



**Canada Life**

**Transfer of some of Canada Life's  
UK life, pensions and protection  
policies to Scottish Friendly**

*Customer Guide*

July 2019

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We have agreed to transfer a block of Canada Life’s UK life, pensions and protection policies to Scottish Friendly.

This guide provides you with the key facts relating to the transfer.

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If you have any questions, you can contact us:-

- By phone: **0345 3000227** (or from overseas **+44 [0] 345 3000227**)
- By email: **customer.enquiries@canadalife.co.uk**
- By letter: **Canada Life Limited**  
**Canada Life Place**  
**Potters Bar**  
**Hertfordshire**  
**EN6 5BA**

You can also have a look at our website **[www.canadalife.co.uk/scottish-friendly-transfer](http://www.canadalife.co.uk/scottish-friendly-transfer)** where all documents relating to this transfer are available, including scheme documents, the Independent Expert’s full report and reports by Canada Life’s Chief Actuary and With Profits Actuary.

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## Section 1:

# THE TRANSFER

### **Why are we proposing to transfer some of our policies to Scottish Friendly?**

Following a strategic review of our UK operations, we made the decision to transfer some of our policies to another financial services provider. In doing so, a key priority was finding a company that shares our focus on delivering high quality customer service.

After a competitive bid process, we determined that Scottish Friendly has the scale, history and skill set to administer these policies on an ongoing basis. Our priority was to make sure our customers receive the highest standards of care both during this transition period, and beyond.

### **Who is Scottish Friendly?**

Scottish Friendly is a leading UK mutual life and investments organisation with roots stretching back to 1862. It provides investors and their families with a wide range of investment and protection solutions and provides life and investment products and services to other financial organisations. As at 31 December 2017, Scottish Friendly looked after assets worth more than £2.7 billion and had over 550,000 members.

In the UK, Scottish Friendly is authorised by the Prudential Regulation Authority (“PRA”) and regulated by the Financial Conduct Authority (“FCA”) and the PRA. It is also covered by the Financial Services Compensation Scheme. You can find more information about Scottish Friendly on their website: [www.scottishfriendly.co.uk](http://www.scottishfriendly.co.uk)

### **How does the transfer happen?**

In June 2018, we entered into an agreement with Scottish Friendly to transfer a block of 155,000 UK life, pensions and protection policies to them using a legal process known as a Part VII transfer.

The terms of the transfer are set out in a legal document called the “Scheme”. A summary of the terms of the Scheme is set out in Appendix 1.

The transfer is subject to:

- Review by an Independent Expert specifically appointed to assess the impact on policyholders. We provide more details about the Independent Expert and their opinion on page 5 of this guide.
- The approval of the High Court – the High Court will approve the transfer if it is satisfied that the necessary legal requirements have been satisfied and the proposals are appropriate in all circumstances.
- Consultation with our regulators – the PRA and FCA have reviewed the Scheme.

Due to the requirements of local law, we will also need to carry out separate court processes in Jersey and Guernsey. Your covering letter will explain if these are relevant to you and further details are set out in Appendix 3.

### **What is a Part VII transfer?**

This is a term used to describe the process of transferring insurance business from one insurance company to another using the legal mechanism set out in Part VII of the Financial Services and Markets Act 2000. The process includes various protections for policyholders, including the appointment of an Independent Expert to report to the High Court on the terms of the transfer and the requirement for the High Court to be satisfied that it is appropriate, in all the circumstances, for it to approve the transfer.

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### **What policies are being transferred?**

The policies that are being transferred to Scottish Friendly were nearly all written before 2003. They were sold originally by Canada Life, Albany Life or Manulife and include the following types of product:

- Endowments
- Whole of Life
- Investment Bonds
- Pensions
- Protection

All of the policies currently allocated to our Manulife Fund, including a small number of pension annuities, are also being transferred.

### **When and where will the High Court hearing take place?**

The High Court hearing will take place on 22 October 2019 in the Companies Court, Business and Property Courts, Rolls Building, Fetter Lane, London, EC4A 1NL.

### **When do you expect the transfer to take place?**

If the High Court approves the transfer, we expect to implement it on 1 November 2019. We refer to this as the “transfer date”.

### **What will change for me?**

The main change for transferring policyholders will be that Scottish Friendly will replace Canada Life as the provider of your policy and will become responsible for the administration and all obligations regarding your policy (for example, paying a claim).

Other than the change in policy provider, the transfer will not change any of the current terms and conditions of your policy or your rights and obligations.

Further details on what the transfer will mean for you, depending on the type of policy you hold, are set out in the following sections of this guide.

### **Will my policy be safe after the transfer?**

The Independent Expert has considered the potential impact of the transfer on the benefit security of all Canada Life and Scottish Friendly policyholders. As discussed in section 2 below, he has concluded that the transfer will not have a material adverse effect on the security of any of these policyholders.

### **Will the transfer affect the tax status of my policy?**

The transfer will not affect the UK tax status of any transferred policies, or the tax status of any person resident in Jersey or Guernsey.

### **Why don't you need my consent to transfer my policy to Scottish Friendly?**

The legal process we are following does not require us to obtain the consent of individual policyholders in order to implement the transfer. However, you can raise any concerns you may have about the transfer or make an objection – see section 8 of this guide.

### **What should I do next?**

If you have no further questions or concerns after reading this guide, there is no need to take any further action in relation to the transfer. We suggest you keep these documents with your policy documents for future reference. If anyone else has an interest in your plan (for example, joint holders, assignees or trustees), please also make them aware of the proposed transfer as soon as possible.

If you would like to receive further information about the transfer or have any questions, please contact us. Our contact details are on page 2 of this guide.

### **What should I do if I have any concerns or want to object?**

Please see page 10 of this guide for details about how you can raise your concerns or make an objection if you consider you may be adversely affected by the transfer.

### **What if I am resident in Jersey or Guernsey?**

Please see Appendix 3 for details specific to Jersey and Guernsey policyholders

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## Section 2:

# THE INDEPENDENT EXPERT AND REVIEW OF THE TRANSFER

### **What is the role of the Independent Expert?**

The role of the Independent Expert is to prepare a report on the terms of the transfer to assist the High Court in understanding the likely effects on all policyholders and whether they are being treated fairly.

### **Who is the Independent Expert?**

The Independent Expert is Mr Simon Grout, a partner at Oliver Wyman, a global management consulting firm. Mr Grout is an actuary who is independent of the companies involved in the Scheme. His appointment and the form of his report have been approved by the PRA, in consultation with the FCA.

### **What are the conclusions of the Independent Expert's report?**

You can find a summary of the Independent Expert's report in Appendix 2. Overall, the Independent Expert has concluded that:

Based on the analysis as summarised above and described in detail in the Report, I have concluded that the Transfer will not have a material adverse effect on transferring CLL policyholders, non-transferring CLL policyholders or SF policyholders in relation to:

- Security of benefits
- Benefit expectations
- Risk profile
- Service standards and governance arrangements

I am satisfied that the Transfer is equitable to all classes and generations of CLL and SF policyholders.

### **Where can you see the Independent Expert's full report?**

You can read the full report on our website at [www.canadalife.co.uk/scottish-friendly-transfer](http://www.canadalife.co.uk/scottish-friendly-transfer)  
Alternatively, contact us and we will send you a copy. Our contact details are on page 2 of this guide.

### **Who else has considered the terms of the transfer?**

The Chief Actuaries and With Profits Actuaries of both Canada Life and Scottish Friendly have each considered the terms of the transfer and prepared reports for the board of directors of their respective companies. Each of the Chief Actuaries has concluded that the transfer will not have a material adverse effect on the security or benefit expectations of any of its policyholders. The With-Profits Actuaries have each concluded that the transfer is consistent with the fair treatment of the with-profits policyholders of their respective companies.

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## Section 3:

### **UNIT LINKED LIFE POLICIES (ENDOWMENTS, WHOLE OF LIFE AND INVESTMENT BONDS)**

#### **Will my policy remain invested in the same funds after the transfer?**

Yes, at the transfer date your investments in Canada Life funds will be transferred into equivalent Scottish Friendly funds, which will have the same investment objectives and will be invested in the same underlying assets as the Canada Life funds in which you were previously invested.

#### **Will my units stay the same after the transfer?**

Yes. On the transfer date, the units which you currently hold in Canada Life funds will be replaced with units in equivalent Scottish Friendly funds. The value and number of units that you will hold immediately following the transfer date will be the same as the value and number of units that you held immediately before the transfer date.

#### **Which funds will be available to me to invest in after the transfer?**

Any fund you are currently invested in will be available after the transfer date. For the majority of products the fund range will remain unchanged. However, for some products, there are a small number of funds currently available where no customers are invested. These funds will not be available after the transfer date.

#### **Can I cash in my policy?**

Yes. If you decide you no longer need your policy you can cash it in. Please contact us and we will let you know what you need to do. Our contact details are on page 2 of this guide. After the transfer you should contact Scottish Friendly.

We strongly suggest you speak to your professional adviser before taking any action to cash in your policy. If you no longer have a professional adviser, details of those in your area can be obtained from the IFA Promotions website [www.unbiased.co.uk](http://www.unbiased.co.uk). When choosing a professional adviser it is important to ensure they are regulated by the FCA. You can do this by checking the FCA online register at <https://register.fca.org.uk/>.

#### **Can I still take withdrawals from my policy?**

Yes. The Scheme will not make any changes to your policy's terms and conditions, so if your policy allows withdrawals this will continue after the transfer. The only difference is that you will see the payment coming from Scottish Friendly on your bank statement or cheque.

#### **I receive an annual chargeable event certificate for my investment bond.**

##### **Will I still get one in future?**

Yes. We will send any chargeable event certificates due up until the transfer date. After the transfer date, Scottish Friendly will be responsible for providing them.

#### **My policy's premium and benefits increase each year. Will this continue after the transfer?**

Yes. The Scheme will not make any changes to your policy's terms and conditions.

#### **Can I increase or decrease my premium after the transfer?**

The Scheme will not make any changes to your policy's terms and conditions, so if you were able to vary your premium before the transfer you will still be able to afterwards.

#### **Where will I be able to find the fund price after the transfer?**

You will be able to find fund prices on the Scottish Friendly website at [www.scottishfriendly.co.uk/members-area/latest-investment-information/fund-prices](http://www.scottishfriendly.co.uk/members-area/latest-investment-information/fund-prices).

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## Section 4:

### **UNIT LINKED PENSION POLICIES**

#### **Will my policy remain invested in the same funds after the transfer?**

Yes, at the transfer date your investments in Canada Life funds will be transferred into equivalent Scottish Friendly funds, which will have the same investment objectives and will be invested in the same underlying assets as the Canada Life funds in which you were previously invested.

#### **Will my units stay the same after the transfer?**

On the transfer date, the units which you currently hold in Canada Life funds will be replaced with units in equivalent Scottish Friendly funds. However, the value and number of units that you will hold immediately following the transfer date will be the same as the value and number of units that you held immediately before the transfer date.

#### **Which funds will be available to me to invest in after the transfer?**

Any fund you are currently invested in will be available after the transfer date. For the majority of products the fund range will remain unchanged. However, for some products, there are a small number of funds currently available where no customers are invested. These funds will not be available after the transfer date.

#### **My pension policy has guaranteed annuity rates. Will these be honoured after the transfer?**

Yes. The Scheme will not make any changes to your policy's terms and conditions.

#### **Can I transfer my pension away from you?**

Yes. The Scheme will not make any changes to your policy's terms and conditions.

#### **Will I still be able to access my pension pot from age 55?**

Yes (subject to there being no future regulatory changes to the minimum retirement age). The Scheme will not make any changes to your policy's terms and conditions.

#### **Can I still use Canada Life to provide a pension annuity?**

Yes. When you decide to take the benefits from your pension you have complete freedom to do what you like with the money. If you decide to buy a pension annuity you can choose from the whole market place, including Canada Life.

#### **Where will I be able to find fund prices after the transfer?**

You will be able to find fund prices on the Scottish Friendly website at [www.scottishfriendly.co.uk/members-area/latest-investment-information/fund-prices](http://www.scottishfriendly.co.uk/members-area/latest-investment-information/fund-prices).

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## Section 5:

### **PROTECTION POLICIES**

#### **I have a protection policy that provides me with life cover and/or permanent health insurance. Will there be any changes to my policy?**

No. The Scheme will not make any changes to your policy's terms and conditions.

#### **The terms of my policy provide for the level of life cover to increase or decrease at regular intervals or as set out in the policy schedule. Will this continue following the transfer?**

Yes. The Scheme will not make any changes to your policy's terms and conditions.

#### **I am receiving regular income protection payments due to ill health. Will these payments continue?**

Yes. After the transfer date, Scottish Friendly will be responsible for making those payments.

#### **I am not paying my premiums as I am using the waiver of premium benefit due to ill health. Will this continue?**

Yes, the transfer will not have any effect on the waiver of premium benefit provided by your policy.

#### **Can I still use my policy's conversion option after the transfer?**

Yes, after the transfer date you will be able to use all of the rights and options you currently have, including any right for a new policy to be issued under a conversion option. However, any such new policy would be issued by Scottish Friendly rather than Canada Life.

## Section 6:

### **PENSION ANNUITY & LIFE ANNUITY POLICIES**

#### **Why is my annuity being transferred?**

We are proposing to transfer all of the business allocated to the Manulife Fund to Scottish Friendly as part of the transfer. This includes the small number of annuities allocated to the Manulife Fund.

#### **Who will be responsible for paying my annuity?**

After the transfer your annuity will be paid by Scottish Friendly.

#### **Who will send me my P60 (pension annuity) or tax voucher (life annuity)?**

After the transfer Scottish Friendly will be responsible for sending you a P60 or tax voucher. We will pass details of all the payments made in the 2019/2020 tax year up until the transfer date to Scottish Friendly so they can include it on the P60 or tax voucher.

#### **After the transfer to Scottish Friendly, can I move my annuity to another provider or cash it in?**

No. Current legislation does not allow you to move your annuity to another provider.

#### **Will my tax code change because of the transfer?**

Your tax code will not change because of the transfer. However, tax codes can be changed by HM Revenue & Customs throughout a year depending on your personal circumstances.



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## Section 7:

### **WITH PROFITS AND FIXED GUARANTEED BONUS POLICIES**

#### **I have a policy which used to be allocated to the Canada Life With-Profits Fund, before that fund was converted to provide guaranteed bonuses. Is my guaranteed level of bonuses still protected?**

Yes. The transfer will not result in any changes to the level of guaranteed bonuses (or any other changes to your policy's terms and conditions).

#### **I have a former Manulife with profits policy. Will the transfer affect the bonuses my policy receives?**

All of the assets and liabilities, apart from funds needed to settle current claims, of the Manulife Fund in Canada Life will be transferred to Scottish Friendly, where they will be allocated to a separate fund within Scottish Friendly (comparable to the current structure). The terms of the Scheme will require Scottish Friendly to have regard to the practices of Canada Life prior to the transfer date when exercising discretion in determining the value of benefits allocated to policies in the Manulife Fund or the cash-in, transfer or paid-up value of these policies. The principles and practices for the new Manulife Fund will also be consistent with the principles and practices used by Canada Life prior to the transfer date.

#### **Can I still cash in my bonuses after the transfer?**

Yes. If your policy's terms and conditions allow you to cash in your bonuses, this option is unchanged by the Scheme.

#### **Can I cash in my policy?**

Yes. If you decide you no longer need your policy you can cash it in. Please contact us and we will let you know what you need to do. Our contact details are on page 2 of this guide. After the transfer you will need to contact Scottish Friendly.

We strongly suggest you speak to your professional adviser before taking any action to cash in your policy. If you no longer have a professional adviser, details of those in your area can be obtained from the IFA Promotions website [www.unbiased.co.uk](http://www.unbiased.co.uk). When choosing a professional adviser it is important to ensure they are regulated by the FCA. You can do this by checking the FCA online register at <https://register.fca.org.uk/>.

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## Section 8:

### **RAISING CONCERNS OR AN OBJECTION TO THE TRANSFER**

#### **What should I do if I have any concerns or want to object?**

If you believe you may be adversely affected by the transfer, you can put your concerns or objections to the High Court.

You can do this in the following ways:

- You can call our helpline, send us an email, or write to us. Our contact details are on page 2 of this guide.
- You may attend the High Court hearing in person or by Counsel, and present your objection in person. A representative can present your objection on your behalf.

If you raise an objection, we will reply to you and send your objection and our reply to the High Court, the Independent Expert and our regulators before the hearing.

If you wish to attend the High Court hearing, it would be helpful if you could get in touch with us as soon as possible and preferably before 13 September 2019 setting out your grounds of objection and how you may be adversely affected. Our contact details are on page 2 of this guide. By informing us, we will be able to let you know about the exact timing of the hearing as well as any changes that may be made in relation to the hearing, such as any change to the date. We may also be able to deal directly with any concerns you have.

## Section 9:

### **OTHER QUESTIONS**

#### **What will happen after the transfer?**

Following the transfer, you will be a policyholder of Scottish Friendly. They will send a welcome letter that will contain their contact details. Scottish Friendly will be responsible for all obligations regarding your policy (for example, paying a claim) and you should contact them for any matters connected with your policy.

#### **Do I have to transfer to Scottish Friendly?**

Yes, if you hold a transferring policy and the Scheme is approved by the High Court.

#### **Are all Canada Life policies being transferred to Scottish Friendly?**

No. This transfer only applies to a certain type of life, pension and protection policies, which were mostly written in the UK before 2003.

#### **Will this transfer cost me anything?**

No, all of the costs of the transfer are being met by Canada Life or Scottish Friendly.

#### **Will I get a new policy number after the transfer?**

Your policy number will not change immediately as a result of the transfer. However, Scottish Friendly may decide in the future to allocate new policy numbers in order to facilitate the administration of your policy. If they do this, they will write to you to let you know before making the change.

#### **I have some policies being transferred and some remaining. Who do I contact in future?**

Until the transfer you should continue to contact us. After the transfer you will need to contact Scottish Friendly regarding any policies that have transferred but still contact us for those that have remained. For a change of address, both companies will need to be contacted.

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### **What will happen to my personal data?**

Your personal data will remain with us until the transfer. It will be shared with Scottish Friendly prior to the completion of the transfer to ensure a smooth transition and this will be done in line with data protection legislation and strict confidentiality undertakings. For further information about how Canada Life processes personal data please see our privacy policy available at [www.canadalife.co.uk/data-protection-notice](http://www.canadalife.co.uk/data-protection-notice). For more information about how Scottish Friendly will process your personal data please see their privacy policy available at [www.scottishfriendly.co.uk/privacy-policy](http://www.scottishfriendly.co.uk/privacy-policy).

### **Do I need to make any amendments to my direct debit or standing order?**

If you pay by direct debit we will make sure your payments switch automatically to Scottish Friendly after the transfer. This will not be the case if you pay by standing order and you will need to make changes. We will be writing to those customers that pay by standing order to let them know what they need to do.

### **Will I continue to receive an annual statement after the transfer?**

Yes.

### **My policy only has “Arch cru” units in it and may receive further future distributions as the fund is wound up. Will distributions still be sent to me?**

Yes. Scottish Friendly will be responsible for paying all future distributions from the wind up of the Arch cru funds.

### **How will policyholders know about the High Court’s decision?**

Following the hearing, we will put the High Court’s decision on our website.

### **Do I get a windfall from this transfer?**

No.

### **Scottish Friendly is a Scottish company. Will I need to pay Scottish income tax now on my policy?**

The transfer will not affect where or how much tax you pay.

### **I notice that Scottish Friendly is a mutual company. Do I get membership rights as a result of the transfer?**

Yes, Scottish Friendly will grant membership rights to all transferring policyholders.

### **Is the process the same if I am an overseas policyholder?**

All of the transferring policies are being transferred by the Scheme, which is subject to approval by the High Court in the UK. However, due to the requirements of local law, we are also carrying out separate court processes in Jersey and Guernsey. Your covering letter will explain if these are relevant to you and further details are set out in Appendix 3.

### **What if the High Court does not approve the transfer?**

If the High Court does not approve the transfer, the transfer will not happen and we will continue to administer your policy.

### **I have a question not covered by this guide. Who can I ask?**

Please contact us. Our contact details are on page 2 of this guide.

## Appendix 1:

# SUMMARY OF THE TERMS OF THE SCHEME

## 1. INTRODUCTION

Canada Life Limited (“**Canada Life**”) has agreed to transfer certain long-term insurance business (the “**Business**”) to Scottish Friendly Assurance Society Limited (“**Scottish Friendly**”). The transfer of the Business (the “**Transfer**”) is to be implemented using the statutory process available under Part VII of the Financial Services and Markets Act 2000 for the transfer of insurance businesses. The Business comprises approximately 134,000 policies made up of a mixture of life, pension savings and protection policies.

The following is a summary of the terms of the legal document under which it is intended that the Transfer will be implemented (the “**Scheme**”). You can obtain a copy of the full Scheme document from Canada Life’s website <https://www.canadalife.co.uk/scottish-friendly-transfer> or on request from Canada Life or Scottish Friendly.

## 2. REQUIREMENT FOR COURT APPROVAL

The Transfer is subject to the approval of the High Court of Justice (the “**Court**”). The Court hearing at which the Transfer will be considered will be held on 22 October 2019 in the Companies Court, Business and Property Courts, Rolls Building, Fetter Lane, London, EC4A 1NL.

If the Court approves the Transfer, the Scheme is expected to become effective on 1 November 2019 (the “**Effective Date**”).

## 3. TRANSFER OF THE BUSINESS

On the Effective Date, the Canada Life policies comprised within the Business (the “**Transferred Policies**”) will be transferred to Scottish Friendly, together with all of Canada Life’s rights under the Transferred Policies, assets with a value equal to the amount held to meet payouts under the Transferred Policies, Canada Life’s rights under certain third party contracts (including reinsurance contracts and investment management contracts relating to Personal Portfolio Funds), Canada Life’s rights and obligations in relation to pension schemes under which the Transferred Policies have been issued, and the records relating to the Business.

### Under the terms of the Scheme:

- Policies included in the Business will (except as set out in the paragraph headed Residual Policies below) be transferred on the Effective Date to Scottish Friendly, which will replace Canada Life as the insurer under those policies. This means that, with effect from the Effective Date, Scottish Friendly will be responsible for meeting all payments on the Transferred Policies and any future pension contributions will be payable to Scottish Friendly, rather than Canada Life.
- Other than the substitution of Scottish Friendly for Canada Life as insurer, the terms of the Transferred Policies will remain the same and policyholders will be entitled to the same rights against Scottish Friendly as they had against Canada Life.
- All liabilities of Canada Life under or in respect of the transferring policies and assets (including legacy liabilities) will transfer to Scottish Friendly, with the exception of certain excluded liabilities which include:
  - liabilities for any assets or policies which are not comprised within the Business;
    - liabilities relating to the employment or engagement by Canada Life of any employee or self-employed consultant in relation to the Business; and
    - liabilities of Canada Life and Canada Life Fund Managers (UK) Limited under or relating to the provision of (1) customer administration and service support to the holders of Transferred Policies and (2) investment management services provided to Canada Life in relation to the assets held to meet payouts on the Transferred Policies, and to any third parties (other than those liabilities which are transferring under the Scheme).

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## Appendix 1:

### The Business shall be allocated as follows:

- The Transferred Policies allocated to the Manulife Fund within Canada Life immediately prior to the Effective Date, together with all assets and liabilities of the Manulife Fund, shall be allocated to a new Manulife Fund within Scottish Friendly (the “**New Manulife Fund**”).
- All other transferring policies, assets and liabilities shall be allocated to the Scottish Friendly Main Fund (the “**Main Fund**”).

### 4. DATA PROTECTION

From the Effective Date, Scottish Friendly will take over all rights and responsibilities relating to personal information comprised within the Business to which the Data Protection Act 2018 and the EU General Data Protection Regulation (2016/679) (“**GDPR**”) applies. This means that, from the Effective Date, Scottish Friendly will become the “data controller” for the purposes of the Data Protection Act 2018 and GDPR and will be under the same duties to respect the confidentiality and privacy of any person in relation to that data as Canada Life was prior to the Effective Date. Any consent given in respect of such data to Canada Life will be treated as having been given to Scottish Friendly.

### 5. LEGAL PROCEEDINGS

From the Effective Date, any legal proceedings by or against Canada Life (including any claims made to any regulator or ombudsman) that relate to rights and obligations in respect of the Business shall be commenced or continued by or against Scottish Friendly. This includes all claims in respect of policies transferred to Scottish Friendly as part of the Business.

### 6. PREMIUMS AND MANDATES

From the Effective Date, any mandate (including direct debits and standing order) or other instruction relating to the payment of premiums to Canada Life in respect of the Transferred Policies will take effect as if it had provided for and authorised such payment to Scottish Friendly, and any mandate or instruction as to the payment of monies by Canada Life in relation to any Transferred Policy will continue in force from the Effective Date as an effective authority to Scottish Friendly.

### 7. RESIDUAL POLICIES

If for any reason a policy included in the Business is not capable of being transferred pursuant to the Scheme on the Effective Date, then that policy (a “**Residual Policy**”) will not be transferred to Scottish Friendly and all liabilities attributable to the Residual Policy shall remain with Canada Life. However, Scottish Friendly will fully reassure the Residual Policies from the Effective Date and this reassurance arrangement will remain in place until Canada Life and Scottish Friendly agree to terminate the arrangement.

If any Residual Policy becomes capable of transfer to Scottish Friendly pursuant to the Scheme prior to the termination of the reassurance arrangement, that policy will be transferred to Scottish Friendly under the terms of the Scheme. Any Residual Policies which do not become capable of transfer prior to the termination of the reassurance arrangement will become Excluded Policies (see below).

If your policy becomes an Excluded Policy, we will let you know.

### 8. EXCLUDED POLICIES

The policies comprised within the Business will be specified in lists agreed by Canada Life and Scottish Friendly prior to the Effective Date. Certain categories of Canada Life policy (“**Excluded Policies**”) are specifically excluded from the Transfer, including:

- Any policies which Canada Life and Scottish Friendly agree in writing prior to the Effective Date are not to be transferred.
- Any policy which has not transferred to Scottish Friendly and ceases to be a Residual Policy as a result of the termination of the reassurance arrangement for Residual Policies.

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## Appendix 1:

### **9. MEMBERSHIP RIGHTS**

On and with effect from the Effective Date, Scottish Friendly shall procure that the holders of Transferred Policies shall become members of Scottish Friendly with the membership rights set out in the Memorandum and Rules of Scottish Friendly in force from time to time.

### **10. UNIT-LINKED POLICIES**

The majority of the Business consists of unit-linked life and pension policies, which will be transferred to Scottish Friendly along with the assets backing those policies (save for the assets relating to three unit-linked property funds, which the Transferred Policies will instead access by means of a unit-linked reinsurance arrangement with Canada Life).

On the Effective Date, Scottish Friendly shall establish internal linked funds which correspond with the linked funds maintained by Canada Life prior to the Effective Date and shall allocate to each transferring unit-linked policy the same number, value and classes of units in the new Scottish Friendly linked funds as were allocated to that policy in the equivalent Canada Life linked funds immediately prior to the Effective Date.

As noted above, there will be no changes to the terms or conditions of any policies comprised within the Business as a result of the Transfer. This means that, to the extent that the terms of transferring unit-linked policies entitle policyholders to make switches between different linked funds, policyholders will continue to have that right with Scottish Friendly.

### **11. MERGER AND CLOSURE OF LINKED FUNDS**

The Scheme also makes clear that, unless precluded by the terms of the relevant policies or unless the Scottish Friendly board (having obtained the advice of its Chief Actuary) should consider it impracticable or inappropriate having regard to the interests of the relevant policyholders, Scottish Friendly shall be at liberty to:

- open, close, merge or transfer any linked fund or any part of a linked fund with or to any other linked fund maintained by it; or
- change the investment objectives, investment restrictions and/or investment policies of the linked funds,

in each case on such terms as the Scottish Friendly board of directors considers fair as between the affected policyholders (having obtained the advice of its Chief Actuary).

### **12. THE NEW MANULIFE FUND**

As noted above, all policies, assets and liabilities comprised within Canada Life's Manulife Fund are to be allocated by the Scheme to a New Manulife Fund to be established by Scottish Friendly with effect from the Effective Date.

Canada Life's Manulife Fund is currently managed in accordance with the terms of an insurance business transfer scheme approved by the Court in 1999 which provided for the transfer of the United Kingdom business of The Canada Life Assurance Company and the whole business of Albany Life Assurance Company to Canada Life (the "**Canada Life Demutualisation Scheme**"). To ensure that the Transferred Policies comprised within the Manulife Fund continue to benefit from appropriate protections, relevant provisions from the Canada Life Demutualisation Scheme have been incorporated into the Scheme so that they will continue to apply to the management of the policies in Scottish Friendly.

These include the following:

- A restriction on any new long-term insurance business written by Scottish Friendly after the Effective Date being allocated to the New Manulife Fund except in certain limited circumstances.
- A restriction on the expenses that may be charged to the New Manulife Fund and the sums or amounts that can be debited, charged to, or transferred from the New Manulife Fund after the Effective Date.

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## Appendix 1:

- A requirement for Scottish Friendly, when exercising any discretion in relation to the determination of benefits or a surrender or transfer value, to take into account the reasonable expectations of holders of Transferred Policies allocated to New Manulife Fund, the practice of Canada Life prior to the Effective Date and the financial strength of the New Manulife Fund from time to time.
- Restrictions on the transfer and exchange of assets between the New Manulife Fund and the Main Fund or any other Scottish Friendly fund, unless the assets are exchanged at fair market value.

### **13. CLOSURE OF THE NEW MANULIFE FUND**

Like the Canada Life Demutualisation Scheme, the Scheme also provides that, subject to obtaining the written approval of the PRA and the FCA, Scottish Friendly shall be entitled to cease to maintain the New Manulife Fund as a separate sub-fund within Scottish Friendly's long-term insurance fund, when the total number of with-profits policies in force in the New Manulife Fund declines to such a small number that continuing to make with-profits bonus distributions is likely to result in inequitable distributions. If this happens, Scottish Friendly will determine the existing surplus in the New Manulife Fund and use that surplus to determine a scale of guaranteed bonuses that will apply to the remaining with-profits policies in all future years, thereby converting the policies from with-profits into non-profit. The converted policies will then be allocated to Scottish Friendly's Main Fund.

Scottish Friendly must get advice from its Chief Actuary and With-Profits Actuary and written approval from the Insurance Regulators before it can close the New Manulife Fund.

### **14. MODIFICATIONS AND ADDITIONS**

Any material changes to the terms of the Scheme after it is approved will require the further approval of the Court, and must be notified to the PRA and the FCA.

### **15. OVERSEAS SCHEMES – JERSEY AND GUERNSEY**

The transfer of certain policies comprised within the Business requires the consent of the Royal Courts in Jersey and Guernsey. The terms of the Jersey and Guernsey schemes are based on and are substantially the same as the terms of the Scheme. The summary of the Scheme above applies equally to the Jersey and Guernsey schemes. Where we refer to the approval of the Court in this summary, you should read this as also referring to the approval by the Royal Court of Jersey or the Royal Court of Guernsey, as the case may be.

Appendix 2:



**SUMMARY OF THE INDEPENDENT  
EXPERT REPORT ON THE PROPOSED  
TRANSFER OF CERTAIN LONG-TERM  
BUSINESS OF CANADA LIFE LIMITED TO  
SCOTTISH FRIENDLY ASSURANCE  
SOCIETY LIMITED**

17<sup>th</sup> June 2019

Prepared by:

*SK Grout*

Simon Grout, FIA





## Appendix 2:

### 1. Context

An Independent Expert must be appointed for any transfer of insurance business from one insurer to another. The role is to report to the High Court of Justice of England and Wales (the "Court") on the terms of the transfer, to consider any possible effects on policyholders and give an opinion on whether the transfer should proceed or not.

I have been jointly appointed by Canada Life Limited ("CLL") and Scottish Friendly Assurance Society Limited ("SF") to act as the Independent Expert in relation to the proposed transfer of certain long-term business from CLL to SF (the "Transfer") under a scheme (the "Scheme") made pursuant to Part VII of the Financial Services and Markets Act 2000. The cost of my work is to be jointly and equally paid by both CLL and SF.

CLL is a proprietary company and a wholly owned subsidiary of The Canada Life Group (UK) Limited ("CLG"), which itself is a subsidiary of the Great-West Life Assurance Company, a leading Canadian insurer with interests in life insurance, health insurance, investment, retirement savings and reinsurance business, primarily in Canada, the US and Europe.

SF is a friendly society and as such is owned by its members. All SF policyholders are members. It was established in 1862 as the City of Glasgow Friendly Society and was renamed Scottish Friendly Assurance Society in 1992, following the transfer of business from a Scottish-based mutual. Today SF operates as a financial services group dedicated to the efficient provision of a wide range of financial products and services and continues to be based in Glasgow. It is governed by the Friendly Societies Act 1992.

The Prudential Regulation Authority ("PRA"), having consulted the Financial Conduct Authority ("FCA"), has considered the skills needed to make a proper report and approved my appointment as Independent Expert. The PRA and the FCA have joint responsibilities for regulating insurance companies in the UK.

I am a Fellow of the Institute and Faculty of Actuaries in the UK and a partner of Oliver Wyman Limited. I have fulfilled the role of Independent Expert for other insurance business transfers that have been approved by the Court. I confirm that I do not have any direct or indirect interest in CLL, SF or any other related firms that could compromise my independence.

This report (the "Summary Report") is a summary of a more detailed report (the "Main Report") which contains the detailed analysis and reasoning behind my conclusions. This report should be considered in conjunction with the Main Report, including the associated qualifications, assumptions and limiting conditions as set out in that Main Report.

## Appendix 2:

A copy of the Main Report is available on both of the following websites:

- [www.scottishfriendly.co.uk/canada-life](http://www.scottishfriendly.co.uk/canada-life)
- [www.canadalife.co.uk/scottish-friendly-transfer](http://www.canadalife.co.uk/scottish-friendly-transfer)

There are separate schemes of transfer being carried out for transferring policies issued to or held by residents of Jersey (the "Jersey Scheme") and Guernsey (the "Guernsey Scheme"), which provide for the transfer of policies on the same terms as the Scheme. The Guernsey Scheme and the Jersey Scheme are both conditional on the sanction of the Scheme by the Court and are expected to become effective on the same date. All conclusions stated in the Summary Report and Main Report also apply to policies covered by the Jersey and Guernsey Schemes.

Before the final Court hearing I shall prepare a supplementary report to address any relevant developments after the Main Report has been published and provide an update, if any, on my conclusions regarding the effect of the proposed transfer on the different groups of policyholders in light of any significant events arising after the Main Report has been published.

In forming my views, I have taken into account all matters that I consider to be relevant and material in assessing the impact of the Transfer. I have considered the following factors:

- Terms of the Transfer
- Financial position of CLL and SF pre and post Transfer
- Financial effect of the Transfer on both transferring and non-transferring CLL policyholders and SF policyholders in relation to:
  - Security of benefits
  - Investment strategy
  - Expense and charges
  - Benefit expectations and bonus prospects
  - Risk profile and capital management policy
- Administration and governance
- Membership rights and policyholder communications
- Tax

I have considered the impact of the Transfer against the likely position of CLL and SF if the Transfer is not completed, but have not considered any other possible alternative arrangements to the Transfer.

I have described some changes in financial positions and policyholder benefits as not being materially adverse. The reader should interpret this to mean that this change does not lead me to conclude that the Transfer should not take place.

## Appendix 2:

The Main Report assesses the likely impact of the Transfer on the existing policyholders of CLL and SF. It does not consider the impact of the Transfer on any new policies written into CLL or SF following the Transfer.

### 2. Purpose and Terms of the Transfer

In June 2018, CLL and SF signed an agreement setting out the proposed terms on which the transfer would be undertaken. It is proposed that the Transfer will become effective on 1<sup>st</sup> November 2019.

The Transfer will allow CLL to focus on its core growth areas, build an integration of the businesses and develop new retirement products.

For SF, the Transfer will support the growth of its business and provide the opportunity to expand into different target markets and achieve future cost savings through operational efficiencies.

Both management teams and the boards of CLL and SF are supportive of the Transfer and both recognise that the Transfer has a strong commercial rationale, while delivering an outcome that is consistent with the requirement to ensure the fair treatment of customers.

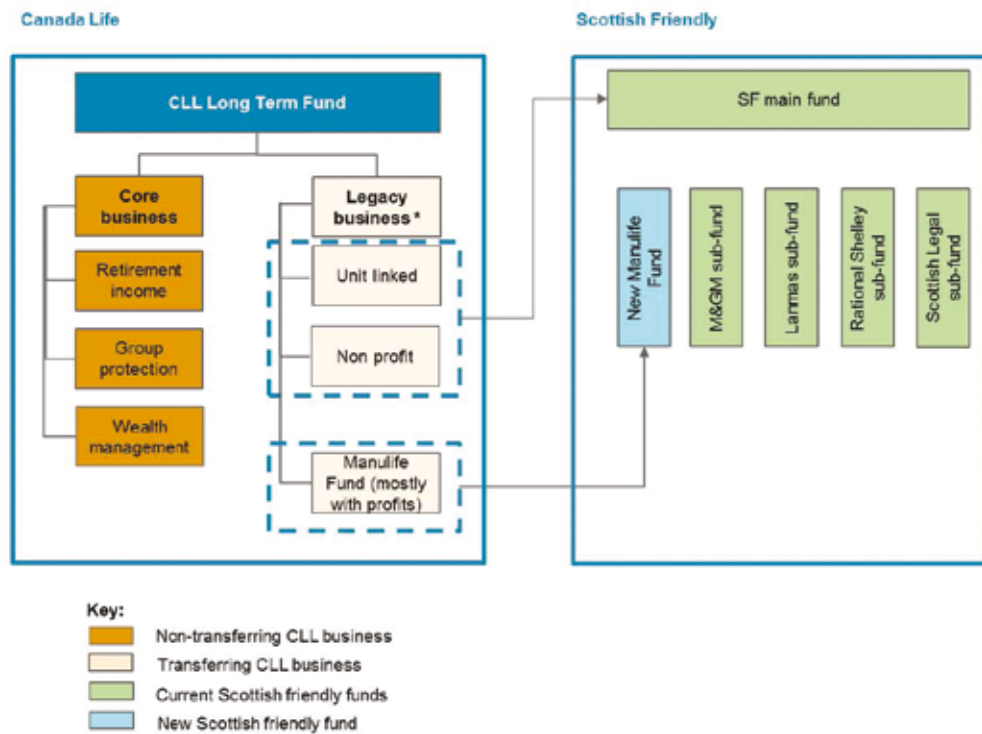
In essence, the overall effect for the transferring policyholders is that, to all intents and purposes, the administration and benefits will look unchanged but will be the responsibility of SF.

An illustrative diagram of the Transfer is shown below:

## Appendix 2:

Summary of the Independent Expert report on the Transfer of certain Long-term Business of CLL to SF

Purpose and Terms of the Transfer



\* excluding Hong Kong policies, which will be retained by CLL

The key elements of the Transfer are set out in the Main Report and summarised below:

- SF will assume the responsibility of meeting all insurance and financial obligations associated with the transferring policies
- SF will assume the responsibility of administering the transferring policies
- In return, CLL will transfer to SF assets equal to an agreed valuation basis, broadly based on the associated value of liabilities and capital requirements under the regulatory regime that both CLL and SF must comply with, namely Solvency II
- SF will establish a new ring fenced with-profits sub-fund (the "New Manulife Fund") into which all assets and liabilities of the CLL Manulife Fund will be transferred. All other policies will be transferring into the main operating fund for SF (the "SF Main Fund")
- The Scheme will replicate key provisions from the 1999 Scheme which currently governs the operation of the Manulife Fund
- All transferring policyholders will be granted membership rights in SF

## Appendix 2:

Summary of the Independent Expert report on the Transfer of certain Long-term Business of  
CLL to SF

Purpose and Terms of the Transfer

- In return for administering policies in the New Manulife Fund, SF will levy charges which are identical to existing charges levied by CLL under the terms of the 1999 Scheme

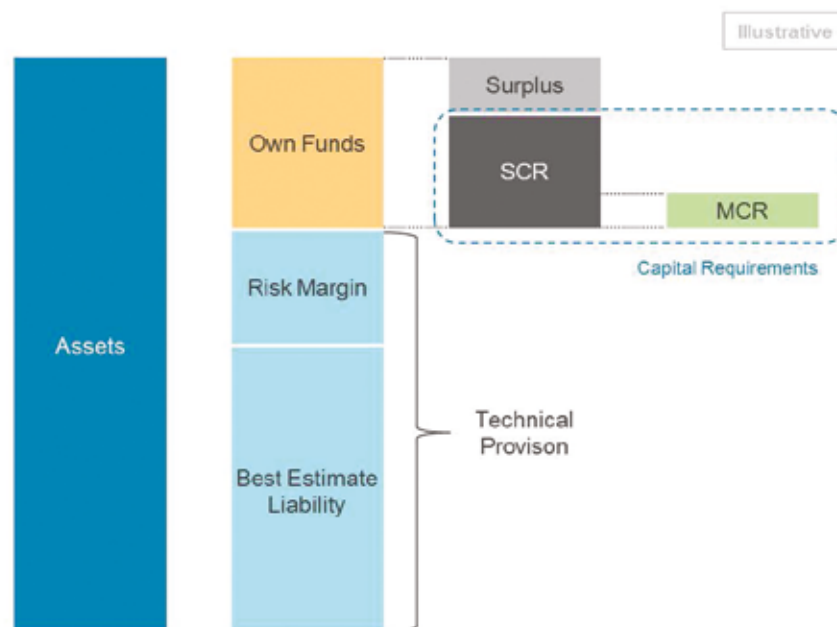
It should be noted that there are no proposed changes to the policy terms and conditions for the transferring CLL policies, and consequently the Transfer will not result in any changes to the benefit expectations of non-profit and unit-linked policyholders.

## Appendix 2:

### 3. Solvency II

An EU-wide regulatory regime for the insurance industry, known as "Solvency II" came into force on 1<sup>st</sup> January 2016. The regime is enforced by the PRA, and both SF and CLL are required by law to comply with the requirements of Solvency II.

The diagram below shows a simplified illustration of the Solvency II balance sheet. At all times, an insurer is required to have assets that exceed its Technical Provisions and Solvency Capital Requirement ("SCR"):



On the liability side of the balance sheet the Technical Provisions represent the assets held by insurers to meet their insurance obligations (i.e. expected benefits and costs etc.) to policyholders and therefore signifies the amount that would have to be paid to another insurer to take on the same liabilities, which are made up of:

- **Best Estimate Liability** – the amount on a realistic basis to meet the liabilities
- **Risk Margin** – an additional amount which broadly reflects the cost of "unhedgeable risks" (such as operational, counterparty credit and longevity risks)

The SCR is the minimum level of capital that a firm must hold in addition to the Technical Provisions and is set to be sufficient to ensure the company remains solvent under an adverse stress (1 in 200 year).

An insurer's assets in excess of its Technical Provisions and non-insurance liabilities are known under Solvency II as its "Own Funds", or in other words the available

## Appendix 2:

capital that the insurer has to meet its regulatory capital requirements, and the Own Funds less SCR is known as the Surplus. A commonly used yardstick for comparing financial strength between companies in the UK life insurance market is the "SCR Coverage Ratio", which I have defined as the ratio of Own Funds over SCR.

#### 4. CLL's financial position pre and post Transfer

I have considered the financial impact of the Transfer on CLL's financial position under Solvency II as at 31<sup>st</sup> December 2018 and concluded that:

- The Transfer results in a c. £2.4bn reduction in the total assets and liabilities of CLL, which equates to reductions of 7% and 8% respectively in proportional terms
- The Transfer results in a £60m reduction in CLL's Own Funds (or 2% in proportional terms), which indicates that the Transfer has a limited impact on CLL's financial resources
- The Transfer results in a £40m reduction in CLL's SCR (or 2% in proportional terms), which indicates that there is a limited impact to CLL's risk exposure
- The Transfer has a minimal impact on CLL's Surplus and SCR Coverage Ratio which remains at 159% pre and post transfer

Taking into account the information above and analysis set out in the Main Report, I am satisfied that the Transfer will not have a material adverse effect on CLL's financial position.

I am also satisfied that the Transfer will not have a material adverse effect on the financial position of the New Manulife Fund (relative to the financial position of the Manulife Fund in CLL prior to the Transfer).

#### 5. SF's financial position pre and post Transfer

I have considered the financial impact of the Transfer on SF's financial position under Solvency II as at 31<sup>st</sup> December 2018 and concluded that:

- The Transfer results in a c. £2.4bn and c. £2.3bn increase in the total assets and liabilities of SF, which effectively doubles SF's asset and liability base
- The Transfer results in a £58m increase in SF's Own Funds (or 52% in proportional terms)
- The Transfer results in a £39m increase in SF's SCR (or 67% in proportional terms)
- The Transfer therefore results in a significant increase in SF in terms of total assets, financial resources and capital requirements
- While SF's Surplus would increase post Transfer, its SCR Coverage Ratio falls from 188% to 172%. Nevertheless, I consider a post Transfer SCR Coverage Ratio of 172% to be representative of a strong solvency position. To put this into

## Appendix 2:

further context, an SCR Coverage Ratio of higher than 150% can be taken to mean that SF has an additional buffer to ensure that there is less than a 1-in-10 chance of not covering the SCR after one year.

Taking into account the information above and analysis set out in the Main Report, I am satisfied that the Transfer will not have a material adverse effect on SF's financial position.

### 6. Financial effect of the Transfer on transferring CLL policyholders

I have assessed the impact of the Transfer on all groups of transferring CLL policyholders in terms of security of benefits and have concluded that the security of benefits for all transferring CLL policyholders will be not be materially adversely affected by the Transfer compared to the status quo.

I have also assessed how the Transfer would affect the investment strategy and expense charges with respect to with-profits and unit-linked policyholders, because they affect future levels of benefits that would be payable and current benefit expectations. I am satisfied that:

- the with-profits policyholders in the Manulife Fund and the transferring unit-linked policyholders will not be adversely affected by the Transfer in relation to investment strategy, with no immediate changes post Transfer
- there will be no change to the expense charges for with-profits policyholders or to the charges on the relevant transferring CLL unit-linked policies as a result of the Transfer. Additionally, I understand from SF that any reviews of charges on unit-linked policies after the Transfer are subject to the same governance arrangements that are applicable to other policies within the SF Main Fund. Therefore, in my opinion, with-profits and unit-linked policyholders will not be adversely affected by the Transfer in relation to expenses and charges

In addition, I have considered the implications of the Transfer for the benefit expectations and bonus prospects for with-profits policyholders and have concluded that with-profits policyholders in the Manulife Fund will not be adversely affected by the Transfer with respect to benefit expectations and bonus prospects.

Finally, I have evaluated the effect of the Transfer on the risk profile and capital management of the transferring CLL policies because they affect the risks that the policies are exposed to and how the insurer will manage those risks. On balance, I am satisfied that while the profile of risks to which the transferring CLL policyholders will be exposed will change in several aspects, the Transfer will not have a materially adverse effect in relation to risk profile. Furthermore there are no significant planned changes to the capital management policy of the Manulife Fund as a result of the Transfer. I am also satisfied that the Transfer will not have an adverse effect on the capital management policy in relation to transferring CLL policyholders.



## Appendix 2:

Details of my analysis of the relevant factors in this section are described in the Main Report.

### **7. Financial effect of the Transfer on non-transferring CLL policyholders**

I have assessed the impact of the Transfer on all groups of non-transferring CLL policyholders in terms of security of benefits. As the Transfer will not have a material adverse effect on the financial position of CLL, the security of benefits for all non-transferring CLL policyholders will not be materially adversely affected by the Transfer compared to the status quo.

The charges on the non-transferring CLL unit-linked policies will not be changed as a result of the Transfer. Furthermore, the Transfer will not have an impact on non-transferring CLL non-profit and unit-linked policyholders in relation to investment strategy.

Finally, I have evaluated the effect of the Transfer on the risk profile and capital management policy of the non-transferring CLL business. I am satisfied that these factors do not have a material adverse effect on the non-transferring CLL policyholders, as the Transfer does not have a significant impact on the risk profile of CLL and the Transfer will not result in any change to the capital management policy relating to the non-transferring CLL policyholders.

Details of my analysis of the relevant factors in this section are described in the Main Report.

### **8. Financial effect of the Transfer on SF policyholders**

I have assessed the impact of the Transfer on all groups of SF policyholders in terms of security of benefits and have concluded that in my opinion the Transfer will not have a materially adverse effect on the security of benefits of current SF policyholders in the SF Main Fund or any of the sub-funds.

I have also assessed how the Transfer would affect the investment strategy and expense charges with respect to current SF with-profits and unit-linked policyholders. The Transfer will not result in any changes to the investment strategy of assets invested on behalf of the current SF with-profits and unit-linked policyholders. The Transfer should benefit the with-profits policyholders in the SF Main Fund and Scottish Legal Sub-Fund (a notionally ring-fenced fund in SF containing assets and liabilities with respect to the business transferred from Scottish Legal Life) from reduced expense charges. The Transfer will have no impact on expenses and charges with respect to with-profits policyholders in each of the other existing sub-funds operated by SF.

Moreover, I have evaluated the effect of the Transfer on the benefit expectations and bonus prospects of current SF with-profits policyholders and have concluded that in my opinion the Transfer will not have an adverse effect on the benefits expectations and bonus prospects of current SF with-profits policyholders. In addition, the

## Appendix 2:

Transfer is expected to generate profits in the SF Main Fund over time, and if this occurs the with-profits policyholders in the SF Main Fund may receive a share of those profits.

Lastly, I have considered the effect of the Transfer on SF's risk profile and capital management and have concluded that in my opinion the Transfer will not have an adverse effect on the risk profile or capital management policy in the SF Main Fund or any of the sub-funds.

Details of my analysis of the relevant factors in this section are described in the Main Report.

### 9. Administration and governance

#### 9.1. Governance

In the Main Report, I have considered the governance arrangements that will be in place following the Transfer for the transferring CLL policyholders. I have taken into account that:

- The Transfer will not have a material adverse effect on the security of benefits or benefit expectations of transferring CLL policyholders
- The management of the Manulife Fund (and the New Manulife Fund post Transfer) is subject to provisions set out in the 1999 Scheme (which itself replicated certain provisions set out in the 1995 Scheme). I have reviewed the terms of both schemes and am satisfied that all protections and other provisions relevant to the future management of the Manulife Fund have been replicated in the Scheme in relation to the New Manulife Fund
- The management of the Manulife Fund is governed by Principles and Practices of Financial Management ("PPFM") for the fund. This is a document that provides a comprehensive description of how the relevant with-profits fund is managed, including a statement of the Principles and Practices adopted by the insurer in respect of a wide range of aspects relevant to the management of the fund in question. The PPFM for the New Manulife Fund will essentially replicate the existing PPFM for the Manulife Fund, with no changes of substance
- Following the Transfer, relevant transferring CLL policyholders with workplace pensions policies will be covered by SF's Governance Advisory Arrangement ("GAA"). I have compared the terms of reference adopted by CLL's and SF's GAA respectively and in my opinion, there are no material differences between the two
- SF has appointed an external consultant to undertake a review of its with-profits governance framework and assess whether those arrangements are suitably robust and whether all associated conflicts of interest are managed effectively. This includes an assessment of the effectiveness of its existing with-profits advisory arrangements

## Appendix 2:

- This work was completed in March 2019 and the findings were presented and discussed with SF's Board
- Based on this input, I have concluded that the recommendations accepted by the Board will result in a strengthening of SF's governance framework in relation to its with-profits policyholders

Based on the above and my understanding that the existing governance arrangements for current SF policyholders will not be materially affected by the Transfer, in my opinion adequate safeguards are in place to ensure that the interests and rights of the policyholders of both CLL and SF will be protected post Transfer.

### **9.2. Administration**

Following the Transfer, the administration of all transferring CLL policies will be transferred to SF. There is therefore a small risk that current SF and transferring CLL policyholders could experience adverse changes to the standards of service following the Transfer as:

- The in-house SF administration team will be, at least initially, relatively inexperienced in administering transferring policies and have limited knowledge of transferring CLL products
- SF may seek to minimise the costs associated with the administration of transferring CLL policies which could also have a detrimental effect on the servicing of all policies

Based on my investigations, I am satisfied that adequate steps have been taken to mitigate these risks as:

- Target service level standards proposed by SF for the administration of transferring CLL policies post Transfer are at least equal to those currently in place at CLL (and in many cases significantly higher) and SF has a strong record in attaining its target service levels even after other transfers of business
- SF intends to recruit a significant number of additional staff to administer transferring CLL policyholders following the Transfer
- There will be a "Transitional Services Agreement" which will enable CLL to provide services to help support SF's administration of the transferring CLL policies on a temporary basis (for up to 6 months, which can be extended by mutual agreement in writing) post Transfer if necessary. This provides a significant and credible backup option in the event of significant issues being encountered by SF in the administration of the transferring CLL business post Transfer

Furthermore, given the significant increase in the assets and liabilities of SF post Transfer, I have considered whether SF's systems, people and processes are adequate to manage both its existing business and the transferring business. Having

## Appendix 2:

discussed this matter with SF's Chief Risk Officer and Operations Director, I am satisfied that this is the case, taking into account that:

- SF and its senior management team (both in terms of collectively as an organisation and as individuals) can draw on extensive experience from previous transactions
- SF has recruited staffing resources based on the expected increase in activities during the "wake up period" in the lead up to and immediately after the Transfer
- Around half of the new staff have completed their training by May 2019, and the remaining new staff are expected to complete their training before the Transfer
- The Chief Risk Officer will maintain dedicated resources to provide oversight and challenge for the Transfer process until SF reaches a "business as usual" point in relation to the transferring business
- While there is a significant increase in the size of assets and liabilities, the Transfer would represent an increase of less than 20%<sup>1</sup> compared to the total policy count for the SF Main Fund

### 9.3. Tax and membership rights

As CLL does not confer any membership rights on its policyholders, the Transfer would not result in any loss of membership rights for transferring CLL policyholders.

As part of the Transfer, all transferring CLL policyholders will become members of SF, this means that transferring CLL policyholders will benefit from having gained membership rights in SF. While there is some dilution of existing SF members' voting rights, I do not consider this to be a material detriment as I estimate that transferring CLL policyholders will only make up around 10%<sup>2</sup> of the SF membership following the Transfer, and therefore existing SF members will continue to have the vast majority of votes. In my opinion, the rights of SF members will not be materially affected by the Transfer as the dilution is small.

Under the terms of the Transfer, the Manulife Fund will continue to be taxed as if it were a standalone mutual life insurance entity with the New Manulife Fund as its sole business and therefore there are no changes to the taxation basis for the new Manulife Fund.

Taking into account the considerations as set out in the Main Report, I am satisfied that the Transfer is not expected to have any significant adverse tax impact on the

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<sup>1</sup> Based on information as at 31st December 2018 there were c. 130,000 transferring policies and c. 770,000 existing policies in the SF Main Fund resulting in a  $130,000 / 770,000 = 17\%$  increase

<sup>2</sup> Based on information as at 31<sup>st</sup> December 2018, there were c. 130,000 transferring CLL policies and c. 1,200,000 policies in SF. Assuming that the ratio of policies to members are similar between the two companies, I estimate transferring CLL policyholders will represent  $(130,000) / (1,200,000 + 130,000) = 10\%$  of the total SF membership.

## Appendix 2:

policyholders of CLL and SF, and that no changes are expected to the tax status of transferring CLL policies as a result of the Transfer.

### **10. Main conclusions**

Based on the analysis as summarised above and described in detail in the Main Report, I have concluded that the Transfer will not have a material adverse effect on transferring CLL policyholders, non-transferring CLL policyholders or SF policyholders in relation to:

- Security of benefits
- Benefit expectations
- Risk profile
- Service standards and governance arrangements

I am satisfied that the Transfer is equitable to all classes and generations of CLL and SF policyholders.

Appendix 2:



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## Appendix 3:

### **JERSEY AND GUERNSEY POLICYHOLDERS**

The transferring business includes a small number of policies which comprise business carried on in or from within Jersey or Guernsey, or which are held by people resident in Jersey or Guernsey. The transfer of these policies is subject to the approval of schemes by the Royal Courts in Jersey and Guernsey. We refer to these as 'overseas schemes'.

The overseas schemes are substantially the same as the Part VII transfer. The summary of the Part VII transfer in this guide and the Independent Expert's report, including his conclusions in this guide, apply equally to the overseas schemes. Where we refer to the approval of the High Court, you should read this as approval by the Royal Court of Jersey or the Royal Court of Guernsey, as appropriate.

#### **Court hearings**

The court hearings are expected to take place as follows.

- Jersey Scheme: 28 October 2019 at 10.00am at the Royal Court of Jersey, Royal Court Building, Royal Square, St Helier, Jersey JE1 1JG.
- Guernsey Scheme: 25 October 2019 at 9.30am at the Royal Court of Guernsey, The Royal Court House, St Peter Port, Guernsey GY1 2NZ.

#### **What should I do if I have any concerns or want to object?**

If you believe you may be adversely affected by the transfer, you can put your concerns or objections to the Royal Court of Jersey (if you are resident in Jersey) or the Royal Court of Guernsey (if you are resident in Guernsey).

You can do this in the following ways:

- You can call our helpline, send us an email, or write to us. Our contact details are on page 2 of this guide.
- You may attend the applicable Royal Court hearing in person, or through an Advocate, to present your objection.

If you raise an objection, we will reply to you and send your objection and our reply to the applicable Royal Court, the Independent Expert and our regulators before the hearing.

If you wish to attend the applicable Royal Court hearing, it would be helpful if you could get in touch with us as soon as possible and preferably before 13 September 2019 setting out your grounds of objection and how you may be adversely affected. Our contact details are on page 2 of this guide. By informing us, we will be able to let you know about the exact timing of the hearing as well as any changes that may be made in relation to the hearing, such as any change to the date. We may also be able to deal directly with any concerns you have.

#### **What happens after the court hearings?**

If the overseas schemes are approved, we expect the transfer to take place on the same date as the UK Scheme.

If the UK Scheme is approved but the overseas schemes are not approved by the transfer date, the policies that would have been transferred will remain with Canada Life but will be reinsured to Scottish Friendly. If this happens, we will let you know. The UK Scheme stands alone and the transfer does not depend on the approval of the overseas schemes.

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## Appendix 3:

### **JERSEY AND GUERNSEY POLICYHOLDERS CONTINUED**

#### **More information**

You can see or obtain (free of charge) copies of the Jersey representation, the proposed application to the Royal Court of Guernsey, the overseas schemes and the Independent Expert's full report, at the offices of our advocates, Carey Olsen between the hours of 9am to 5pm Monday to Friday:

- Jersey Scheme - 47 Esplanade, St Helier, Jersey JE1 0BD, up to the date of the Jersey court hearing.
- Guernsey Scheme - Carey House, Les Banques, St Peter Port, Guernsey GY1 4BZ, up to the date of the Guernsey court hearing.

They are also available from our website at [www.canadalife.co.uk](http://www.canadalife.co.uk) or by calling our helpline.



## Appendix 4:

### LEGAL NOTICE

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

CR-2019-001161

IN THE MATTER OF CANADA LIFE LIMITED  
- and -  
IN THE MATTER OF SCOTTISH FRIENDLY ASSURANCE SOCIETY LIMITED  
- and -  
IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

NOTICE IS HEREBY GIVEN that on 21 June 2019 Canada Life Limited ("**Canada Life**") and Scottish Friendly Assurance Society Limited ("**Scottish Friendly**") applied to the High Court of Justice of England and Wales, pursuant to section 107(1) of the Financial Services and Markets Act 2000 (the "**Act**"), for an Order under section 111 of the Act sanctioning a scheme (the "**Scheme**") for the transfer to Scottish Friendly of certain long-term insurance business of Canada Life (the "**Business**") and for the making of ancillary provisions in connection with the implementation of the Scheme under sections 112 and 112A of the Act.

The proposed transfer will result in the Business which is currently carried on by Canada Life being carried on by Scottish Friendly. All claims in respect of the policies comprised within the Business shall, upon the transfer becoming effective, be dealt with by Scottish Friendly. The availability to policyholders of recourse to the Financial Services Compensation Scheme and Financial Ombudsman Service will not change as a result of the Scheme. Therefore, policyholders of Canada Life and Scottish Friendly who are currently protected by the Financial Services Compensation Scheme and/or who would have recourse to the Financial Ombudsman Service will continue to have such protection or recourse.

Copies of the report on the terms of the Scheme prepared by an Independent Expert in accordance with section 109 of the Act (the "**Independent Expert's Report**"), Scheme guides (which contain a statement setting out the terms of the Scheme and a summary of the Independent Expert's Report) and copies of the Scheme document itself can be obtained free of charge by contacting Canada Life or Scottish Friendly using the relevant telephone number or address set out below. These and other documents relating to the Scheme (including actuarial reports and sample copies of the communications to policyholders) are also available on the websites of Canada Life and Scottish Friendly at <https://www.canadalife.co.uk/scottish-friendly-transfer> and <https://www.scottishfriendly.co.uk/canada-life>.

Any questions or concerns relating to the proposed transfer should be referred to Canada Life or Scottish Friendly using the following telephone number or address (as appropriate):

Canada Life  
Canada Life Place  
Potters Bar  
EN6 5BA

Scottish Friendly  
16 Blythswood Square  
Glasgow  
G2 4HJ

Email: [customer.enquiries@canadalife.co.uk](mailto:customer.enquiries@canadalife.co.uk)

Email: [contact-us@scottishfriendly.co.uk](mailto:contact-us@scottishfriendly.co.uk)

Calling from the UK: 0345 3000227

Calling from the UK: 0333 323 5433

Calling from overseas: +44 345 3000227

Calling from overseas: +44 1890 987 919

If you have a policy with Canada Life or Scottish Friendly, please quote your policy number in any correspondence. This can be found on your policy documents.

Appendix 4:

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The application is due to be heard before the Companies Court Judge at the Business and Property Courts of England and Wales, 7 Rolls Building, Fetter Lane, London EC4A 1NL on 22 October 2019 and any person (including any policyholder or employee of Canada Life or Scottish Friendly) who thinks that he or she may be adversely affected by the carrying out of the Scheme may attend the hearing in person or by Counsel. It would be helpful if any person intending to attend the hearing could give notice of such intention as soon as possible and preferably before 13 September 2019, setting out their grounds of objections or the reasons why they believe they may be adversely affected, either to Canada Life or Scottish Friendly by calling the number above or by writing to the address above, or by writing to the solicitors named below.

Any person who objects or believes they may be adversely affected by the Scheme but does not intend to attend the hearing may also make representations about the Scheme by giving notice of such representations, as soon as possible and preferably before 13 September 2019, either to Canada Life or Scottish Friendly by calling the number above or by writing to the address above, or by writing to the solicitors named below.

Canada Life and Scottish Friendly (as appropriate) will inform the Financial Conduct Authority, the Prudential Regulation Authority and the High Court of any objections raised in advance of the hearing, regardless of whether the person making the objection intends to attend the hearing.

Hogan Lovells International LLP  
Atlantic House  
50 Holborn Viaduct  
London EC1A 2FG

Ref: C1JSR/CSR

Solicitors acting for Canada Life

CMS Cameron McKenna Nabarro Olswang  
LLP  
Saltire Court, 20 Castle Terrace  
Edinburgh EH1 2EN

Ref: 131207.00023/KAGX

Solicitors acting for Scottish Friendly





## Canada Life

Canada Life Limited, registered in England no. 973271. Registered office: Canada Life Place, Potters Bar, Hertfordshire EN6 5BA.  
Telephone: 0345 6060708 Fax: 01707 646088 [www.canadalife.co.uk](http://www.canadalife.co.uk) Member of the Association of British Insurers.

Canada Life International Limited, registered in the Isle of Man no. 33178. Registered office: Canada Life House, Isle of Man Business Park, Douglas, Isle of Man IM2 2QJ.  
Telephone: +44 (0) 1624 820200 Fax: +44 (0) 1624 820201 [www.canadalifeint.com](http://www.canadalifeint.com) Member of the Association of International Life Offices.

CLI Institutional Limited, registered in the Isle of Man no. 108017C. Registered office: Canada Life House, Isle of Man Business Park, Douglas, Isle of Man IM2 2QJ.  
Telephone: +44 (0) 1624 820200 Fax: +44 (0) 1624 820201 Member of the Association of International Life Offices.

Canada Life International Assurance (Ireland) DAC, registered in Ireland no. 440141. Registered office: Irish Life Centre, Lower Abbey Street, Dublin 1, Ireland  
Telephone: +44 (0) 1624 820200 Fax: +44 (0) 1624 820201 [www.canadalifeinternational.ie](http://www.canadalifeinternational.ie) Member of the Association of International Life Offices.

Canada Life Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.  
Canada Life International Limited and CLI Institutional Limited are Isle of Man registered companies authorised and regulated by the Isle of Man Financial Services Authority.  
Canada Life International Assurance (Ireland) DAC is authorised and regulated by the Central Bank of Ireland.



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