPF Support Account to the extent required to ensure that the Statutory With Profits Free Assets Ratio would not fall below the Minimum Statutory Free Assets Ratio.
 - 8.2 If the Statutory With Profits Free Assets Ratio is lower than the Minimum Statutory Free Assets Ratio, then the increase in the Support Account Component element of the FL FLC Funds NPF Support Account shall be limited to the reduction in the FL FLC Additional Account less any reduction in the Additional Account Component in accordance with paragraph 7 of this Part II. If the Statutory With Profits Free Assets Ratio is greater than or equal to the Minimum Statutory Free Assets Ratio then there shall be no increase to the Support Account Component element of the FL FLC Funds NPF Support Account resulting from this paragraph 8. Any such increase (or decrease) in the Support Account Component element of the FL FLC Funds NPF Support Account resulting from the application of this paragraph 8 will be offset by an equal decrease (or increase) in the FL FLC Funds SHF Support Account provided that the FL FLC Funds SHF Support Account shall not fall below zero. For the avoidance of doubt, the calculation in this paragraph 8 shall be performed after the calculation in paragraph 7 of this Part II;provided that

- 8.3 the FLL Board, having taken account of appropriate actuarial advice, may refer any difficulty as to the application of the definitions of Peer Companies or Minimum Statutory Free Assets Ratio to the FLL With Profits Actuary, whose decision shall be final and binding; and
- 8.4 in the event of any change in law or regulation which, in the view of the FLL Board, having taken account of appropriate actuarial advice, makes the Statutory With Profits Free Assets Ratio an inappropriate measure of the financial strength of a company carrying on Long Term Business, then FLL may request an independent actuary to determine an alternative ratio, which can be calculated using publicly available data, and which he considers will represent an appropriate measure of the financial strength of a company carrying on Long Term Business, and any such ratio shall, upon notice thereof to FLL, the PRA and the FCA, become the Statutory With Profits Free Assets Ratio.

For the avoidance of doubt:

- 8.4.1 any increase in the Support Account Component element of the FL FLC Funds NPF Support Account, in accordance with this paragraph 8, is not permanent and may be reversed at the next Annual Calculation Date; and
- 8.4.2 no transfer of assets may be made from the FL Non Profit Fund to the FLL Shareholder Fund to the extent that such transfer would give rise to an obligation to increase the Support Account Component element of the FL FLC Funds NPF Support Account in accordance with this paragraph 8.
9. For the purposes of this Part II, the amount of FL FLC Additional Account shall be determined in accordance with the following table:

Date	Amount
31 December 2011	£494,000,000 plus AA Adjustment
31 December 2012	£494,000,000
31 December 2013	£344,000,000
31 December 2014	£244,000,000
31 December 2015	£144,000,000
31 December 2016	£44,000,000
31 December 2017 and thereafter	£0

10. For the purposes of paragraph 5 of this Part II, the "Specified Year End Support Amount" in relation to the FL FLC Funds Support Account shall be determined in accordance with the following table:

FL FLC Calculation Date	Specified Year End Support Amount
31 December 2015	£220,000,000
31 December 2020	£100,000,000

PART III

FL FLAS WPF SUPPORT ACCOUNT

1. The amount of the FL FLAS WPF Support Account shall be calculated and determined in accordance with the provisions of this Part III.
2. Certain amendments were made to the provisions of this Part III in accordance with paragraph 24 of this Scheme, with effect from 12 June 2015 (the "**2015 Amendments**").
3. Subject to paragraph 6 of this Part III, from 31 December 2014 the amount of the FL FLAS WPF Support Account with effect from the relevant Year End (and in respect of the calendar year following such Year End) shall be the Specified Year End Support Amount determined in accordance with paragraph 4.
4. The "**Specified Year End Support Amount**" in relation to the FL FLAS WPF Support Account shall be determined in accordance with the following table:

(A) Year End	(B) Specified Year End Support Amount (£m)
31 December 2014	144
31 December 2015	138
31 December 2016	132
31 December 2017	126
31 December 2018	120
31 December 2019	114
31 December 2020	108
31 December 2021	102
31 December 2022	96
31 December 2023	90
31 December 2024	84
31 December 2025	78
31 December 2026	72
31 December 2027	66
31 December 2028	60
31 December 2029	55
31 December 2030	50
31 December 2031	45
31 December 2032	40
31 December 2033	35

<p>31 December 2034 and thereafter for so long as the FL FLAS With Profits Fund is maintained as a separate Fund</p>	<p>Min(With Profits Realistic Liabilities (N) / With Profits Realistic Liabilities (N-1), 1) * Specified Year End Support Amount (N-1)</p> <p>Where "N" is the Year End for the year in respect of which the relevant calculation is being performed, "N-1" is the Year End for the year before the year in respect of which the calculation is being performed and "With Profits Realistic Liabilities" means the amount shown in Form 19, Line 59 of the Regulatory Returns for the FL FLAS With Profits Fund, or an equivalent figure if Form 19 is no longer prepared.</p>
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5. Liabilities relating to annuities vesting from within the FL FLAS With Profits Fund (including for such purposes liabilities relating to deferred annuities in the FL FLAS With Profits Fund coming into payment) (together "**FLAS Vesting Annuity Liabilities**") have not been allocated to the FL FLAS With Profits Fund on vesting since 4 February 2013 (the "**FLAS Vesting Annuity Redirection**").
6. Subject to paragraphs 7 and 8, if (at any time) the FLAS Vesting Annuity Redirection ceases and FLAS Vesting Annuity Liabilities are allocated to the FL FLAS With Profits Fund on subsequent vesting, then the FLL Board, having taken account of appropriate actuarial advice, shall make such amendments to this Part III as it considers appropriate in order to reflect the writing of such annuity business in the FL FLAS With Profits Fund ("**Re-vesting Amendments**"), provided that:
 - 6.1 An independent actuary has provided FLL with a certificate stating that, in his or her opinion:
 - (A) having taken into account the effect of the allocation of FLAS Vesting Annuity Liabilities to the FL FLAS With Profits Fund, the Re-vesting Amendments proposed to the Specified Year End Support Amounts result in the likelihood of the FL FLAS With Profits Fund and the FL FLAS WPF Support Account becoming unable together to cover the deemed capital resources requirements of the FL FLAS With Profits Fund calculated on a Pillar 2 Basis (such inability being an "**Insufficiency**") being not materially greater than the likelihood of an Insufficiency arising in respect of the FL FLAS With Profits Fund, taking into account the amount of the FL FLAS WPF Support Account determined in accordance with this Part III (before the proposed Re-vesting Amendments are made) and assuming that FLAS Vesting Annuity Liabilities would continue not to be allocated to the FL FLAS With Profit Fund on vesting; and
 - (B) any other Re-vesting Amendments proposed to this Part III will not have a material adverse effect on policyholders whose policies are allocated to the FL FLAS With Profits Fund. In making his or her assessment, the independent actuary will not take into account either the effect of the allocation of FLAS Vesting Annuity Liabilities to the FL FLAS With Profits Fund or the Re-vesting Amendments proposed to the Specified Year End Support Amounts, provided that the independent actuary may take into account the allocation of FLAS Vesting Annuity Liabilities to the FL FLAS With Profits Fund to the extent that the amendments proposed pursuant to this paragraph 6.1(B) relate to paragraph 9 of this Part III.
 - 6.2 The FLL Board has notified the PRA and the FCA of the proposed changes.
7. The Board shall not be obliged to make any amendments to this Part III in accordance with the mechanism described in paragraph 6.1A to the extent that the effect of such amendments would be to cause the Specified Year End Support Amounts to exceed the level of the Specified Year End Support Amounts that would have been determined in accordance with the provisions of this Part III in effect immediately prior to the 2015 Amendments.

8. In the event that the Board proposes to make amendments to this Part III, in accordance with the mechanism described in paragraph 6, the opinion set out in paragraph 6.1(A) shall only be required should the effect of those amendments be that the Specified Year End Support Amounts would be lower than the level of the Specified Year End Support Amounts that would have been determined in accordance with the provisions of this Part III in effect immediately prior to the 2015 Amendments.

PART IV

FL FP ADDITIONAL ACCOUNT

1. The amount of the FL FP Additional Account shall be calculated and determined in accordance with the following table:

Year End	FL FP Additional Account Amount (£)
31 December 2012	139,658,000
31 December 2013	122,200,000
31 December 2014	104,743,000
31 December 2015	87,286,000
31 December 2016	69,829,000
31 December 2017	52,372,000
31 December 2018	34,914,000
31 December 2019	17,457,000
31 December 2020	0

PART V

FL FP POST DEMUTUALISATION WITH PROFITS SUPPORT ACCOUNT

1. The amount of the FL FP Post Demutualisation With Profits Support Account shall be equal to £25 million as at the 2012 Scheme Effective Date.
2. The Specified Year End Support Amount in respect of the FL FP Post Demutualisation With Profits Support Account shall be equal to £25 million or such other amount as determined by the FLL Board from time to time, having taken account of appropriate actuarial advice, and taking into account the total liabilities outstanding in relation to FL FP Post Demutualisation Policies at the relevant time.

PART VI

FL WL WPF SUPPORT ACCOUNT

1.
 - 1.1 One or more Permanent Contributions shall be made from the FL WL WPF Support Account to the FL WL With Profits Fund if the FLL Board, having taken appropriate actuarial advice, considers that any of the following will result, or has resulted, in a reduction in the values of any Colonial Policies:
 - 1.2 a change to asset share or other methodology used to determine the value of any Colonial Policies; or
 - 1.3 the aggregate value of deficiencies allocated to any Colonial Policy pursuant to the FL WL With Profits Fund PPFM exceeding the aggregate value of surpluses allocated to such Colonial Policy pursuant to the FL WL With Profits Fund PPFM.
 - 1.4 In the event of any change to asset share or other methodology used to determine the value of any Colonial Policies, the FLL With Profits Actuary shall report in writing to the FLL Board as soon as reasonably practicable after the change has been implemented on whether, in his opinion, Assets should be transferred from the FL WL WPF Support Account to the FL WL With Profits Fund pursuant to this paragraph 1 and, if so, the value of the Assets which should be transferred. Any such report will set out the reasons for the conclusions reached by the FLL With Profits Actuary (i) on whether Assets should be transferred from the FL WL WPF Support Account to the FL WL With Profits Fund and (ii) if appropriate, on the value of the Assets which should be transferred.
 2. The Assets to be transferred pursuant to paragraph 1 from the FL WL WPF Support Account to the FL WL With Profits Fund by way of Permanent Contribution shall have a value which the FLL Board considers is sufficient to restore or maintain the value of the Colonial Policies, provided that the value of the Assets transferred by way of Permanent Contribution shall not exceed the FL WL WPF Support Account Value (as defined in paragraph 3 below) at the time of any proposed transfer and such Permanent Contribution shall not be liable to be repaid by the FL WL With Profits Fund. Nothing in this Part VI of Schedule 4 shall require FLL to determine whether there has been a reduction in value of any particular Colonial Policy and accordingly, in assessing whether a reduction in the value of a Colonial Policy will arise, or has arisen, the FLL Board will be entitled to use valuation methodologies which it, having taken appropriate actuarial advice, considers appropriate or practical.
 3. Subject to paragraphs 4 and 5, the amount of the FL WL WPF Support Account (the "**FL WL WPF Support Account Value**") shall be calculated and determined as at each Year End in accordance with the following table:

(1) Year End	(2) FL WL WPF Support Account Value
31 December 2013	15,000,000
31 December 2014	12,500,000
31 December 2015	10,500,000
31 December 2016	8,500,000
31 December 2017	7,000,000
31 December 2018	6,000,000
31 December 2019	5,000,000

31 December 2020	4,000,000
31 December 2021	3,500,000
31 December 2022	3,000,000
31 December 2023 to 31 December 2024	2,500,000
31 December 2025 to 31 December 2026	2,000,000
31 December 2027 to 31 December 2029	1,500,000
31 December 2030 to 31 December 2036	1,000,000
31 December 2037 to 31 December 2040 and thereafter for so long as the FL WL With Profits Fund is maintained as a separate Fund	500,000

4. In the event that the FLWL Segregated Sub-Fund Value exceeds £15,000,000, the figures in column (2) of the table in paragraph 3 shall be adjusted as at the Effective Date such that:
 - 4.1 the figure in column (2) of the table in paragraph 3 in respect of the 31 December 2013 Year End shall be increased to the FLWL Segregated Sub-Fund Value; and
 - 4.2 the remainder of the figures in column (2) of the table in paragraph 3 in respect of the relevant Year End identified in column (1) of that table shall be increased by such proportion as the excess of the FLWL Segregated Sub-Fund Value over £15,000,000 bears to £15,000,000.
5. In the event that a Permanent Contribution is made from the FL WL WPF Support Account to the FL WL With Profits Fund in accordance with paragraph 2, the FL WL WPF Support Account Value shall be reduced (and the table at paragraph 3 above shall be deemed to be amended accordingly) by the full amount of such Permanent Contribution in respect of each Year End following the date on which such a Permanent Contribution is made, provided that the FL WL WPF Support Account shall not be reduced below zero.

SCHEDULE 5

WITH PROFITS COMMITTEE – FL FLC OLD WITH PROFITS FUND MONITORING OBLIGATIONS

- 1. POWERS OF THE WITH PROFITS COMMITTEE**
- 1.1 Subject to the Scheme, and without prejudice to the WPC Terms of Reference, the With Profits Committee shall have the following powers in connection with the management of the FL FLC Old With Profits Fund. The With Profits Committee may take the advice of the FLL With Profits Actuary on any issues that may affect the equitable treatment of holders of the Monitored Policies.
- 1.2 The With Profits Committee shall have the right and duty:
 - 1.2.1 to review the management of the FL FLC Old With Profits Fund (including investment and bonus policy and surrender terms for With Profits Policies) with a view to determining whether the Scheme is being operated in a manner which is prejudicial to the reasonable expectations of holders of Monitored Policies and/or whether the Scheme is being complied with;
 - 1.2.2 to review any change to the allocation of assets and liabilities to the FL FLC Old With Profits Fund (including internal reinsurance arrangements) with a view to determining whether such change is likely to be prejudicial to the reasonable expectations of holders of the Monitored Policies; and
 - 1.2.3 to make representations and recommendations accordingly to the directors with respect to the operation of the FL FLC Old With Profits Fund.
- 1.3 In exercising its powers under this Schedule, the With Profits Committee shall have particular regard to any divergence between the operation of the FL FLC New With Profits Fund and the FL FLC Old With Profits Fund.
- 1.4 The With Profits Committee shall, and any adviser appointed by the With Profits Committee shall, be entitled:
 - 1.4.1 during normal business hours and on reasonable notice to examine the books, records and accounts of FLL or any other member of the Group from time to time insofar as they relate to the FL FLC Old With Profits Fund or to the amount of any cost, charge or expense to be allocated to the FL FLC Old With Profits Fund;
 - 1.4.2 to be promptly supplied with such information including reports, analyses and projections of an actuarial nature from the FLL Chief Actuary and the FLL With Profits Actuary in such form, at such times and with such frequency as each may reasonably require to keep him properly informed about the business of FLL or any member of the Group insofar as it relates to the FL FLC Old With Profits Fund;
 - 1.4.3 to be promptly supplied with details of any proposals to amend the Scheme; and
 - 1.4.4 to have reasonable access to the FLL With Profits Actuary and to the auditors of FLL.
- 2. ROLE OF THE WITH PROFITS COMMITTEE IN RELATION TO MONITORED POLICES**
- 2.1 The With Profits Committee may take external financial, accounting, actuarial, legal or other advice as it reasonably requires in relation to carrying out its role in relation to the Monitored Policies. FLL shall provide, or procure the provision of, administrative and secretarial support to the With Profits Committee reasonably necessary to enable it to properly carry out its functions under this Schedule.
- 2.2 To the extent that, in accordance with the WPC Terms of Reference, the costs incurred by or otherwise attributable to the With Profits Committee in carrying out its duties under this Schedule are borne by the FL FLC Funds, such costs shall be borne as to the Old Fund

Proportion by the FL FLC Old With Profits Fund and as to the New Fund Proportion by the FL Non Profit Fund.

3. DISCUSSIONS WITH THE PRA AND THE FCA

The With Profits Committee may discuss the application of the Scheme or the reasonable expectations of the holders of policies allocated to the FL FLC Old With Profits Fund with the PRA and the FCA or any other regulatory body, but only after first discussing the matter with the FLL Board and the FLL With Profits Actuary and having given the directors such prior notice of its intention to do so as is reasonably practicable. The FLL Board and the With Profits Committee shall notify the PRA and the FCA in advance and as soon as is practicable of any proposal from the With Profits Committee to discuss a matter with the PRA and the FCA or any other regulatory body which falls under this paragraph 3.

4. INFORMATION

FLL shall procure that details of any complaint, enquiry, investigation or disciplinary proceedings emanating from the PRA and the FCA or any other regulatory body having or claiming to have jurisdiction over the FL FLC Old With Profits Fund relating to any matter which might reasonably be expected to affect adversely the FL FLC Old With Profits Fund or the interests of any holders of Monitored Policies shall be promptly submitted to the members of the With Profits Committee and the FLL With Profits Actuary.

SCHEDULE 6

PPB AMOUNT AND FURTHER TEMPORARY TRANSFER

PART I

CALCULATION OF PPB AMOUNT

- 1.1 The FLL Board, having taken account of appropriate actuarial advice, shall calculate at least once in every period of 12 months (a "**PPB Calculation Date**") the PPB Amount in accordance with the terms of this Schedule in respect of With Profits Policies allocated at that time to each of the FL FLC Funds.
- 1.2 If, in respect of the FL FLC Funds, the FLL Board, having taken account of appropriate actuarial advice, determines, as at the PPB Calculation Date, that the performance of either the With Profits Policies allocated to an FLC Fund or the assets supporting those With Profits Policies has been such that:
- 1.2.1 the market value of assets (being the market value between a willing buyer and willing seller, as determined by FLL) specifically or notionally allocated to that FLC Fund;
- is not greater than or equal to the aggregate of:
- 1.2.2 (A) the PPB Amount calculated in respect of that FLC Fund;
- (B) such amount as represents the percentage of the Technical Provisions in respect of Non Participating Business allocated to that FLC Fund (excluding any Transitional Adjustments and any liabilities ceded by Reinsurance Arrangements) as is equal to $100(1+R(U-1))$ where:
- (i) U is the figure, expressed as a decimal, determined by dividing the liabilities in respect of Non Participating Business allocated to that FLC Fund (calculated as at 31 December 2015 in accordance with Prudential Regulation as provided for in this paragraph (B) upon sanction of this Scheme by the Court on 3 December 2013 and excluding any liabilities ceded by Reinsurance Arrangements) by the Technical Provisions (calculated as at 31 December 2015 as if the Solvency II Implementation Date had already occurred) in respect of such Non Participating Business (excluding any Transitional Adjustments and any liabilities ceded by Reinsurance Arrangements) provided that if there is a material change to the method used to determine the value of such Non Participating Business the FLL Board shall, having taken account of appropriate actuarial advice, make such amendments (without the consent of the Court) to the value of U as are necessary to ensure that the value of the Non Participating Business is unaffected by such change; and
- (ii) R is the Run Off Factor;
- (C) in the case of the FL FLC New With Profits Fund, the amount of the RBM Account; and
- (D) any other liabilities attributable to that FLC Fund in accordance with this Scheme,

(the deficit between the amount calculated pursuant to paragraph 1.2.1 and the amount calculated pursuant to paragraph 1.2.2 being a "**PPB Deficit**"), a Further Temporary Transfer shall be advanced to the relevant FLC Fund (the "**Receiving Fund**") from the FL FLC Fund Support Account in an amount equal to the PPB Deficit in respect of the

Receiving Fund, and otherwise on the terms set out in paragraph 29 of this Scheme in relation to Further Temporary Transfers.

PART II

PPB AMOUNT

1. INTERPRETATION

1.1 In this Part II the following expressions bear the following meanings:

"Amulet Policy" means:

- (a) the Master Policy written by AELLAS through its branch in Jersey on 23rd March 1992 and endorsed on 20th August 1993 and 28th January 1997 relating to the Amulet With Profits Investment Plan; and
- (b) the Master Policy issued by AELLAS on 6th October 1995 and endorsed on 16th December 1996 and 28th January 1997 relating to the Amulet Personal Pension Plan, the Amulet Group Pension Plan and the Amulet With Profits Bond;

"BLAGAB Business" has the meaning given to it in paragraph 3.2.8 below;

"Non BLAGAB Business" has the meaning given to it in paragraph 3.2.8 below; and

"Relevant Date" has the meaning given to it in paragraph 3.1 below.

2. INTRODUCTION

2.1 The PPB Amount (being the provision for policyholder benefits) in respect of With Profits Policies represents an amount that is intended to be sufficient to meet the expected benefits for those With Profits Policies, together with all associated costs, and is determined in accordance with this Schedule.

2.2 If by virtue of any change in law, regulation or policy of any governmental or regulatory authority (including the application or interpretation thereof) any alteration is required to any of the terms of this Schedule 6, the FLL Board having taken account of appropriate actuarial advice shall, after prior notification to the PRA and the FCA, make such alteration to this Schedule 6 as it considers necessary or appropriate to reflect such change, provided that no such alteration (which is not necessary) may be made which would adversely affect policyholders' reasonable expectations.

2.3 Determination of the PPB Amount shall be made by the FLL Board having taken account of appropriate actuarial advice.

3. INDIVIDUAL BUSINESS

3.1 For individual business the PPB Amount at any date (the **"Relevant Date"**) for in force With Profits Policies shall be calculated using discounted cashflow projections performed on the basis set out in paragraph 3.2 of this Part. These cashflow projections may be performed on either an individual policy basis or using sample policy model points approved by the FLL Board, having taken account of appropriate actuarial advice, as being representative of the With Profits Policies allocated to the FL FLC Funds as a whole. The PPB Amount in respect of a With Profits Policy shall be the value of the future expected net outgo in respect of that policy including the value of future transfers to the FLL Shareholder Fund, calculated using standard actuarial techniques provided that no allowance shall be included in respect of any incremental tax that may arise from the recognition of surplus for transfer to the FLL Shareholder Fund.

3.2 The basis used to determine the PPB Amount shall be as follows:

- 3.2.1 when determining the value of the expected claim payments on a With Profits Policy, terminal bonus rates and market value adjustment factors will be set to give total payouts on surrender and maturity that are expressed as a percentage of the asset share of the relevant Policy;

- 3.2.2 maturity proceeds will be set to equal the greater of:
- (A) a percentage (X%) of asset share where X may vary by original term, product type and premium paying mode and is determined in accordance with this Schedule; and
 - (B) the guaranteed benefits at maturity;
- 3.2.3 subject to any overriding guarantees, payouts on surrender, transfer away or early retirement will increase from 100% to X% of asset share during the policy term in a manner to be determined by the FLL Board having taken account of appropriate actuarial advice, where X may vary by original term, product type and premium paying mode and is determined in accordance with this Schedule;
- 3.2.4 for Policies without a specified maturity date surrender values and transfer values will increase from 100% of asset share on the date the Policy comes into force to X% after a period of years (to be determined by the FLL Board having taken account of appropriate actuarial advice) where X may vary by product type and premium paying mode and is determined in accordance with this Schedule;
- 3.2.5 the value of X for each broad product category will be set by the FLL Board having taken account of appropriate actuarial advice to be consistent with the payout ratios for actual maturities (or in the case of business without a specified maturity date, for actual surrenders after the relevant period of years in force) over the three calendar years immediately prior to the date as at which the PPB Amount is being calculated. The FLL Board having taken account of appropriate actuarial advice will adjust the values of X to remove the effect of any Reorganisation Bonuses or Special Scheme Bonuses (as applicable) which had been declared on the relevant maturing or surrendering policies in accordance with Schedule 8 or the FL FLC Funds PPFM , and which would otherwise distort the payout ratios;
- 3.2.6 the FLL Board having taken account of appropriate actuarial advice shall vary the values of X determined in accordance with paragraph 3.2.2 to 3.2.5 inclusive of this Part of this Schedule if it believes it is necessary to do so in order to ensure that such values are consistent with policyholders' reasonable expectations;
- 3.2.7 terminal bonus rates on Amulet Policies will be set to give payouts equal to 100% of the asset share of the relevant Policies;
- 3.2.8 the discount rate shall be equal to the prospective investment return on the assets backing the relevant With Profits Policies. This rate shall be determined by taking the product of the gross of tax investment returns set out in paragraphs 3.2.12 to 3.2.18 of this Part of this Schedule and the assumed mix of assets determined in accordance with paragraph 3.2.19 of this Schedule adjusted to allow for tax on income and gains for basic life assurance and general annuity business (within the meaning of section 431F of the Income and Corporation Taxes Act 1988 ("**BLAGAB Business**") and weighted by the mean liabilities for BLAGAB Business and business other than BLAGAB Business ("**Non BLAGAB Business**") respectively. The rate of tax applied to unrealised gains shall be reduced to reflect the deferral of tax over the average period until the gains are expected to be realised;
- 3.2.9 the assumed rate of future price inflation shall be the difference at the Relevant Date between:-
- (A) the Financial Times-Actuaries Index gross redemption yield for long dated British Government stocks, converted to an annual yield; and
 - (B) the Financial Times-Actuaries Index real redemption yield for over 15 year British Government index linked stocks, converted to an annual yield;

- 3.2.10 the assumed rate of increase in national average earnings shall be 2 per cent above the rate of future price inflation determined in paragraph 3.2.9 of this Part;
- 3.2.11 the assumed future rate of increase in expenses shall be 1.0 per cent above the rate of future price inflation determined in accordance with paragraph 3.2.9 of this Part;
- 3.2.12 the assumed gross of tax return on fixed interest Government securities shall be the Financial Times-Actuaries Index gross redemption yield for long dated British Government stocks at the Relevant Date, converted to an annual yield;
- 3.2.13 the assumed gross of tax return on cash investments shall be 1 per cent below the return in paragraph 3.2.12 of this Part;
- 3.2.14 the assumed gross of tax return on the other fixed interest securities shall be 0.5 per cent above the assumed gross of tax return on fixed interest Government securities;
- 3.2.15 the assumed gross of tax return on assets such as UK equities, overseas equities, real property and unit trust units, as determined by the FLL Board having taken account of appropriate actuarial advice shall be 2.2 per cent above the gross of tax return on fixed interest Government securities;
- 3.2.16 the assumed gross dividend yield on UK equities shall be the gross dividend yield at the Relevant Date on the FTSE Actuaries All Share Index;
- 3.2.17 the assumed gross dividend yield on overseas equities shall be the gross dividend yield at the Relevant Date on the Financial Times/Standard and Poor's Actuaries World Index (excluding UK);
- 3.2.18 the assumed gross rental income yield on property shall be the property income yield at the Relevant Date on the IPD UK Annual Property Index subject to a maximum of the total assumed gross of tax investment return on UK Equities;
- 3.2.19 in determining future investment returns the actual mix of assets at the Relevant Date shall be used unless the FLL Board having taken account of appropriate actuarial advice considers that this would not be consistent with policyholders' reasonable expectations or with FLL's investment policy for with profits business, in which case future investment returns shall be determined using such alternative mix of assets as the FLL Board having taken account of appropriate actuarial advice may consider appropriate;

Demographic Assumptions

- 3.2.20 assumptions as to future mortality, morbidity and withdrawal shall be derived by the FLL Board having taken account of appropriate actuarial advice having regard to the recent experience of FLL as at the Relevant Date and to the import of any recent exceptional circumstances and allowing for anticipated improvements in annuitant mortality. In the event that insufficient time has passed since the 2012 Scheme Effective Date for FLL to develop statistically significant experience of its own, the experience of FLC prior to the 2012 Scheme Effective Date shall also be considered;

Expenses

- 3.2.21 the expense assumptions shall be derived from the total expenses incurred by whichever is the relevant of FLC or FLL in the last complete calendar year prior to the Relevant Date;

Taxation

- 3.2.22 Taxation shall be provided for on the bases and rates applicable on the Relevant Date except to the extent that future changes are known at the Relevant Date;

Indices

3.2.23 in the event that any of the indices described in this Part should be discontinued or materially altered, the FLL Board having taken account of appropriate actuarial advice shall use such alternative indices as it shall deem to be appropriate given the nature and purpose of the calculation.

4. GROUP BUSINESS

For the following classes of with profit business:-

4.1.1 group final salary profit sharing scheme Policies;

4.1.2 Retirement Savings Scheme Policies (including those relating to schemes which are wound up); and

4.1.3 Personal Retirement Bonds,

the PPB Amount for in force business will be equal to the aggregate liabilities including cost of bonus.

5. GUARANTEED ANNUITY OPTIONS

5.1 The PPB Amount shall include a provision, determined using the stochastic projections underlying the calculation of Best Estimate Liabilities, in respect of any liability to pay maturity benefits on With Profits Policies which comprise Non BLAGAB Business in excess of those determined in a manner consistent with paragraph 3.2 of this Part, pursuant to any guarantee included in the terms of such With Profits Policy as to the basis on which the proceeds of such With Profits Policy can be used to purchase a pension annuity in payment.

5.2 The provision shall be determined on a basis that reflects FLL's expected approach in relation to the treatment of Policies with such guarantees and shall be sufficiently large as to be sufficient to meet the projected cost of the guarantees under 75% of the investment scenarios considered.

SCHEDULE 7

EXPENSES AND CHARGES

PART I

FL FPLAL WITH PROFITS FUND EXPENSES

1. FL FPLAL WITH PROFITS FUND EXPENSES

1.1 The following expenses (including VAT thereon, if any) of the FL FPLAL With Profits Fund shall be dealt with as follows:

1.1.1 The actual costs of buying and selling investments for the benefit of the FL FPLAL With Profits Fund will be charged to the FL FPLAL With Profits Fund.

1.1.2 The investment management expenses including a portion of the overhead expenses of FLL as a whole attributable to investment management will be charged to the FL FPLAL With Profits Fund in an amount certified by the FLL Board, having taken account of appropriate actuarial advice, to be fair and reasonable having regard to the size of the fund, the categories of asset in which the fund is invested and the investment management expenses incurred by FLL as a whole.

1.1.3 Subject to paragraph 1.1.4, the FL FPLAL With Profits Fund will not be charged with any expenses attributable to new business undertaken within FLL.

1.1.4 Subject to paragraph 1.1.5, the FL FPLAL With Profits Fund will be charged with such share of renewal, maintenance, claims surrender and lapse expenses including overhead expenses of FLL as is determined by the FLL Board, having taken account of appropriate actuarial advice, to be fairly attributable thereto having regard to the number of FL FPLAL With Profits Fund Policies then in force and the level of activity thereby required.

1.1.5

(A) The renewal and maintenance charges in each year charged to the FL FPLAL With Profits Fund shall not exceed:

(1) in the case of any FL FPLAL With Profits Fund Policy which is a non-group policy, £12 per policy, subject to adjustment by reference to any increase or decrease after 31 March 1988 in the Retail Prices Index or any other substitute index or register conveying the same or similar information; and

(2) in the case of all FL FPLAL With Profits Fund Policies which are group policies, 0.75% of the Best Estimate Liabilities of those policies as at 30 September in the relevant year.

(B) The claims, surrenders and lapses charges in each year charged to the FL FPLAL With Profits Fund shall not exceed:

(1) in the case of FL FPLAL With Profits Fund Policies which are non-group policies, £36 per policy, subject to adjustment as provided for in paragraph 1.1.5(A)(1) above; and

(2) in the case of all FL FPLAL With Profits Fund Policies which are group policies, 3% of the amount of claims or surrenders payable in that year under such policies.

PART II

FL FP WITH PROFITS FUND EXPENSES

1. FL FP WITH PROFITS FUND EXPENSES

1.1 Amounts in respect of:

- 1.1.1 the acquisition, set up, maintenance and termination of Demutualisation Protected Policies allocated to the FL FP With Profits Fund; and
- 1.1.2 investment management fees to be allocated to the FL FP With Profits Fund in respect of Demutualisation Protected Policies,

shall with effect from the Effective Date be allocated in accordance with the FL FP With Profits Fund PPFM and shall at no time exceed the charges for similar services made by third party companies and shall at no time significantly exceed the costs which the With Profits Fund would incur if FLL were to undertake such services itself and the only business of FLL were that comprised in the FL FP With Profits Fund.

PART III

FL WL WITH PROFITS FUND EXPENSES

1. FL WL WITH PROFITS FUND EXPENSES

1.1 In this Part III:

"Management Services" means services which are, in the opinion of the FLL Board, having taken account of appropriate actuarial advice, provided in respect of the management of the FL WL With Profits Fund, including any administrative or other related services, but excluding any Investment Services;

"Investment Services" means services which are, in the opinion of the FLL Board, having taken account of appropriate actuarial advice, provided in respect of the investment management of the FL WL With Profits Fund, including any administrative or other related services, but excluding any Management Services;

"Winterthur Misselling Liabilities" means all payments required to be made by FLL in respect of the following Liabilities arising prior to the WLUK Scheme Effective Date:

- (a) to the extent that the same result from advice given or representations made by Winterthur or any of its representatives, employees or agents in contravention of or not in conformity with any applicable laws, regulations, conduct of business rules or guidelines in force;
- (b) by way of fines, statutory levies and payments to or imposed by a regulatory body or any other body acting under the guidance of any of them to the extent that such fines, levies or payments are, in the opinion of the FLL Board, having taken account of appropriate actuarial advice, referable to the WLUK Scheme Policies;
- (c) which the FLL Board, having taken account of appropriate actuarial advice, considers is of a similar character to those referred to in paragraph (a) and (b) and should be included in this definition; and
- (d) costs incurred in undertaking reviews to determine the extent of payments to be made as referred to in (a), (b) or (c) above and in administering such payments.

1.2 From the Effective Date there shall be debited and charged to the FL WL With Profits Fund all of the following (including VAT, where applicable):

- 1.2.1 such expenses payable by FLL in respect of Management Services as are attributable to any Policy which has been allocated to the FL WL With Profits Fund (excluding, for the avoidance of doubt, any expenses as are payable thereunder in respect of FL WL Unitised With Profits Policies), subject to the maximum level of charges set out in paragraph 2 of this Part III but provided always that such expenses may be increased beyond those limits if the FLL Board, having taken account of appropriate actuarial advice, considers it reasonable to do so in all the circumstances;
- 1.2.2 (A) such proportion of the investment management fees payable after the Effective Date by FLL in respect of Investment Services as the FLL Board, having taken account of appropriate actuarial advice, shall consider to be fairly attributable to the management of the assets of the FL WL With Profits Fund subject to the maximum level of charges set out in paragraph 2 but provided always that such charges may be increased beyond those limits if the FLL Board, having taken account of appropriate actuarial advice, considers it reasonable to do so in all the circumstances; and
- (B) all other costs and expenses (excluding costs in respect of taxation) incurred by FLL arising in connection with the acquisition, disposal or disposition of, or dealing with, any asset of the FL WL With Profits Fund;
- 1.2.3 to the extent not comprised within sums debited or charged to the FL WL With Profits Fund pursuant to either paragraph 1.2.1 or 1.2.2 of this Part III, such proportion of the overhead and other general expenses of FLL as the FLL Board, having taken account of appropriate actuarial advice, shall determine to be fairly attributable to the FL WL With Profits Fund on the basis that no proportion of such overhead and general expenses shall be fairly so attributable in respect of any FL WL Unitised With Profits Policies;
- 1.2.4 such proportion of the amounts payable from time to time by FLL to the Financial Services Compensation Scheme established under the Financial Services and Markets Act 2000 and of any other levies referable to a period after the WLUK Scheme Effective Date payable by FLL in accordance with any applicable Regulatory Requirements as shall be determined by the FLL Board, having taken account of appropriate actuarial advice, to be fairly attributable to the FL WL With Profits Fund and so that for the avoidance of any doubt such amounts shall not include:
- (A) amounts payable from time to time by FLL in connection with claims made by or on behalf of holders of Policies in respect of alleged mis-selling of Policies or maladministration; or
- (B) any amount payable with respect to any Policy issued after the WLUK Scheme Effective Date which is not allocated to the FL WL With Profits Fund;
- 1.2.5 such other cost, expense or liability of the Long Term Business of FLL from time to time but only to the extent that the FLL Board, having taken account of appropriate actuarial advice, shall consider the same to be wholly attributable to the business comprised within the FL WL With Profits Fund;
- 1.3 No payments relating to Winterthur Misselling Liabilities in respect of those WLUK Scheme Policies allocated to the FL WL With Profits Fund may be debited from or charged to the FL WL With Profits Fund.
2. Set out below are the maximum level of charges which can be passed to and met from the FL WL With Profits Fund for each different type of Policy allocated to the FL WL With Profits Fund and type of service to be provided as at 1st January 2001. The maximum level of charge which can be made in any month from the Effective Date will be the monetary amount shown increased by the percentage change in the index of retail prices for the period from the calendar month prior to 1st January 2001, as appropriate, to the

calendar month prior to the date for which the maximum charge is being calculated. This does not apply to maximum charge rates expressed in percentage terms rather than monetary amounts which will not be increased in line with the index of retail prices. For the purposes of this paragraph 2, if at any time the index of retail prices ceases to be updated or is the subject of rebasing, FLL shall adopt such alternative method as the FLL Board, having taken appropriate actuarial advice shall, determine to be appropriate in all the circumstances.

2.1.1 Maximum Fee for Management Services at 1st January 2001

Contract Type	Per annum charges (per policy unless otherwise states). Monthly charges to be calculated as 1/12 of amounts set out below £
COLONIAL CONTRACTS	
With-profit whole life and endowment	
- Premium paying	15.67
- Non-premium paying	8.10
Term assurances	10.69
Flexible Benefit Plans (including terminated schemes):	
- Per contributing member	36.30
- Per non-contributing member	18.42
Retirement Annuities (live)	20.15
With-profit Retirement Annuities (paid up)	10.34
WINTERTHUR CONTRACTS	
Conventional whole life and endowments	
- Premium paying	15.67
- Non-premium paying	7.83
Unit linked life savings and protection	
- Premium paying	34.00
- Non-premium paying	25.50
Unit linked life home health and conventional PHI	
- Premium paying	11.33
- Non-premium paying	11.33
Unit linked pensions	
- Premium paying	40.00
- Non-premium paying	30.00
Term assurance (premium paying)	10.69

Conventional pension policies	
- Premium paying	36.30
- Non-premium paying	18.15
Annuities in payment (non-premium paying), including PHI claims in payment	20.57

To the extent that any Policy allocated to the FL WL With Profits Fund is not listed in the above table, then the maximum level of charges which can be passed to and met from the FL WL With Profits Fund in respect of Management Service for such Policy shall be determined by the FLL Board, having taken account of appropriate actuarial advice, subject always to the terms of the relevant Policy and policyholders reasonable expectations.

2.1.2 Maximum Fee for Investment Services

The Investment Services fees shall in aggregate be no more than

$$\frac{0.20\% * \text{AssetValue}}{12} \text{ per month where}$$

'Asset Value' means the average of the aggregate values of the assets comprised within the FL WL With Profits Fund on the first business day and the last business day of any calendar month, calculated according to the generally accepted accounting principles used in the UK to calculate the value of assets of life assurance companies.

SCHEDULE 8

SPECIAL SCHEME BONUS

1. DEFINITIONS

"**CRR**" means, in relation to any Fund, the capital requirement for that Fund on a Pillar 2 Basis (including any individual capital guidance issued by the PRA);

"**Gross CRR**" means the capital requirement in respect of the FL FLC Old With Profits Fund, determined on a Pillar 2 Basis plus any Stressed Management Action Value as at the relevant date;

"**Realistic Assets**" means, in relation to any Fund, the value of the realistic assets of that Fund calculated on a Pillar 2 Basis and excluding any Temporary Transfers then outstanding or the FL FLC Remaining Support Amount;

"**Realistic Liabilities**" means, in relation to any Fund, the value of the realistic liabilities of that Fund calculated on a Pillar 2 Basis. For the avoidance of doubt, the realistic liabilities for the FL FLC Old With Profits Fund will be calculated based on the supportable long term target payout ratio of the FL FLC New With Profits Fund;

"**Special Scheme Bonus Surplus**" means, as at any Special Scheme Bonus Calculation Date:

$$A - B - (C \times q)$$

where:

A is the estimated amount of Realistic Assets of the FL FLC Old With Profits Fund as at the relevant Special Scheme Bonus Calculation Date;

B is the estimated amount of Realistic Liabilities of the FL FLC Old With Profits Fund as at the relevant Special Scheme Bonus Calculation Date;

C is the estimated Gross CRR for the FL FLC Old With Profits Fund as at the relevant Special Scheme Bonus Calculation Date; and

q shall be determined in accordance with the table below:

Special Scheme Bonus Calculation Date	q
31 December 2015	0.50
31 December 2020	0.25
31 December 2025	0.05
All Special Scheme Bonus Calculation dates falling after 31 December 2025	0.05

"**Special Scheme Bonus Threshold**" means an amount equal to 1% of the aggregate of the sum assured plus reversionary bonuses in respect of conventional with profits business entitled to a Special Scheme Bonus under paragraph 2.5 of this Schedule 8 plus 1% of the aggregate unit values in respect of unitised with profits business entitled to a Special Scheme Bonus under paragraph 2.5 of this Schedule 8.

2. DECLARATION OF SPECIAL SCHEME BONUS

2.1 In advance of each Special Scheme Bonus Calculation Date (or as soon as practicable thereafter), FLL shall calculate the Special Scheme Bonus Surplus as at that Special Scheme Bonus Calculation Date.

2.2 There shall be no declarations of Special Scheme Bonus after the merger of the FL FLC Old With Profits Fund and the FL FLC New With Profits Fund in accordance with paragraph 35 of this Scheme.

- 2.3 The FLL Board shall distribute the Special Scheme Bonus Surplus by way of declarations of Special Scheme Bonus (and the associated transfers to the Shareholder Fund) during the five year period after each Special Scheme Bonus Calculation Date in accordance with this Schedule if appropriate actuarial advice obtained by the FLL Board certifies that such a declaration (and the associated transfer to the Shareholder Fund) would not, in the opinion of the FLL With Profits Actuary, adversely affect the reasonable expectations of holders of Policies allocated or reassured to the FL FLC Old With Profits Fund (other than to an immaterial extent), unless the Special Scheme Bonus Surplus in respect of that Special Scheme Bonus Calculation Date is below the Special Scheme Bonus Threshold, in which case the FLL Board shall determine whether a Special Scheme Bonus shall be declared in respect of that Special Scheme Bonus Surplus having taken account of appropriate actuarial advice and having consulted with the With Profits Committee (but, for the avoidance of doubt, would not be expected to declare a Special Scheme Bonus in respect of that Special Scheme Bonus Surplus).
- 2.4 Declarations of Special Scheme Bonus (and the associated transfer to the Shareholder Fund) will be made as soon as practicable during the five year period after the Special Scheme Bonus Calculation Date and will be declared, if in the form of reversionary bonus, as at the Calculation Date and, if in the form of terminal bonus, when the Policy becomes a claim.
- 2.5 All in force With Profits Policies allocated to the FL FLC Old With Profits Fund or reassured to the FL FLC Old With Profits Fund from the FL FLC New With Profits Fund will be eligible to share in declarations of Special Scheme Bonus. The FLL Board having taken account of appropriate actuarial advice, shall determine the allocation of the amount available to be declared amongst the relevant With Profits Policies.
- 2.6 The FLL Board may declare Special Scheme Bonuses either as terminal bonuses on relevant With Profits Policies becoming claims in the five year period after the relevant Calculation Date or as additional reversionary or annual bonuses. If Special Scheme Bonuses are declared other than as terminal bonus, the Asset Shares of the relevant With Profits Policies will be increased by amounts determined by the FLL Board having taken account of appropriate actuarial advice so as to ensure that the estimated PPB Amount for the relevant Policies as at the Special Scheme Bonus Calculation Date increases by at least 90% of the amount available for distribution to policyholders and to the Shareholder Fund.

SCHEDULE 9

EXISTING PENSION SCHEMES WITHIN FLWL

1.1 In this Schedule, the following expressions bear the following meanings:

"**Arrangement**" has the meaning respectively given under CAPPS Scheme, FLAPPS Scheme, New Scheme 1 and New Scheme 2;

"**CAPPS Scheme**" means The Cheviot Appropriate Personal Pension Scheme (PSTR 00605462RK), a registered pension scheme of which FLWL is the provider, pursuant to which certain of the FLWL Embassy Policies provide benefits;

"**CAPPS Scheme Policies**" means those FLWL Embassy Policies which are linked to the CAPPS Scheme;

"**FLAPPS Scheme**" means The Friends Life Appropriate Personal Pension Scheme (PSTR 00605458RB), a registered pension scheme of which FLWL is the provider, pursuant to which certain of the FLWL Embassy Policies provide benefits;

"**FLAPPS Scheme Policies**" means those FLWL Embassy Policies which are linked to the FLAPPS Scheme;

"**New Scheme 1**" means Cheviot (No. 2) Appropriate Personal Pension Scheme (PSTR 00801478RX), a registered pension scheme under the Finance Act 2004 of which FLP is the provider and which, save as to its membership, name and HMRC registered pension scheme number, is otherwise identical in all material respects to the CAPPS Scheme; and

"**New Scheme 2**" means Friends Life Appropriate Personal Pension Scheme (Number 3) (PSTR 00801479RL), a registered pension scheme under the Finance Act 2004 of which FLP is the provider and which, save as to its membership, name and HMRC registered pension scheme number, is otherwise identical in all material respects to the FLAPPS Scheme.

1.2 On and with effect from the Effective Date and without any further act or instrument and notwithstanding any provision to the contrary in the Order:

1.2.1 each of the CAPPS Scheme Policies shall be allocated to New Scheme 1, and accordingly but without limitation:

- (A) the membership of and rights under the CAPPS Scheme shall henceforth be regarded as membership of and rights under New Scheme 1;
- (B) each such CAPPS Scheme Policy shall henceforth be regarded as referring to New Scheme 1 in place of the CAPPS Scheme;
- (C) the assets of the CAPPS Scheme associated with the CAPPS Scheme Policies shall be allocated to New Scheme 1;
- (D) in respect of CAPPS Scheme Policies in relation to which a member of the CAPPS Scheme has declared a trust of his death benefits under the CAPPS Scheme, the death benefits shall be payable under New Scheme 1 and the definition of "Trust Fund" contained in such trusts shall be deemed to refer to New Scheme 1 in substitution for the "CAPPS Scheme"; and
- (E) in respect of CAPPS Scheme Policies in relation to which a member of the CAPPS Scheme has given an expression of wish or written instruction to the scheme administrator in relation to his rights under the CAPPS Scheme (together a "**CAPPS Instruction**"), and whether such CAPPS Instruction is binding on the scheme administrator or not, to the extent such CAPPS Instruction refers to the CAPPS Scheme, it shall be deemed to refer to New Scheme 1 in substitution for the "CAPPS Scheme" and the scheme administrator shall be deemed to have notice of the same;

- 1.2.2 each of the FLAPPS Scheme Policies shall be allocated to New Scheme 2, and accordingly but without limitation:
- (A) the membership of and rights under the FLAPPS Scheme shall henceforth be regarded as membership of and rights under New Scheme 2;
 - (B) each such FLAPPS Scheme Policy shall henceforth be regarded as referring to New Scheme 2 in place of the FLAPPS Scheme;
 - (C) the assets of the FLAPPS Scheme associated with the FLAPPS Scheme Policies shall be reallocated to New Scheme 2;
 - (D) in respect of FLAPPS Scheme Policies in relation to which a member of the FLAPPS Scheme has declared a trust of his death benefits under the FLAPPS Scheme, the death benefits shall be payable under New Scheme 2 and the definition of "Trust Fund" contained in such trusts shall be deemed to refer to New Scheme 2 in substitution for the "FLAPPS Scheme"; and
 - (E) in respect of FLAPPS Scheme Policies in relation to which a member of the FLAPPS Scheme has given an expression of wish or written instruction to the scheme administrator in relation to his rights under the FLAPPS Scheme (together a "**FLAPPS Instruction**"), and whether such FLAPPS Instruction is binding on the scheme administrator or not, to the extent such FLAPPS Instruction refers to the FLAPPS Scheme, it shall be deemed to refer to New Scheme 2 in substitution for the "FLAPPS Scheme" and the scheme administrator shall be deemed to have notice of the same.

SCHEDULE 10

DEFERRED BONUS POLICIES

1. The Deferred Bonus Policies shall entitle the holders thereof to fixed bonuses, paid for and borne by the FL Non Profit Fund. The holders of such policies shall not be eligible to participate in any other surplus, whether arising in the FL Non Profit Fund, the FLL Shareholder Fund or any other Fund.
2. These policies are those previously marketed under the following product names:
 - (i) Colonial Pacemaker Investment Plan;
 - (ii) Colonial Golden Future Investment Plan;
 - (iii) Colonial Pacemaker Investment Bond (Mark I, II and III)
 - (iv) Colonial Pacemaker 2 (Mark I, II and III)
 - (v) Colonial Pacemaker Child's Security Plan; and
 - (vi) Colonial Pacesetter Investment Plan.

No. 4839 of 2013

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

**IN THE MATTER OF FRIENDS LIFE WL
LIMITED**

and

**IN THE MATTER OF FRIENDS LIFE COMPANY
LIMITED**

and

**IN THE MATTER OF FRIENDS LIFE AND
PENSIONS LIMITED**

and

IN THE MATTER OF FRIENDS LIFE LIMITED

and

**IN THE MATTER OF PART VII OF
THE FINANCIAL SERVICES AND MARKETS
ACT 2000**

SCHEME

**pursuant to Part VII of the
Financial Services and Markets Act 2000**

**Herbert Smith Freehills LLP
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