

## 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).

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 reinsurance arrangement for Residual Policies.

#### 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.
- 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.