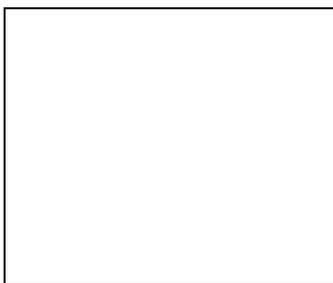


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SOPHIA HARRISON, PARTNER, BURNES PAULL LLP, 50 LOTHIAN ROAD, EDINBURGH, EH3 9WJ



CERTIFIED COPY NOTE

of

STANDARD LIFE ASSURANCE LIMITED (“SLAL”), a private company limited by shares, which is registered in Scotland, under the registered number SC286833, and which has its registered office at Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH

for

An order consenting to a variation of the insurance business transfer scheme which was under Part VII of the Financial Services and Markets Act 2000 and under which substantially the whole of the business of The Standard Life Assurance Company was transferred to SLAL and, in particular, confirming the release of SLAL from the obligations which are imposed upon it by that scheme, which order is to be conditional upon *inter alia* the making by the High Court of Justice of England and Wales of an order sanctioning an insurance business transfer scheme between among others SLAL, as transferor, and Phoenix Life Limited, as transferee

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HUMBLY SHEWETH

INTRODUCTION

1 *The Noter - SLAL*

1.1 The Noter is Standard Life Assurance Limited (“**SLAL**”), which is a private company limited by shares, is registered in Scotland, under the registered number SC286833, and has its registered office at Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH.

1.2

1.2.1 SLAL is an “*authorised person*”, within the meaning of section 31 of the Financial Services and Markets Act 2000 (“**FSMA**”).

1.2.2 SLAL has been granted permission by the Prudential Regulation Authority (the “**PRA**”), under Part IV of FSMA, to carry on in the United Kingdom (the “**UK**”) long-term insurance business falling within classes I (*life and annuity*), III (*linked-business*), IV (*permanent health*), VI (*capital redemption contracts*) and VII (*pension fund management*).

1.2.3 Those classes are set out in Part 1 of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the “**RAO**”).

1.3

1.3.1 Since 1 September 2018, SLAL has been a member of the group of companies, of which the present parent company is Phoenix Group Holdings plc (“**PGH**”), which is a public company and is registered in England and Wales.

1.3.2 That group of companies is referred to in this application as the “**Phoenix Group**” and its members are referred to as “**Phoenix Group Companies**”.

1.4

1.4.1 Before 1 September 2018, SLAL was a member of the group of companies, of which the holding company remains abrdn plc (“**abrdn**”), which is a public company, is registered in Scotland and the name of which was Standard Life Aberdeen plc until 2 July 2021.

1.4.2 That group of companies of which abrdn is the parent company is referred to in this application as the “**abrdn Group**” and its members are referred to as “**abrdn Group Companies**”.

2 *This Application*

2.1 This application is made by SLAL in the process of the petition by The Standard Life Assurance Company (“**SLAC**”), a mutual insurance company incorporated by private Act of Parliament, for the sanction of an insurance business transfer scheme (the “**SLAL Demutualisation Scheme**”), which was under Part VII of, and Schedule 12 to, FSMA.

2.2 In outline, the SLAL Demutualisation Scheme provided for the transfer to SLAL of substantially the whole of the business which was carried on by SLAC in the UK and other states of the European Economic Area (the “**EEA**”).

2.3

2.3.1 The SLAL Demutualisation Scheme was sanctioned by this Court on 9 June 2006 and became effective on 10 July of that year.

2.3.2 Paragraph 13 of that order expressly allowed SLAC, in accordance with section 112(1)(d) of FSMA, to apply for any orders with respect to such incidental, consequential and supplementary matters as were necessary to secure that the SLAL Demutualisation Scheme was fully and effectively carried out.

2.4 The necessary power to vary the SLAL Demutualisation Scheme, generally with this Court’s consent, is set out in its paragraph 70.2 (“**Paragraph 70.2**”), which is set out in full at Statement 153.2.

2.5 In this application, SLAL seeks an order consenting to a proposed variation of the SLAL Demutualisation Scheme (the “**Proposed Demutualisation Scheme Variation**”).

2.6

2.6.1 In outline, the Proposed Demutualisation Scheme Variation is in effect to enable the SLAL Demutualisation Scheme to be replaced by a new insurance business transfer scheme (the “**Phoenix Scheme**”), which is also to be under Part VII of, and Schedule 12 to, FSMA.

2.6.2 The Phoenix Scheme is to be conditional on *inter alia* this Court consenting to the Proposed Demutualisation Scheme Variation.

3 *The Phoenix Scheme*

3.1 The Phoenix Scheme is to be between SLAL and three other Phoenix Group Companies.

3.2 In outline, the Phoenix Scheme is to include the transfer to Phoenix Life Limited (“**Phoenix**”) of the long-term insurance business of SLAL (the “**SLAL Business**”).

3.3 In addition, the Phoenix Scheme is to transfer to Phoenix the long-term insurance businesses of two other Phoenix Group Companies, which are also authorised insurance companies in the UK.

3.4

3.4.1 The first is the business (the “**SLPF Business**”) of Standard Life Pension Funds Limited (“**SLPF**”), which is a private company limited by guarantee, which is registered in Scotland and of which SLAL is the only member.

3.4.2 As is described at Statement 102.9, SLPF is to retain, after the Phoenix Scheme, only the limited agency arrangement.

3.5 The second is the business (the “**PLAL Business**”) of Phoenix Life Assurance Limited (“**PLAL**”).

3.6 The overall purpose of the Phoenix Scheme is to rationalise the long-term insurance businesses of the Phoenix Group.

3.7 It is anticipated that the Phoenix Scheme will become operative at 23:59 on 27 October 2023 but that it will, so far as possible, be treated, for purposes of accounting and financial reporting, as having taken effect at 23:59 on 30 September of that year, as described at Statement 97.6.

4 *The Phoenix Scheme Application*

4.1 SLAL is one of the parties to an application (the “**Phoenix Scheme Application**”) to the Business and Property Courts of the High Court of Justice of England and Wales (the “**Companies Court**”) for an order sanctioning the Phoenix Scheme.

4.2 It is intended that this application will proceed in parallel with the Phoenix Scheme Application.

4.3

4.3.1 The hearing at which the Companies Court will be asked to sanction the Phoenix Scheme is referred to in this application as the “**Phoenix Scheme Sanction Hearing**”.

4.3.2 It is reasonably expected that the Phoenix Scheme Sanction Hearing will take place in October 2023.

4.3.3 The hearing at which directions will be sought in the Phoenix Scheme Application is referred to in this application as the “**Phoenix Scheme Directions Hearing**”.

4.3.4 It is reasonably expected that the Phoenix Scheme Directions Hearing will take place on 5 May 2023.

4.4

4.4.1 As set out at Statement 184, the order which is sought in this application (the “**Consent Order**”) is also to be subject to conditions.

4.4.2 Those conditions include the Phoenix Scheme being sanctioned by the Companies Court at the Phoenix Scheme Sanction Hearing.

5 *The Proposed SLAL 2011 Scheme Variation and the Proposed SLAL Brexit Scheme Variation*

5.1 In addition to being conditional on the Proposed Demutualisation Scheme Variation, the Phoenix Scheme is also to be conditional on this Court giving its consent, or approval, to variations being made to two later insurance business transfer schemes to which SLAL is a party and which this Court has sanctioned.

5.2

5.2.1 First of all, the Phoenix Scheme is to be conditional on the variation of the insurance business transfer scheme (the “**SLAL 2011 Scheme**”), under which the long-term insurance business of Standard Life Investment Funds Limited (“**SLIF**”) was transferred to SLAL.

5.2.2 SLIF is a private company, which is registered in Scotland.

5.2.3 The SLAL 2011 Scheme was sanctioned by this Court on 20 December 2011 and became effective on the 31st of that month.

5.3

5.3.1 SLAL has made an application to this Court seeking its consent to a variation of the SLAL 2011 Scheme which is referred to in this application as the “**Proposed SLAL 2011 Scheme Variation**”.

5.3.2 The Proposed SLAL 2011 Scheme Variation is also to enable the SLAL 2011 Scheme to be replaced by the Phoenix Scheme.

5.3.3 The SLAL 2011 Scheme continues to have a material effect on the SLAL Business and is described briefly at Statement 59.

5.3.4 Accordingly, this application requires to include a description of the SLAL 2011 Scheme in order to give a sufficient description of the SLAL Business.

5.3.5 The application for the consent to the Proposed SLAL 2011 Scheme Variation is referred to in this application as the “**SLAL 2011 Scheme Variation Application**”.

5.4

5.4.1 In addition, the Phoenix Scheme is to be conditional on the variation of the insurance business transfer scheme (the “**SLAL Brexit Scheme**”) under which part of the SLAL Business was transferred to Standard Life International DAC (“**SL Intl**”).

5.4.2 That part of the then SLAL Business was denominated in Euros and is referred to in this application as the “**Former SLAL Euro Business**”.

5.4.3 SL Intl is a designated activity company, which is incorporated in the Republic of Ireland (“**Ireland**”) and was acquired from SLAL by PGH on 21 February 2019.

5.4.4 SL Intl is authorised by the Central Bank of Ireland (the “**CBI**”), as regulator of insurance companies in Ireland, to carry on life (otherwise long-term) insurance business, under the European Communities (Insurance and Reinsurance) Regulations 2015 (the “**Irish Regulations**”).

5.4.5 The SLAL Brexit Scheme was sanctioned by this Court on 19 March 2019 and became effective on the 29th of that month.

5.4.6 The SLAL Brexit Scheme is also, in effect, ancillary to the SLAL Demutualisation Scheme.

5.4.7 Accordingly, this application requires to include descriptions of SL Intl and the SLAL Brexit Scheme in order to give a sufficient description of the SLAL Demutualisation Scheme

5.4.8 The SLAL Brexit Scheme is described at Statements 62 to 77

5.5

5.5.1 SLAL and SL Intl have jointly made a further application to this Court seeking its approval to the variation of the SLAL Brexit Scheme, which is referred to in this application as the “**Proposed SLAL Brexit Scheme Variation**”.

5.5.2 The application for approval of the Proposed SLAL Brexit Scheme Variation is referred to in this application as the “**SLAL Brexit Scheme Variation Application**”.

5.6

5.6.1 The Proposed Demutualisation Scheme Variation, the Proposed SLAL 2011 Scheme Variation and the Proposed SLAL Brexit Scheme Variation are together referred to in this application as the “**Proposed SLAL Schemes Variations**”.

5.6.2 This application, the SLAL 2011 Scheme Variation Application and the SLAL Brexit Scheme Variation Application are together referred to in this application as the “**Proposed SLAL Schemes Variations Applications**”.

5.7 It is envisaged that the Proposed SLAL Schemes Variations Applications will proceed in parallel and that there will be composite first and final hearings (the “**First Hearing**” and the “**Final Hearing**”).

6 *The Demutualisation Scheme Variations*

6.1 The SLAL Demutualisation Scheme has, with this Court’s consent, been subject to three sets of variations, which were made in accordance with Paragraph 70.2(D) and are together referred to in this application as the “**Demutualisation Scheme Variations**”.

6.2

6.2.1 The first of the Demutualisation Scheme Variations is referred to in this application as the “**Demutualisation Scheme 2011 Variation**” and was required to enable the SLAL 2011 Scheme to take effect.

6.2.2 On 20 December 2011, this Court gave its consent to the Demutualisation Scheme 2011 Variation, which became effective on the 31st of that month.

6.3

6.3.1 The second of the Demutualisation Scheme Variations was made in 2016 and is referred to in this application as the “**Demutualisation Scheme 2016 Variation**”.

6.3.2 On 30 June 2016, this Court gave its consent to the Demutualisation Scheme 2016 Variation, which became effective on that day.

6.4

6.4.1 The third of the Demutualisation Scheme Variations is referred to in this application as the “**Demutualisation Scheme Brexit Variation**” and was required to enable the SLAL Brexit Scheme to take effect.

6.4.2 On 19 March 2019, this Court gave its consent to the Demutualisation Scheme Brexit Variation, which became effective on the 29th of that month.

7 *The SLAL 2011 Scheme Variation*

7.1 In addition, the SLAL 2011 Scheme has, with this Court’s consent, been subject to one variation which is referred to in this application as the “**SLAL 2011 Scheme Variation**”.

7.2

7.2.1 The SLAL 2011 Scheme Variation was also required to enable the SLAL Brexit Scheme to take effect.

7.2.2 On 19 March 2019, this Court also gave its consent to the SLAL 2011 Scheme Variation, which became effective on the 29th of that month at the same time as the SLAL Brexit Scheme.

7.3 The SLAL 2011 Scheme Variation and the Demutualisation Scheme Variations are together referred to in this application as the “**Previous SLAL Schemes Variations**”.

8

8.1 As described at Statement 32, it is intended that, after having been transferred under the Phoenix Scheme, a part of the SLAL Business is to be the subject of another proposed insurance business transfer scheme.

8.2

8.2.1 That proposed insurance business transfer scheme would be between Phoenix and abrtn Life and Pensions Limited (“**ALPL**”), an abrtn Group Company, and is referred to in this application as the “**ALPL Scheme**”.

8.2.2 The legal process for the ALPL Scheme is not to commence until after the Phoenix Scheme has become operative.

8.3 That part of the SLAL Business which is intended to be transferred to ALPL, or to another abrtn Group Company is referred to in this application as the “**abrtn Transfer Business**”.

8.4

8.4.1 The abrtn Transfer Business is also to include the “*insured element*” of one of the sets of arrangements which are operated by SLAL for “*Self-invested personal pensions*” and have been registered with HM Revenue and Customs.

8.4.2 Those arrangements are referred to in this application as the “**SLAL SIPP Scheme**” and are described at Statement 23.

8.4.3 Part of the SLAL SIPP Scheme is intended to be transferred, in commercial terms, to the abrtn Group, as at Statement 33.

8.5

8.5.1 So far as material to this application, the present abrdrn Group and ALPL are briefly described at Statement 31.

8.5.2 The ALPL Scheme is similarly described at Statement 32.

9

9.1 For completeness, another insurance business transfer scheme (the “**Phoenix Brexit Scheme**”), to which Phoenix is a party, was sanctioned by the Companies Court on 18 October 2022 and became effective on 1 January 2023.

9.2

9.2.1 The Phoenix Brexit Scheme transferred *inter alia* part of the business of Phoenix to another Phoenix Group Company, Phoenix Life Assurance Europe DAC (“**PLAE**”), a designated activity company incorporated in Ireland.

9.3 The Phoenix Brexit Scheme is described briefly at Statement 93.

9.4 A separate scheme, which is in the same terms as the Phoenix Brexit Scheme but is governed by Irish law, was sanctioned by the High Court in Ireland (the “**Irish Court**”) on 1 November 2022 and also became effective on 1 January 2023.

10 *This Court’s Jurisdiction*

10.1 Having sanctioned the SLAL Demutualisation Scheme, this Court has jurisdiction to consent to the Proposed Demutualisation Scheme Variation under both Paragraph 70.2 (D) and section 112(1)(d) of FSMA, to which the order sanctioning the SLAL Demutualisation Scheme expressly referred.

10.2 In addition, this Court has jurisdiction to consent to the Proposed Demutualisation Scheme Variation, as a matter of its petition procedure.

10.3

10.3.1 In giving its consent to each of the Demutualisation Scheme Variations, this Court was satisfied that it had jurisdiction to make such an order on the application of SLAL alone.

10.3.2 As Paragraph 70.2(D) refers only to SLAL making an application to this Court, the reference in the order sanctioning the SLAL Demutualisation Scheme to SLAC was, on a correct interpretation, a mistaken reference to SLAL.

11 *Ancillary*

11.1.1 In this application, all references to statutory provisions, other than to “*a Regulation*”, are to those of FSMA, unless otherwise stated.

11.1.2 All references to a “*Regulation*” are to those of the Financial Services and Markets Act 2000 (Control of Business Transfers) (Requirements on Applicants) Regulations 2001 (the “**COBTRA Regulations**”).

11.2

11.2.1 All references to “*Statements*” and “*Schedules*” are to those of, or to, this application, unless otherwise stated.

11.2.2 All references to the Appendix are to that to this application, unless otherwise stated.

11.3

11.3.1 In this application, an insurance business transfer scheme, under Part VII of, and Schedule 12 to FSMA, is referred to as “**an insurance scheme**”.

11.3.2 An authorised long-term insurance company in the UK, under FSMA, is referred to as “**an insurance company**” and the long-term insurance business of such a company is referred to as “**an insurance business**”.

11.3.3 A scheme which is under Irish law and is equivalent to an insurance scheme is referred to in this application as “**an Irish scheme**”.

11.4 The PRA and the other regulator of *inter alia* insurance companies in the UK, the Financial Conduct Authority (the “**FCA**”), are together referred to in this application as the “**UK Regulators**”.

11.5 The UK Regulators and the CBI are together referred to as the “**Regulators**”.

11.6 The EU Solvency II Directive (Directive 2009/138/EC) and the direct EU legislation which amplified it are together referred to in this application as “**Solvency II**”.

11.7 The sums which are shown in this application as translated from euros into sterling have been translated at the exchange rate in force at the date to which the sums relate.

11.8 A glossary of the defined terms which are used in this application is included at Schedule 2.

11.9

11.9.1 So far as material to this application, the statutory provisions which are referred to in this application are set out in Schedule 3.

- 11.9.2 The statutory provisions comprise those of FSMA, the COBTRA Regulations and the Financial Services and Markets Act 2000 (Meaning of “*Policy*” and “*Policyholder*”) 2001 (the “**Policyholder Order**”).
- 11.10 Schedule 4 contains a simplified diagram showing the present corporate structure of the Phoenix Group.
- 11.11
 - 11.11.1 Schedule 5 contains a diagram which shows the present fund structure of each of SLAL, PLAL and Phoenix and the fund structure of Phoenix after the Phoenix Scheme.
- 11.12
 - 11.12.1 SLAL’s fund structure is described at Statements 34 to 38.
 - 11.12.2 PLAL’s fund structure is described at Statement 86.
 - 11.12.3 Phoenix’s present fund structure is described at Statement 89.

THE PHOENIX GROUP

- 12 *PGH and an Overview of the Phoenix Group*
- 12.1 PGH is listed on the London Stock Exchange.
- 12.2
 - 12.2.1 PGH became the ultimate holding company of the Phoenix Group in consequence of a scheme of arrangement, under the law of the Cayman Islands, by Phoenix Group Holdings, which was then incorporated in that jurisdiction.
 - 12.2.2 That scheme became effective on 12 December 2018.
- 12.3
 - 12.3.1 In outline, the Phoenix Group includes primarily the operating Phoenix Group Companies, which carry on insurance business, primarily in the UK.
- 12.4 Before its acquisition of SLAL, the Phoenix Group specialised in the acquisition, and management, of long-term insurance, and pension funds which were closed to new business.

12.5

12.5.1 The Phoenix Group includes three other insurance companies which are authorised in the UK, in addition to SLAL, SLPF, PLAL and Phoenix.

12.5.2 Two of those other insurance companies are ReAssure Limited (“**ReAssure**”) and ReAssure Life Limited, both of which became Phoenix Group Companies in 2020 and neither of which is a party to the Phoenix Scheme.

12.5.3 The third insurance company is Sun Life Assurance of Canada (UK) Ltd.

12.5.4 The acquisition of that company completed on 3 April 2023.

12.6

12.6.1 In addition, the Phoenix Group includes two companies which are authorised by the CBI to carry on insurance business.

12.6.2 Those two companies are SL Intl and PLAE.

13 SLAL

13.1 SLAL was incorporated on 30 June 2005 as a company limited by shares, under the name SLLC Limited and adopted its present name with effect from 10 July 2006.

13.2 There is nothing in SLAL’s articles of association which could prevent it from entering into the Phoenix Scheme.

13.3 SLAL’s present issued share capital is £29,684,031.62, divided into 2,468,403,162 ordinary shares of £0.01 each and 5,000,000 B ordinary shares of £1 each, all of which are fully paid.

13.4 SLAL was the “*corporate vehicle*” which acquired, through the SLAL Demutualisation Scheme, most of SLAC’s insurance business.

13.5

13.5.1 SLAL was the main insurance company in the abrdrn Group from SLAC’s demutualisation to its acquisition by the Phoenix Group in 2018.

13.5.2 Since its acquisition, SLAL has been the largest operating Phoenix Group Company, measured by the value of its policies.

13.6

13.6.1 PGH has since 18 June 2019 been the registered holder, and beneficial owner, of the whole of SLAL’s issued share capital.

- 13.6.2 In February 2021, Standard Life Assets and Employee Services Limited (“**SLAESL**”) acquired from the abrtn Group all the rights to the “*Standard Life*” brand.
- 13.7
- 13.7.1 SLAL is, as said at Statement 2, authorised by the PRA, under FSMA, and so is “*a PRA-authorised person*”, within section 2B(5).
- 13.7.2 The conduct of the SLAL Business is also regulated by the FCA.
- 13.8 The SLAL Business involves primarily the writing of life assurance polices and pension policies.
- 13.9 In this application, the policies of SLAL are referred to as “**SLAL Policies**” and their holders are referred to as “**SLAL Policyholders**”.
- 13.10 As at 31 December 2022, there were 4,266,781 SLAL Policies and a similar number of SLAL Policyholders.
- 13.11
- 13.11.1 In this application, SLAL’s “*Chief Actuary*” is referred to as the “**SLAL CA**” and its “*With-Profits Actuary*” is referred to as the “**SLAL WPA**”.
- 13.11.2 In addition, SLAL’s board of directors is referred to as the “**SLAL Board**”.
- 13.12
- 13.12.1 The SLAL Business is described at Statements 19 to 30, SLAL’s present fund structure is described at Statements 34 to 38 and the SLAL Demutualisation Scheme is described at Statements 41 to 58.
- 13.12.2 SLAL’s financial and regulatory positions are described at Statements 39 and 40.
- 14 *SL Intl*
- 14.1
- 14.1.1 At the time of its acquisition by the Phoenix Group, SLAL’s subsidiaries included SL Intl, whose whole issued share capital was transferred by SLAL to PGH on 21 February 2019.
- 14.1.2 PGH granted SLAL a fixed charge over all the share capital of SL Intl (the “**SL Intl Share Pledge**”) as security for the price of those shares which was left outstanding as intra-group indebtedness.

14.2

- 14.2.1 Before the SLAL Brexit Scheme, SL Intl was authorised by the CBI in Ireland to carry on life assurance business within class 3 (*contracts linked to investment funds*) and class 6 (*capital redemption operations*), which are in Schedule 2 to the Irish Regulations.
- 14.2.2 At that time, SL Intl's only business was writing in the UK, the Channel Islands and the Isle of Man, property-linked single premium life insurance policies, which are more commonly referred to as "*investment bonds*".
- 14.2.3 In particular, SL Intl wrote, under Solvency II, investment bonds in the UK, which are commonly referred to as "*off-shore investment bonds*".
- 14.2.4 SL Intl now has, in outline, a temporary permission, under FSMA, to continue to write off-shore investment bonds to UK residents.

14.3

- 14.3.1 Since the SLAL Brexit Scheme, SL Intl has also been authorised by the CBI to carry on in Ireland life assurance business within class 1 (*annuities*), class 4 (*permanent health*) and class 7 (*management of group pension funds*), which are also in Schedule 2 to the Irish Regulations.
- 14.3.2 Since that time, SL Intl has also carried on the Former SLAL Euro Business (including writing new business) in the EEA, including in particular Ireland, Germany and Austria.

14.4

- 14.4.1 SL Intl's present business is referred to in this application as (the "**SL Intl Business**").
- 14.4.2 In outline, the conduct of the SL Intl Business in the UK is regulated under the FSMA's "*Temporary Permissions Regime*", while an application to establish a branch in the UK is being made.

14.5

- 14.5.1 In this application, the policies of SL Intl are referred to as "**SL Intl Policies**" and their holders are referred to as "**SL Intl Policyholders**".
- 14.5.2 Those SL Intl Policies which were transferred as part of the Former SLAL Euro Business, under the SLAL Brexit Scheme, are referred to as "**Former SLAL Euro Policies**" and their holders are referred to as "**Former SLAL Euro Policyholders**".

- 14.6 As at 31 December 2022, there were 527,324 SL Intl Policies, of which 393,413 were Former SLAL Euro Policies, and similar numbers of SL Intl Policyholders and Former SLAL Euro Policyholders.
- 14.7
- 14.7.1 In this application, SL Intl’s “*Head of Actuarial Function*”, who is broadly equivalent to the SLAL CA, is referred as the “**SL Intl HoAF**”.
- 14.7.2 In this application, SL Intl’s board of directors is referred to as the “**SL Intl Board**”.
- 14.8 SL Intl’s financial and regulatory positions are described further at Statement 82.
- 15 *SLPF*
- 15.1 SLPF was incorporated on 27 March 1969.
- 15.2 SLPF was incorporated as a company limited by guarantee.
- 15.3
- 15.3.1 The only member of SLPF at the date of this application is SLAL.
- 15.3.2 Phoenix is to become the sole member of SLPF under the Phoenix Scheme.
- 15.4 There is nothing in SLPF’s articles of association which could prevent it from entering into the Phoenix Scheme.
- 15.5 SLPF has been granted permission by the PRA to carry on insurance business in the UK falling within classes I, II, III, IV, VI and VII which are set out in the RAO.
- 15.6
- 15.6.1 In outline, the SLPF Business now comprises deferred annuities and a small number of “*immediate*” annuities (otherwise “*annuities in payment*” or “*vested annuities*”).
- 15.6.2 All of SLPF’s business is reinsured by SLAL.
- 15.6.3 SLPF has not written any further business since 2014 and has not written any further annuities since the SLAL Demutualisation Scheme, other than immediate annuities on the vesting of deferred annuities.
- 15.6.4 In addition, the only insurance business which SLPF has carried on since 2020 has been annuity business.

15.7

15.7.1 In this application, the policies of SLPF are referred to as “**SLPF Policies**” and their holders are referred to as “**SLPF Policyholders**”.

15.7.2 Those SLPF Policies which are still deferred annuities are referred to in this application as the “**SLPF Deferred Annuities**”.

15.7.3 In addition, those SLPF Policies which became immediate annuities before the SLAL Demutualisation Scheme are referred to in this application as the “**SLPF Pre-2006 Immediate Annuities**”.

15.7.4 Those SLPF Policies which became immediate annuities after the SLAL Demutualisation Scheme are referred to in this application as “**SLPF Post-2006 Immediate Annuities**”.

15.8 In this application, SLPF’s chief actuary is referred to as the “**SLPF CA**”.

15.9 SLPF and the SLPF Business are described further at Statement 83 and its financial and regulatory positions are described at Statement 84.

15.10

15.10.1 The SLAL Demutualisation Scheme includes provisions which are to apply if there is an insurance scheme (a “**SLPF Scheme**”), under which SLPF’s then insurance business is to be transferred to SLAL and SLPF’s then annuity business is allocated to the SLAL HWPF.

15.10.2 Those provisions of the SLAL Demutualisation Scheme are addressed at Statement 48.

16 *PLAL*

16.1 PLAL is another Phoenix Group Company and was incorporated on 11 July 1864.

16.2 PLAL has been granted permission by the PRA to carry on in the UK insurance business falling within classes I, II, III, IV, VI and VII in the RAO.

16.3 In outline, the PLAL Business comprises life assurance and pension business.

16.4 In this application, the policies of PLAL are referred to as “**PLAL Policies**” and their holders are referred to as “**PLAL Policyholders**”.

16.5

16.5.1 The PLAL Business includes insurance businesses which were transferred to it under several earlier insurance schemes.

16.5.2 Those insurance schemes which continue to be in force are referred to in this application as the “**Previous PLAL Schemes**”.

16.5.3 The Previous PLAL Schemes are described at Statement 87.

16.6 PLAL and PLAL Business is described further at Statements 85 to 87 and PLAL’s financial and regulatory positions are described at Statement 88.

17 *Phoenix*

17.1 Phoenix is another Phoenix Group Company and was incorporated on 30 June 1971.

17.2

17.2.1 Phoenix has been granted permission by the PRA to carry on insurance business in the UK falling within classes I, II, III, IV, VI and VII which are set out in the RAO.

17.2.2 Phoenix’s present business is referred to in this application as the “**Phoenix Business**”.

17.3

17.3.1 The Phoenix Business was closed to new business from 2002 to 2017, subject only to limited exceptions, such as policies which were issued on the exercise of options.

17.3.2 Since 2017, the Phoenix Business has written new non-profit protection policies and bulk annuities.

17.4

17.4.1 The Phoenix Business includes insurance businesses which were transferred to it under previous insurance schemes.

17.4.2 Those insurance schemes which continue to be in force are referred to in this application as the “**Previous Phoenix Acquisition Schemes**”.

17.4.3 In addition, Phoenix also transferred parts of its then insurance business under two previous insurance schemes (the “**Previous Phoenix Disposal Schemes**”).

17.4.4 The Previous Phoenix Acquisition Schemes are described at Statement 90 and the Previous Phoenix Disposal Schemes are described at Statement 91.

17.5 In this application, policies of Phoenix are referred to as “**Phoenix Policies**” and their holders are referred to as “**Phoenix Policyholders**”.

17.6

17.6.1 In this application, Phoenix’s board of directors is referred to as the “**Phoenix Board**”.

17.6.2 In this application, Phoenix’s chief actuary is referred to as the “**Phoenix CA**” and its with-profits actuaries as the “**Phoenix WPAs**”.

17.7

17.7.1 Phoenix and the Phoenix Business are described further at Statements 89 to 93.

17.7.2 Phoenix’s financial and regulatory positions are described at Statement 94.

18 *The Phoenix Group’s Former Insurance Companies*

18.1 Certain Phoenix Group Companies were formerly insurance companies.

18.2 So far as material to this application, those Phoenix Group Companies include:

- (i) Phoenix & London Assurance Ltd (“**PALAL**”), a former name of which was Sun Alliance & London Assurance Company Ltd;
- (ii) Phoenix AW Limited, a former name of which was AXA Wealth Ltd (“**AWL**”);
- (iii) National Provident Life Ltd (“**NPLL**”);
- (iv) PG Dormant No.5 Ltd (“**BULA**”), a former name of which was Britannic Unit Linked Assurance Ltd;
- (v) PG Dormant (No.4) Ltd (“**PLP**”), former names of which include Phoenix Life and Pensions Ltd, and Royal & Sun Alliance Life and Pensions Ltd;
- (vi) Pearl AL Ltd, a former name of which was Alba Life Ltd (“**Alba Life**”);
- (vii) Impala Loan Company 1 Ltd, a former name of which was Scottish Provident Ltd (“**SPL**”); and
- (viii) Scottish Mutual Assurance Ltd (“**SMA**”).

THE SLAL BUSINESS

19 *An Overview of the SLAL Business*

19.1 As said at Statement 13.8, the SLAL Business involves primarily life assurance and pension business.

19.2

19.2.1 The SLAL Policies are now mainly “*property-linked*” (otherwise, and in more traditional terminology, “*unit-linked*”).

19.2.2 The SLAL Policies include a decreasing number of “*conventional*” (otherwise “*non-unitised*”) non-profit SLAL Policies.

19.2.3 Similarly, the SLAL Policies include a decreasing number of with-profits SLAL Policies, both conventional with-profits and “*unitised with-profits*”.

19.3

19.3.1 The property-linked SLAL Policies are invested in SLAL’s “*property-linked funds*” (the “**SLAL Linked Funds**”).

19.3.2 In outline, the liabilities under the property-linked SLAL Policies are calculated by reference to the value of the assets in the SLAL Linked Funds and to the number of units allocated to each of those SLAL Policies.

19.3.3 The SLAL Linked Funds form part of SLAL’s “*Proprietary Business Fund*” (the “**SLAL PBF**”).

19.3.4 The SLAL PBF is one of SLAL’s two main sub-funds, continues to write new business and is described at Statement 36.

19.3.5 The SLAL Policies in the SLAL PBF are referred to in this application as the “**SLAL PBF Policies**” and their holders are referred to in this application as the “**SLAL PBF Policyholders**”.

19.4

19.4.1 Most of the with-profits part of the SLAL Business is written, or invested, in SLAL’s “*Heritage With-Profits Fund*” (the “**SLAL HWPF**”), which is SLAL’s other main sub-fund and is described at Statement 35.

19.4.2 The SLAL Policies in the SLAL HWPF are referred to in this application as the “**SLAL HWPF Policies**” and their holders are referred to in this application as the “**SLAL HWPF Policyholders**”.

19.4.3 In addition, some SLAL HWPF Policies are wholly property-linked or have “*property-linked investment elements*”.

19.4.4 Those SLAL HWPF Policies, or those investment elements, are invested in the SLAL PBF and, more specifically, in the SLAL Linked Funds.

19.4.5 Those SLAL HWPF Policies which are wholly, or partly, property-linked are referred to in this application as “**Property-linked SLAL HWPF Policies**”.

20 *The Guernsey Business and The Jersey Business*

20.1

20.1.1 Some SLAL Policies have been written to residents of Guernsey.

20.1.2 Those SLAL Policies are referred to in this application as “**SLAL Guernsey Policies**”.

20.2

20.2.1 In addition, some SLAL Policies have been written as part of insurance business carried on in, or from within, Jersey.

20.2.2 Those SLAL Policies are referred to in this application as “**SLAL Jersey Policies**”.

20.3 SLAL has received legal advice that, in addition to the Phoenix Scheme, a separate scheme will be required, under Guernsey law, to transfer the SLAL Guernsey Policies, and another scheme will be required, under Jersey law, to transfer the SLAL Jersey Policies.

20.4 Those schemes are referred to in this application as the “**Guernsey Scheme**” and the “**Jersey Scheme**”.

20.5 As at December 2022, SLAL’s records showed that 1087 SLAL Policyholders had an address in Guernsey and 2117 SLAL Policyholders had an address in Jersey.

21 *The Wrap Platform*

21.1 Part of the SLAL Business is operated through an online platform, which is called “*Wrap*” and is referred to in this application as the “**Wrap Platform**”.

21.2 The Wrap Platform is owned by Standard Life Savings Limited (“SLSL”), which is an abrdn Group Company which has entered into contractual arrangements with SLAL for its operation.

21.3 A significant part of what would be the abrdn Transfer Business is operated through the Wrap Platform.

22 *The Wrap Onshore Bonds*

22.1 The SLAL Business includes investment bonds, which are sold in the UK and are referred to as “*onshore bonds*”.

22.2 Some of those onshore bonds are sold, and operated, through the Wrap Platform and are referred to in this application as the “**Wrap Onshore Bonds**”.

22.3 The Wrap Onshore Bonds are intended to form part of the abrdn Transfer Business.

22.4 As at the date of this application approximately 3,000 Wrap Onshore Bonds were in issue.

23 *The SLAL SIPP Scheme and the Wrap SIPP Scheme*

23.1 As said at Statement 8.4, the SLAL Business also includes the SLAL SIPP Scheme.

23.2

23.2.1 In outline, the SLAL SIPP Scheme is in the legal form of a trust, the beneficiaries of which are the members of the SLAL SIPP Scheme.

23.2.2 The SLAL SIPP Scheme has several elements, one of which is insured by SLAL.

23.3 An omnibus policy for the insured part of each element has been issued by SLAL to the trustee of the SLAL SIPP Scheme and is referred to in this application as the “**SLAL SIPP Policy**”.

23.4 In outline the members of the SLAL SIPP Scheme have in effect the same financial rights in respect of their insured investments, as they would have as policyholders under one of those SLAL Policies.

23.5 Again in outline, the terms of the SLAL SIPP Scheme will be amended to provide that its members may be transferred to a new self-invested pension scheme under what is commonly called a “*bulk transfer*”.

23.6

23.6.1 One element of the SLAL SIPP Scheme (the “**Wrap SIPP Scheme**”) is operated through the Wrap Platform.

23.6.2 That part of the SLAL SIPP policy which covers the Wrap SIPP Scheme is referred to in this application as the “**Wrap SIPP Policy**”.

23.6.3 There are approximately 130,000 members of the Wrap SIPP (“**Wrap SIPP Members**”), who also have contractual arrangements with SLSL for use of the Wrap Platform.

23.7

23.7.1 As said at Statement 8.4, the Wrap SIPP Scheme is also intended to be transferred to the abrdrn Group.

23.7.2 The majority of the Wrap SIPP Scheme Members are to be transferred (the “**Transferring Wrap SIPP Scheme Members**”), excluding those who cannot be transferred for regulatory, or commercial, reasons.

24 *The SLAL TIP Policies*

24.1 The SLAL Business also includes approximately 500 “*trustee investment policies*” (“**SLAL TIP Policies**”).

24.2 SLAL TIP Policies are sold to trustees of pension schemes in the UK.

24.3

24.3.1 Most SLAL TIP Policies are property-linked.

24.3.2 A number of property-linked SLAL TIP Policies were written before the SLAL Demutualisation Scheme and are in the SLAL HWPF, along with a number of with-profits SLAL TIP Policies.

24.3.3 The property-linked SLAL TIP Policies, including the property-linked SLAL TIP Policies in the SLAL HWPF, are intended to form part of the abrdrn Transfer Business.

25 *SLAL’s Assumption of SLIF’s Reinsurance - the Property-Linked Reinsurance*

25.1 The SLAL Business also includes “*outwards*” reinsurance by SLAL.

25.2 The SLAL 2011 Scheme, which is described briefly at Statement 59, transferred to SLAL the reinsurance agreements (the “**SLIF Reinsurance Agreements**”) which were the only long-term insurance contracts in the SLIF Business and some of which are still in force.

25.3

- 25.3.1 The SLIF Reinsurance Agreements included those which reinsured three sets of property-linked policies.
- 25.3.2 First of all, some SLIF Reinsurance Agreements reinsured property-linked SLAL Policies, including Property-linked SLAL HWPF Policies, and are referred to in this application as the “**SLIF-SLAL PL Reinsurance Agreements**”.
- 25.3.3 Secondly, other SLIF Reinsurance Agreements reinsured property-linked SLPF Policies and are referred to in this application as the “**SLIF-SLPF PL Reinsurance Agreements**”.
- 25.3.4 Thirdly, other SLIF Reinsurance Agreements reinsured property-linked policies of other insurance companies which were outside SLAL’s then corporate group and which are referred to in this application as “**Third-Parties Insurers**”.
- 25.3.5 Those SLIF Reinsurance Agreements with the Third-Parties Insurers are referred to in this application as the “**Third-Parties Reinsurance Agreements**” and are referred to in the Phoenix Scheme as the “*Property Linked Reinsurance Contracts*”.
- 25.3.6 The Third-Parties Reinsurance Agreements are the only SLIF Reinsurance Agreements which remain in force and are also intended to form part of the abrdn Transfer Business.

25.4

- 25.4.1 SLIF granted a floating charge (the “**Property-Linked Floating Charge**”) to The Law Debenture Trust Corporation PLC (“**Law Debenture**”), as security trustee, over its property-linked assets, in order to secure its liabilities under the Third-Parties Reinsurance Agreements.
- 25.4.2 In addition, the Property-Linked Floating Charge secured SLAL’s liabilities under additional reinsurance agreements which were entered into by SLAL with Third-Parties Insurers following the SLAL 2011 Scheme and which are, in this application, included within the Third-Parties Reinsurance Agreements.
- 25.4.3 As at the date of this application, there were six Third-Parties Insurers and seven Third-Parties Reinsurance Agreements.

25.5

- 25.5.1 The SLIF-SLAL PL Reinsurance Agreements were transferred to SLAL under the SLAL 2011 Scheme, but immediately terminated by operation of law.

- 25.5.2 In addition, the SLIF-SLPF PL Reinsurance Agreements were transferred under the SLAL 2011 Scheme, but are no longer in force.
- 25.5.3 The Third-Parties Reinsurance Agreements which were then in force were also transferred under the SLAL 2011 Scheme and three of them remain in force, with SLAL as the reinsurer.
- 25.5.4 In commercial terms, the Third-Parties Reinsurance Agreements enable policies of the Third-Parties Insurers to invest in SLAL Linked Funds.
- 25.5.5 That kind of reinsurance is called “*External Fund Linked Reinsurance*” and the reinsurance agreements are called “*External Fund Links*”.
- 25.5.6 The Third-Parties Reinsurance Agreements were allocated, under the SLAL 2011 Scheme, to the SLAL PBF.
- 25.5.7 As the Third-Parties Reinsurance Agreements include confidential information, it is sought not to lodge them, but only to show them to the reporter.
- 25.5.8 That would be in accordance with the practice in inter alia applications in respect of insurance schemes.

25.6

- 25.6.1 In addition, the Property-Linked Floating Charge was also transferred, under the SLAL 2011 Scheme.
- 25.6.2 The Property-Linked Floating Charge was also very significantly amended by the SLAL 2011 Scheme to reflect its transfer to SLAL of SLIF’s property-linked assets.
- 25.6.3 The intended effect of the amendments to the Property-Linked Floating Charge was that the Third-Parties Insurers and SLPF, while the SLIF-SLPF PL Reinsurance Agreements remained in force, had the same priority in a winding up of SLAL as the direct SLAL Policyholders had.
- 25.6.4 Regulation 21 of the Insurers (Reorganisation and Winding Up) Regulations 2004 provides that, in the winding up of an insurance company, its direct policyholders have priority over the reinsured.
- 25.6.5 The use of a floating charge to give such additional protection to reinsured policies remains common practice among insurance companies.

25.7

- 25.7.1 The Property-Linked Floating Charge was also supplemented by a “**Security Trust Agreement**”, which was also significantly amended by, as well as being transferred under, the SLAL 2011 Scheme.
- 25.7.2 SLPF is the beneficiaries’ agent under the Security Trust Agreement, but its functions are in practice administrative.

25.8

- 25.8.1 The Third-Parties Reinsurance Agreements are to be transferred under the Phoenix Scheme.
- 25.8.2 In addition, the Phoenix Scheme is to refer, subject to this Court giving its consent to the Proposed SLAL 2011 Scheme Variation, to the discharge of the Property-Linked Floating Charge and is to provide for Phoenix to grant in its place a new floating charge.
- 25.8.3 That new floating charge is to be in favour of the security trustee for the Third-Parties Insurers, is to be governed by English law and is referred to in this application as the “**New Phoenix Property-Linked Floating Charge**”.
- 25.8.4 In outline, the New Phoenix Property-Linked Floating Charge is to be over SLAL’s property-linked assets which are to be transferred under the Phoenix Scheme.
- 25.8.5 Those assets are together referred to in this application as the “**Phoenix Property-Linked Charged Assets**”.

25.9

- 25.9.1 In addition, the Security Trust Agreement is to be replaced by a new agreement (the “**New Security Trust Agreement**”) which is to be entered into by Phoenix and the trustee and which is also to be governed by English law.
- 25.9.2 In addition, SLPF is to be appointed the beneficiaries’ agent under the New Security Trust Agreement.

- 25.10 Those provisions of the Phoenix Scheme which are to replace those of the SLAL 2011 Scheme are described further at Statement 151.

26 *SLAL's Assumption of SLIF's Reinsurance - The SLAL 2011 Scheme Internal Reinsurance Arrangements*

26.1

26.1.1 In addition to those which reinsured property-linked policies, other SLIF Reinsurance Agreements partly reinsured SLAL Policies which had become immediate annuities before the SLAL Demutualisation Scheme and which are referred to in this application as “**SLAL Pre-2006 Immediate Annuities**”.

26.1.2 Those SLIF Reinsurance Agreements are referred to in this application as the “**SLIF-SLAL Annuity Reinsurance Agreements**”.

26.2

26.2.1 The SLIF-SLAL Annuity Reinsurance Agreements also partly reinsured the SLPF Pre-2006 Immediate Annuities.

26.2.2 The SLPF Pre-2006 Immediate Annuities were reinsured by SLAL, through the SLAL HWPF, and were, in turn, partly reinsured to SLIF under the SLIF-SLAL Annuity Reinsurance Agreements.

26.3 The SLIF-SLAL Annuity Reinsurance Agreements reinsured only the longevity risk on, and augmentations to, respectively SLAL Pre-2006 Immediate Annuities and SLPF Pre-2006 Immediate Annuities.

26.4

26.4.1 The SLIF-SLAL Annuity Reinsurance Agreements were also transferred to SLAL under the SLAL 2011 Scheme, but immediately terminated by operation of law.

26.5

26.5.1 Instead, the SLAL PBF provides, under the SLAL 2011 Scheme “*internal reinsurance*” of the longevity risk on, and augmentations to, SLAL Pre-2006 Immediate Annuities and SLPF Pre-2006 Immediate Annuities.

26.5.2 That internal reinsurance by the SLAL PBF has the same commercial, and economic, effect as the reinsurance, in the legal sense, under the SLIF-SLAL Annuity Reinsurance Agreements had.

26.5.3 That internal reinsurance is referred to in this application as the “**SLAL 2011 Scheme Internal Reinsurance Arrangements**”.

26.6 The provisions of the Phoenix Scheme which are to replicate the SLAL 2011 Scheme Internal Reinsurance Arrangements are described at Statement 106.

27 *The SLAL Transaction*

27.1 Since 31 August 2018, the abrdn Group and the Phoenix Group, particularly SLAL, have been parties to a series of contractual arrangements which are together referred to in this application as the “**SLAL Transaction**”.

27.2 The SLAL Transaction included, first of all, the sale to the Phoenix Group of SLAL and, in economic terms, its then subsidiaries, including SL Intl.

27.3 In addition, the SLAL Transaction still includes a series of agreements with SLSL for the operation of the Wrap SIPP Scheme through the Wrap Platform.

27.4

27.4.1 abrdn plc and PGH entered, along with other abrdn Group Companies and Phoenix Group Companies, into two agreements which were dated 23 February and 14 September 2021 under which they agreed to implement the ALPL Scheme.

27.4.2 The earlier agreement also provided for the acquisition by SLAESL of the “*Standard Life*” brand.

27.5

27.5.1 As the agreements which comprise the SLAL Transaction include confidential information, it is sought not to lodge them as productions, but only to show them to the reporter who is to be appointed to this process.

27.5.2 That would be in accordance with the practice of this Court which has been referred to at Statement 25.5.7.

28 *The Former SLAL Euro Business*

28.1 Until the SLAL Brexit Scheme became effective in 2019, the SLAL Business also included the Former SLAL Euro Business.

28.2 The Former SLAL Euro Business included, in particular, “**Former SLAL Euro Policies**” under which the benefits were written in euros and which were written in the EEA, particularly Ireland, Germany and Austria.

28.3

28.3.1 The Former SLAL Euro Policies included those which were in the SLAL HWPF (the “**Former SLAL Euro HWPF Policies**”).

28.3.2 The Former SLAL Euro HWPF Policies comprised those which had been written in Ireland (the “**Former SLAL Irish HWPF Policies**”), or in Germany (the “**Former**

SLAL German HWPF Policies”) and Austria (the **“Former SLAL Austrian HWPF Policies”**).

28.3.3 Almost all of those Former SLAL Euro HWPF Policies were written by SLAC, through its branch in Ireland or its branch in Germany, and were transferred under the SLAL Demutualisation Scheme.

28.4

28.4.1 In addition, the Former SLAL Euro Policies included those which were in the SLAL PBF (the **“Former SLAL Euro PBF Policies”**).

28.4.2 The Former SLAL Euro PBF Policies comprised those which had been written by SLAL in Ireland (the **“Former SLAL Irish PBF Policies”**), in Germany (the **“Former SLAL German PBF Policies”**) and Austria (the **“Former SLAL Austrian PBF Policies”**).

28.4.3 The Former SLAL Euro PBF Policies were written, under Solvency II, by SLAL through its former branches in Ireland and Germany and, on a *“freedom of services basis”* in Austria, where SLAL had a sales office.

28.5

28.5.1 The SLAL Brexit Scheme also provides for the reinsurance by SLAL of certain of the Former SLAL Euro Policies under a series of arrangements, which include a retrocession agreement back to SL Intl and which are referred to in this application as the **“SL Intl Reinsurance Arrangements”**.

28.5.2 The SL Intl Reinsurance Arrangements include four reinsurance agreements which are referred to in this application as the **“SL Intl Reinsurance Agreements”**.

28.5.3 In addition, the SL Intl Reinsurance Arrangements include two securities which SLAL has granted to secure certain of its liabilities under three of the SL Intl Reinsurance Agreements.

28.5.4 The first of those securities is a fixed charge over certain of SLAL’s assets (the **“SL Intl Reinsurance Fixed Charge”**) and the second is a floating charge over certain of its assets (the **“SL Intl Reinsurance Floating Charge”**).

29 *SLAL’s “Outward” Reinsurance Agreements*

29.1 SLAL’s liabilities under certain of the SLAL Policies are reinsured by a number of reinsurers (the **“SLAL Reinsurers”** under a series of *“outward”* reinsurance agreements (the **“SLAL Outward Reinsurance Agreements”**)).

29.2 In outline, the SLAL Outward Reinsurance Agreements cover those SLAL Policies which are life policies and disability income protection policies and, in particular, annuities.

29.3

29.3.1 Some of the SLAL Outward Reinsurance Agreements are External Fund Links, as explained at Statement 25.5.

29.3.2 In addition to, or instead of, being invested in the SLAL Linked Funds, some property-linked SLAL Policies can be invested, through those SLAL Outward Reinsurance Agreements, in the funds of the reinsurers.

30 *SLAL's Administration and Material Contracts*

30.1 SLAL has had no employees since the SLAL Brexit Scheme.

30.2 The majority of the staff who administer the SLAL Business, including the SLAL Policies, are employees of SLAESL, which has been a Phoenix Group Company since the SLAL Transaction.

30.3

30.3.1 Most of that administration is being sub-contracted to a company outside the Phoenix Group.

30.3.2 That process is expected to be completed in 2025 and is independent of the Phoenix Scheme.

30.4 In addition to the SLAL Reinsurance Agreements, and the SLAL Transaction, the SLAL Business includes other contracts which are not with Phoenix Group, which are material in the context of the Phoenix Scheme and which are referred to in this application as the “**SLAL Contracts**”.

30.5

30.5.1 In outline, the SLAL Contracts are broadly for the provision to SLAL of custody services and fund management services, most of the latter being with abrdn Group Companies.

30.5.2 The counterparties under the SLAL Contracts are referred to in this application as the “**SLAL Counterparties**”.

30.6 For completeness, the Phoenix Group is proposing to have only a single Phoenix Group Company provide intra-group administrative management services to others.

THE ABRDN GROUP, ALPL, THE ALPL SCHEME AND THE TRANSFER OF THE WRAP SIPP SCHEME

31

31.1 Since the sale of SLAL in 2018, the abrdn Group's business comprises "*investment management and personal wealth services, building and offering investment solutions and the operation of direct and intermediated platforms*".

31.2 ALPL is a private company limited by shares, which is registered in England and Wales, under the registered number 3526143, and has its registered office at 280 Bishopsgate, London.

31.3 ALPL has been granted permission by the PRA, under FSMA, to carry on long term insurance business in the UK.

31.4 ALPL's present business comprises the issuing of unit-linked investment policies, trustee investment plans to trustees of UK pension funds and reinsurance policies to insurance companies covering unit-linked pension liabilities.

32 *The ALPL Scheme in Outline*

32.1 The ALPL Scheme, together with what is in commercial terms the transfer of the Wrap SIPP Scheme, are intended by PGH and abrdn plc to simplify the arrangements between them.

32.2 The abrdn Transfer Business, is first to be transferred under the Phoenix Scheme.

32.3 It is intended that the abrdn Transfer Business will include the Wrap Onshore Bonds, the property-linked SLAL TIP Policies and the Third-Parties Reinsurance Agreements.

32.4 The holders of those SLAL Policies, which are to form the abrdn Transfer Business, are referred to in this application as the "**ALPL Scheme Policyholders**".

32.5

32.5.1 In outline, it is also intended that the ALPL Scheme transfers those linked assets which match the liabilities under the policies which are to be transferred under it.

32.6

32.6.1 The ALPL Scheme is to also likely to provide for the replacement of the New Phoenix Property-Linked Floating Charge with some equivalent protection for the Third Parties Insurers.

32.6.2 Accordingly, the New Security Trust Agreement, including SLPF's agency, is likely to be replaced.

33 *The Transfer of the Wrap SIPP Scheme*

33.1 The Wrap SIPP Scheme is to be transferred to the abrdn Group, primarily under the contractual arrangements which have been referred to at Statement 23.5.

33.2

33.2.1 It is intended that SLAL is first of all to establish, and register with HMRC, new arrangements (the "**New Wrap SIPP Scheme**"), the trustee of which is to be an abrdn Group Company and the administrator, and operator, of which is to be SLAL.

33.2.2 In addition SLAL is to issue to the trustee of the New Wrap SIPP Scheme a policy linked to its insured assets.

33.2.3 SLSL is to become the administrator, and operator, of the New Wrap SIPP Scheme in place of SLAL.

33.3

33.3.1 In outline, the transfer is also to include these other actions.

33.3.2 The first is the transfer to the New Wrap SIPP Scheme of the Transferring Wrap SIPP Scheme Members.

33.3.3 The second action is the transfer to the trustee of the uninsured assets which are attributable to the Transferring Wrap SIPP Scheme Members.

33.3.4 The final action is the transfer, under the ALPL Scheme, of the policy which will have been issued to the trustee of the New Wrap SIPP Scheme.

33.4 For completeness, the SLAL SIPP Scheme is to continue otherwise than in respect of the Transferring Wrap SIPP Members.

33.5

33.5.1 It is intended that the actions which are described in Statements 33.2 are taken before the Phoenix Scheme has become operative.

33.5.2 The Transferring Wrap SIPP Members are not to be transferred until the Phoenix Scheme has become operative.

33.5.3 However, new business may be written in the New Wrap SIPP Scheme before the Wrap SIPP Members are transferred to it.

SLAL'S FUND STRUCTURE

34 *The Overall Structure*

34.1 In accordance with the SLAL Demutualisation Scheme, SLAL maintains two funds (the “**SLAL Funds**”).

34.2

34.2.1 The first is its “*Long Term Fund*” (the “**SLAL Long-Term Fund**”).

34.2.2 The second is its “*Shareholder Fund*” (the “**SLAL Shareholder Fund**”), which comprises those of SLAL’s assets which are not within the SLAL Long-Term Fund.

34.3 The SLAL Long-Term Fund comprises five sub-funds (the “**SLAL Sub-Funds**”), which are more commonly referred to as “*funds*”.

34.4 The SLAL Sub-Funds are as follows:

- (i) the SLAL HWPF, which the SLAL Demutualisation Scheme refers to as the “*With-Profits Fund*”;
- (ii) the SLAL PBF, which the SLAL Demutualisation Scheme refers to as the “*Non-Profit Fund*”;
- (iii) the “*UK Smoothed Managed With-Profits Fund*” (the “**SLAL UKSMWPF**”);
- (iv) the “*German With-Profits Fund*” (the “**SLAL GWPF**”); and
- (v) the “*German Smoothed Managed With-Profits Fund*” (the “**SLAL GSMWPF**”).

34.5 SLAL is required by the SLAL Demutualisation Scheme to maintain the SLAL HWPF and the SLAL PBF.

35 *The SLAL HWPF*

35.1 The SLAL Demutualisation Scheme allocated to the SLAL HWPF the vast majority of SLAC’s policies and a similar majority of that company’s assets, and liabilities.

35.2

35.2.1 As at 31 December 2022, the SLAL HWPF had approximately 1.2 million SLAL HWPF Policies and a similar number of SLAL HWPF Policyholders.

- 35.2.2 The majority of the SLAL HWPF Policies were transferred under the SLAL Demutualisation Scheme and are with-profits policies (the “**SLAL With-Profits HWPF Policies**”).
- 35.3
- 35.3.1 The SLAL HWPF Policies include those which have investment elements and are, therefore, unitised.
- 35.3.2 The investment elements can be either unitised with-profits or property-linked.
- 35.3.3 Some SLAL HWPF Policies can be invested in unitised with-profits investment elements or property-linked investment elements (or in both kinds of investment element) and are commonly called “*hybrid policies*”.
- 35.4
- 35.4.1 The property linked-investment elements of those hybrid SLAL HWPF Policies are, as said at Statement 19.4.3, invested in the SLAL PBF and are calculated by reference to the value of the assets in the SLAL Linked-Funds.
- 35.4.2 That investment of the property linked-investment elements is also called “*internal reinsurance*” by insurance companies.
- 35.5 As at 31 December 2022, the SLAL HWPF included approximately 20,000 conventional with-profits policies and 270,000 conventional non-profit policies.
- 35.6
- 35.6.1 As at that date, the SLAL HWPF included approximately 890,000 unitised policies.
- 35.6.2 Of those SLAL HWPF Policies, 230,000 had only unitised with-profits investment elements, 200,000 had only property-linked investment elements and 460,000 were hybrid policies.
- 35.7
- 35.7.1 The SLAL Demutualisation Scheme includes very detailed provisions for the operation of the SLAL HWPF, particularly the distribution of its surplus to the SLAL HWPF Policies.
- 35.7.2 Those provisions of the SLAL Demutualisation Scheme are described at Statements 41 to 58.

35.8

35.8.1 The SLAL HWPF also included the Former SLAL Euro HWPF Policies until the SLAL Brexit Scheme.

35.8.2 In addition, the with-profits investment elements of Former SLAL Irish PBF Policies were invested in the SLAL HWPF.

35.9

35.9.1 The SLAL HWPF is also responsible for SLAL's reinsurance of the SLPF Pre-2006 Immediate Annuities and the SLPF Deferred Annuities until their vesting.

35.9.2 That responsibility of the SLAL HWPF, in turn, is subject to the SLAL 2011 Scheme Internal Reinsurance Arrangements, which have been described at Statement 26.

35.10 SLAL's membership of SLPF is also within the SLAL HWPF.

35.11

35.11.1 The effect of the SLAL Demutualisation Scheme Brexit Variation on the SLAL HWPF is described at Statements 78 to 80.

36 *The SLAL PBF*

36.1 As at 31 December 2022, the SLAL PBF had approximately 3.1 million SLAL PBF Policies and a similar number of SLAL PBF Policyholders.

36.2 The vast majority of the SLAL PBF Policies, other than some non-profit pension and protection policies, have been written since the SLAL Demutualisation Scheme.

36.3

36.3.1 The majority of the SLAL PBF Policies are also property-linked, the investment elements of which are invested in the SLAL Linked Funds.

36.3.2 A relatively small number of the SLAL PBF Policies also have unitised with-profits investment elements, which are invested in the SLAL HWPF, as said at Statement 19.4.

36.4

36.4.1 The property-linked investment elements of the SLAL HWPF Policies are also invested in the SLAL PBF.

36.5

36.5.1 In addition, the SLAL PBF has also provided, since the SLAL 2011 Scheme, the reinsurance, under the Third Parties Reinsurance Agreements and the internal reinsurance under the SLAL 2011 Scheme Internal Reinsurance Arrangements.

36.5.2 The SLAL PBF also reinsures, in commercial terms, the SLPF Post-2006 Immediate Annuities.

36.5.3 In outline, the SLAL PBF pays for the SLPF Post-2006 Immediate Annuities which are issued on the vesting of SLPF Deferred Annuities.

36.5.4 That is similar to the provision by the SLAL PBF of immediate annuities on the vesting of SLAL HWPF Policies, as is described at Statement 51.

36.6 As at 31 December 2022, there were approximately 200,000 conventional non-profit SLAL PBF Policies, and approximately 2,880,000 SLAL PBF Policies, which are property-linked.

36.7 The SLAL PBF also included, before the SLAL Brexit Scheme, the Former SLAL Euro PBF Policies and the property-linked investment elements of the Former SLAL Euro HWPF Policies.

37 *The SLAL UK Smoothed Managed With-Profits Fund*

37.1 The SLAL UKSMWPF comprises the investment elements of those unitised with-profits SLAL PBF Policies which have been written since the SLAL Demutualisation Scheme and which are to provide “*Stakeholder Pensions*”.

37.2

37.2.1 A “*smoothed managed fund*” is a unitised with-profits fund in which the units may be cancelled at a “*smoothed price*”.

37.2.2 In outline, a smoothed price is one which is adjusted to take account of irregular changes in value over a period.

37.3 New business is still invested in the SLAL UKSMWPF.

37.4 As at 31 December 2022, the SLAL UKSMWPF included the investment elements of approximately 4,000 SLAL PBF Policies.

38 *The SLAL GWPF and the SLAL GSMWPF*

38.1 Until the SLAL Brexit Scheme, the SLAL GWPF and the SLAL GSMWPF were the SLAL Funds in which the unitised with-profits investment elements of certain Former SLAL German PBF Policies and Former SLAL Austrian PBF Policies were invested.

- 38.2 Those Former SLAL Euro Policies were written in the SLAL PBF.
- 38.3
- 38.3.1 The investment elements of some of those Former SLAL German PBF Policies and Former SLAL Austrian PBF Policies were invested in the SLAL GWPF and could include guarantees.
- 38.3.2 Subject to limited exceptions, primarily increments, no new business was invested in the SLAL GWPF after 2015.
- 38.3.3 SLAL has in place an arrangement under which the SLAL GWPF can receive support from the SLAL Shareholder Fund.
- 38.4
- 38.4.1 The investment elements of the rest of those Former SLAL Euro Policies were invested in the SLAL GSMWPF.
- 38.4.2 Subject to limited exceptions, primarily increments, no new business was invested in the SLAL GSMWPF after 2012.
- 38.5 The effects on the SLAL GWPF and the SLAL GSMWPF of the Demutualisation Scheme Brexit Variation are described at Statements 79 and 80.

SLAL's FINANCIAL AND REGULATORY POSITIONS

39 SLAL's Financial Position

- 39.1 SLAL's latest audited accounts are in its annual report and accounts for the year to 31 December 2022.
- 39.2
- 39.2.1 Those accounts showed that at that date SLAL had total assets of £128,958 million, gross liabilities of £128,180 million and, therefore, total equity of £778 million.
- 39.2.2 Those liabilities included "*insurance contract liabilities*" of £113,847 million in respect of the then SLAL Policies (including external reinsurance contracts).

39.3

39.3.1 In addition, the “2022 Solvency and Financial Condition Report” for the Phoenix Group showed that SLAL’s “*technical provisions*” at 31 December 2022 were £117,870 million.

39.3.2 In outline, technical provisions are an assessment of an insurance company’s liabilities which may arise under their policies and are calculated in accordance with the PRA Rulebook.

39.3.3 That report is one which the “*Rulebook*” requires an authorised insurance company to make annually.

39.3.4 The technical provisions in that report included the following:

- (a) £91,175 million in respect of the SLAL PBF;
- (b) £24,380 million in respect of the SLAL HWPF;
- (c) £58 million in respect of the SLAL UKSMWPF;
- (d) £2,102 million in respect of the SLAL GWPF; and
- (e) £156 million in respect of the SLAL GSMWPF.

39.4 SLAL’s accounts for the year to 31 December 2022 also showed that SLAL had received in that year “*gross-earned premium income*” of £891 million.

40 *SLAL’s Regulatory Position*

40.1 Since 1 January 2016, SLAL has been subject to the regulatory regime for insurance companies which resulted from the implementation in the UK of Solvency II.

40.2

40.2.1 Solvency II was implemented by very extensive amendments to the PRA Rulebook.

40.2.2 Since 1 January 2021, the UK has been able to depart from Solvency II.

40.2.3 Only a few changes have so far been made to the PRA Rulebook, including a change to discount rates.

40.2.4 Following a consultation process by the PRA, further changes are likely to be made to the PRA Rulebook in the course of this application.

40.3 In outline, the PRA Rulebook provides that a company which is authorised to carry on in the UK long-term insurance business and is called there “**a Solvency II Firm**” must ensure that it has sufficient available regulatory capital, which is described as “*own funds*”.

40.4

40.4.1 The regulatory capital of a Solvency II Firm is calculated according to the very detailed rules in the PRA Rulebook.

40.4.2 In outline, that regulatory capital comprises share capital, share premium account and certain other reserves (including retained profit) and certain kinds of subordinated debt, after deduction of certain intangible items.

40.4.3 That regulatory capital is divided into three “*Tiers*”, with, for example, ordinary share capital being categorised as “*Tier 1*” and redeemable subordinated debt being categorised as “*Tier 2*”.

40.5

40.5.1 That regulatory capital, and therefore the assets which represent it, must always be at least equal to what is called the company’s “**Solvency Capital Requirement**” (otherwise “**SCR**”).

40.5.2 That Solvency Capital Requirement of a Solvency II Firm is also calculated according to the very detailed rules in the PRA Rulebook.

40.5.3 In outline, the Solvency Capital Requirement is intended to ensure that the Solvency II Firm has a 99.5 per cent prospect of being able to pay all its liabilities, including contingent liabilities, when they become payable.

40.6 The Solvency Capital Requirement may be calculated using “*a standard formula*” or, with the approval of the PRA, “*an internal model*”, which the Solvency II Firm has created for itself.

40.7

40.7.1 The extent to which a Solvency II Firm’s regulatory capital exceeds its Solvency Capital Requirement must be calculated at least quarterly and be publicly disclosed annually.

40.7.2 The adequacy of a Solvency II Firm’s regulatory capital is also monitored on a continuous basis by the PRA.

40.8

- 40.8.1 SLAL's Solvency Capital Requirement is calculated using an internal model which has been approved by the PRA and has also been used by Phoenix and PLAL since September 2021.
- 40.8.2 In addition, SLAL's Solvency Capital Requirement is calculated on a consolidated basis, which, in outline, includes its present subsidiaries, such as SLPF, but no longer includes SL Intl.
- 40.8.3 SLAL also requires to carry out a separate calculation of the solvency position of the SLAL HWPF and its surplus is not to be taken into account in calculating SLAL's overall solvency.
- 40.8.4 SLAL also has approvals from the PRA under Solvency for the calculation of its liabilities under certain SLAL Policies.
- 40.8.5 Those approvals include a "*Matching Adjustment*" and a "*Volatility Adjustment*", both which, in outline, can increase the discount rate for calculating long-term insurance liabilities.
- 40.8.6 They also include the use of "*Transitional Measures for Technical Provisions*" (otherwise "*TMTP*"), which, in outline, mitigate the effect of Solvency II.

40.9

- 40.9.1 As at 31 December 2022, SLAL's Solvency Capital Requirement was approximately £1,985 million and its regulatory capital (otherwise "*own funds*") was approximately £3,160 million.
- 40.9.2 That regulatory capital is calculated after deducting an amount in respect of the SLAL HWPF, which is a "*ring-fenced fund*".
- 40.9.3 In particular, 98 per cent of SLAL's regulatory capital was categorised as Tier I Capital.

40.10

- 40.10.1 For completeness, SLAL's Solvency Capital Requirement position is reinforced by its capital policy.
- 40.10.2 In outline, that policy includes SLAL holding additional capital, so that it can continue to meet its Solvency Capital Requirement, after the more onerous of two events arising.

- 40.10.3 The first is a “*1-in -10 year all risk event*” arising over a one-year period and the second is a “*1-in -20 year severe market risk event*” arising over a three- month period.
- 40.10.4 That additional capital amounts at the date of this application to 31 per cent of SLAL’s Solvency Capital Requirement.
- 40.10.5 SLAL capital policy also requires to take account of the provisions of the SLAL Demutualisation Scheme which are described at Statement 42 for the management of the SLAL HWPF.
- 40.10.6 For completeness, SLAL also has a liquidity policy to ensure that it has appropriate assets with which to pay *inter alia* claims on SLAL Policies.
- 40.10.7 SLAL’s policy is an application of the Phoenix Group’s “*liquidity and funding framework*” which applies to all of its insurance companies.

40.11

- 40.11.1 SLAL also carried out in the middle of 2022 stress tests which the PRA required most insurance companies to carry out and are known as “**LIST 2022**”.
- 40.11.2 LIST 2022 involved testing the financial position of SLAL as at 31st December 2021 against four significantly adverse scenarios.
- 40.11.3 The results were that SLAL was still able in each scenario to meet its Solvency Capital Requirement and to comply with its capital policy.

40.12

- 40.12.1 Following the significant increases in long term interest rates at the end of September 2022, the Phoenix Group is planning enhancements to its modelling of its capital position.
- 40.12.2 As an interim measure, the Phoenix Group, including SLAL, now maintains capital buffers which are in addition to those in its capital policy.

40.13

- 40.13.1 In addition, the conduct of the with-profits business of a long-term insurance company in the UK is regulated by the FCA’s Handbook and, more specifically, its “*Conduct of Business Sourcebook*” (the “**COBS Rules**”).
- 40.13.2 In particular, the COBS Rules require an insurance company which has with-profits business in the UK to have a “*with-profits actuary*” and a “*with-profits committee*”.

- 40.13.3 The COBS Rules also require such an insurance company to establish a set of “*principles and practices of financial management*” (“**PPFM**”) for that with-profits business and to operate that business in accordance with them.
- 40.13.4 In addition, the FCA’s Handbook requires an insurance company which has with-profits business to have a “*with-profits actuary*”.
- 40.13.5 The Supervision Manual in the FCA Handbook also includes the “*Principles of Business*”, Principle 6 of which (“**PRIN 6**”) imposes a duty to treat customers fairly.
- 40.14 In accordance with the PRA Rulebook, the SLAL Board has appointed the SLAL CA to advise them on the SLAL Business.
- 40.15
- 40.15.1 In accordance with the FCA Handbook, the SLAL Board has also appointed the SLAL WPA to advise them on the SLAL HWPF and the SLAL UKSMWPF.
- 40.15.2 The SLAL WPA also continues to advise the SLAL Board on the SLAL GWPF and the SLAL GSMWPF.
- 40.16
- 40.16.1 For completeness, the FCA has introduced a new “*Consumer Duty*”, which is to apply *inter alia* to insurance companies and is to come into effect for open products and services on 31 July 2023.
- 40.16.2 In outline, the Consumer Duty includes a new General Principle which requires a firm to act in a way which produces a good outcome for a retail customer.
- 40.16.3 While the practical implications of the Consumer Duty will not be known at the Sanction Hearing, they would apply to SLAL, SLPF, PLAL and Phoenix regardless of the Phoenix Scheme.

THE SLAL DEMUTUALISATION SCHEME

41 *An Overview*

41.1

- 41.1.1 The SLAL Demutualisation Scheme includes very complex mechanisms which are, in particular, to protect the security, and the reasonable expectations, of, the SLAL With-Profits HWPF Policies.

- 41.2 The description at Statements 42 to 57 of the SLAL Demutualisation Scheme reflects the Demutualisation Scheme Variations, other than the Demutualisation Scheme Brexit Variation, which is more conveniently addressed after the description of the SLAL Brexit Scheme.
- 41.3 The SLAL Demutualisation Scheme requires the SLAL Board to provide to the UK Regulators an annual certificate as to SLAL’s compliance with its provisions for the operation of *inter alia* the SLAL HWPF and for the promise which is described at Statement 54.
- 42 *The Core Principles and the SLAL HWPF PPFM*
- 42.1 The first of those mechanisms for the operation of the SLAL Sub-Funds is that SLAL must conduct the SLAL Business in accordance with what the SLAL Demutualisation Scheme refers to as the “**Core Principles**”, which are described at Statement 43.
- 42.2 The Core Principles are overarching principles which balance the interests of the SLAL HWPF Policyholders and those of the “**Shareholder**”, now PGH.
- 42.3
- 42.3.1 In addition, SLAL must operate the SLAL HWPF in accordance with a set of PPFM which have been established under the SLAL Demutualisation Scheme (the “**SLAL HWPF PPFM**”).
- 42.3.2 The SLAL HWPF PPFM must be consistent with the Core Principles and may be varied only if they remain consistent with them.
- 42.4
- 42.4.1 In addition, SLAL must, to the extent reasonably practicable, carry on the SLAL Business so that, there is no significant, foreseeable risk that what is called “**a Capital Event**” arises and requires that the SLAL HWPF is not managed in accordance with the Core Principles.
- 42.4.2 In outline, a Capital Event is SLAL being unduly exposed to a risk of being unable to meet its Solvency Capital Requirement or other capital needs.
- 42.5
- 42.5.1 If a risk of the kind described in Statement 42.4 arises, SLAL must carry on the SLAL Business to avoid that risk.
- 42.5.2 That obligation in effect qualifies, to that extent, SLAL’s obligation to carry on the SLAL Business in accordance with the Core Principles and the SLAL PPFM.

42.5.3 In addition, the SLAL Board is to have regard to the advice of the SLAL WPA and the SLAL CA as to whether, in outline, SLAL is experiencing a Capital Event.

43 *The Content of the Core Principles*

43.1 The Core Principles require, first of all, that the bonuses on the SLAL With-Profits HWPF Policies are to be determined in accordance with the other Core Principles and the SLAL HWPF PPFM.

43.2

43.2.1 In addition, the Core Principles require the concept of “*asset shares*” to be generally used to determine bonuses on the SLAL With-Profits HWPF Policies.

43.2.2 In outline, asset shares are the accumulations of premiums, accumulated at earned investment returns, less claims paid and various charges, including contributions to the insurance company’s capital.

43.2.3 The use of asset shares to determine bonuses on with-profits policies is now standard among insurance companies.

43.3

43.3.1 In addition, the Core Principles require that the investment policy of the SLAL HWPF and its bonus philosophy are those which would be appropriate to a “*mutual company*” (the “**Notional Company**”).

43.3.2 In outline, the Notional Company is based on the SLAL HWPF, as adjusted to remove the rights of the Shareholder and to include additional capital.

43.3.3 In particular, the Notional Company is assumed to have *inter alia* specified levels of Tier 1 Capital and Tier 2 Capital, which is to be proportional to its With-Profits Policy Liabilities and, in outline, the cost of guarantees.

43.3.4 The Notional Company is also assumed not to have any asset, or liability, which, in outline, arises from future support by the Shareholder to the SLAL HWPF.

43.4

43.4.1 The Notional Company is also to disregard two obligations of the SLAL HWPF.

43.4.2 The first is the conditional obligation to transfer the cashflows which are to be transferred to the Shareholder, as described at Statement 44.

43.4.3 The second is the obligation to distribute what is referred to in the SLAL Demutualisation Scheme as the “**Residual Estate**” of the SLAL HWPF.

43.4.4 Accordingly, the investment policy and bonus philosophy of the SLAL HWPF are also to disregard those obligations.

43.5

43.5.1 The Residual Estate is now the “*surplus funds*” on the SLAL HWPF, which are calculated in accordance with the “*Surplus Funds Section*” of the PRA Handbook.

43.5.2 A more common term for the Residual Estate is “*inherited estate*”.

43.5.3 The primary purpose of the Residual Estate is to ensure that a prudent amount is retained in the SLAL HWPF from which it can meet its liabilities.

43.5.4 In outline, any excess in the Residual Estate must be distributed over time and as an enhancement to final bonuses on the remaining SLAL With-Profits HWPF Policies, which were transferred from SLAC.

43.5.5 If the Residual Estate is exhausted, any amount which would have been chargeable to it must be met instead from the cashflows which are to be transferred from the SLAL HWPF and are described at Statement 44.2.

44 *The SLAL HWPF’s Surplus and The Recourse Cashflows*

44.1 The surplus on the SLAL HWPF is, after permitted transfers, be distributed only to the SLAL With-Profits HWPF Policies, and, through the SL Intl HWPF Reinsurance Agreement, the SL Intl HWPF Policies, all in accordance with the SLAL HWPF PPFM.

44.2

44.2.1 The SLAL Demutualisation Scheme makes provision, using very detailed formulae, for the transfer out of the SLAL HWPF to the Shareholder of future cashflows.

44.2.2 Those cashflows arise from what are referred to as the “**Defined Blocks**” of business and are referred to as “**Recourse Cashflows**”.

44.3

44.3.1 In outline, the Defined Blocks include substantially all of the SLAL HWPF Policies which were written in the UK, other than those which are conventional with-profits policies or immediate annuities.

44.3.2 Each Defined Block comprises a different type of business, the largest being that for “*Unitised Pensions (UK)*” business (the “**Unitised Pensions (UK) Block**”).

- 44.3.3 The Defined Blocks also continue to include, in economic terms, the Former SLAL HWPF Irish Policies, other than those which are conventional with-profits policies or immediate annuities.
- 44.3.4 Since the SLAL Brexit Scheme, those Former SLAL HWPF Irish Policies have been included in the Defined Block through the SL Intl Reinsurance Arrangements, which are described at Statement 68.
- 44.4
- 44.4.1 There are in effect separate formulae for the Defined Blocks.
- 44.4.2 In outline, each formula comprises two elements in respect of the Defined Block, namely its income and expenditure and any change in reserves in respect of it.
- 44.5
- 44.5.1 In economic terms, the Recourse Cashflows depend on the profits, and losses, on the Defined Blocks, except the investment profits, and losses, which remain in the SLAL HWPF.
- 44.5.2 Accordingly, the mechanism of the Recourse Cashflows transfers the “*business risks*” on the Defined Blocks, other than the “*investment risk*”, to the Shareholder.
- 44.6 More specifically, Recourse Cashflows cannot be transferred to the extent that, in outline, their transfer would prejudice the solvency of the SLAL HWPF and its ability to declare bonuses.
- 44.7
- 44.7.1 Each period for calculating the Recourse Cashflows is referred to as “**a Reference Valuation Period**” and the date on which each period ends is referred to as “**a Reference Valuation Date**”.
- 44.7.2 The Reference Valuation Periods have since 2019 been consecutive periods of 6 months.
- 44.7.3 As described at Statement 134.5.2, it has in practice proved difficult to calculate one element of each formula when a Reference Valuation Period does not begin on 1 January.
- 44.7.4 The Phoenix Scheme is to address those difficulties.
- 44.8 Two amounts must be calculated on each Reference Valuation Date, in accordance with the formulae.

44.9

44.9.1 The first amount is referred to as the “**Reference Period Transfer Amount**”.

44.9.2 That amount is, in outline, the sum of the Recourse Cashflows which arise in the preceding Reference Valuation Period.

44.10

44.10.1 The second amount is referred to as the “**Transferable Amount**”.

44.10.2 That amount is, in outline, the sum which could be transferred out of the SLAL HWPF in respect of the preceding Reference Valuation Period, without prejudicing the solvency of the SLAL HWPF and its ability to declare bonuses in accordance with the Core Principles.

44.11

44.11.1 In outline the Reference Period Transfer Amount can be transferred out of the SLAL HWPF only to the extent that it does not exceed the Transferable Amount.

44.11.2 Instead, and again in outline, any excess is to be recorded in what is referred to as the “**Surplus Support Account**”.

44.12 If the financial position of the SLAL HWPF improves, the amount in the Surplus Support Account is to be added to a later Reference Period Transfer Amount.

45 *Shareholder Support*

45.1 Financial support may be provided to the SLAL HWPF, by a contingent loan or otherwise, from the SLAL PBF or the SLAL Shareholder Fund.

45.2 Any such loan, or other support, is to be repaid in a Reference Valuation Period only if the repayment is less than the Transferable Amount for that period.

45.3 The SLAL HWPF has never required any capital support.

45.4 For completeness, the limitations on Recourse Cashflows being paid to the Shareholder also provide in functional terms support for the SLAL HWPF.

46 *Contingent RCF Loans and the Further Support Mechanism*

46.1 The SLAL HWPF can obtain from a third party what is referred to as a “**Contingent RCF Loan**”.

- 46.2 In outline, the repayment of Contingent RCF Loan is contingent upon the Recourse Cashflows.
- 46.3 If the SLAL HWPF obtains a Contingent RCF Loan, its amount is to be added to the Reference Valuation Period Transfer Amount for that period.
- 46.4 SLAL is also *inter alia* required to maintain what is called the “**Further Capital Support Account**” and in which an amount equal to the SLAL HWPF’s liability under the Contingent RCF Loan is to be recorded.
- 46.5 SLAL must not make any distribution out of the SLAL Shareholder Fund, if it would reduce the aggregate surplus on the latter and the SLAL PBF below the amount in the Further Support Account.
- 46.6 The SLAL HWPF in fact entered into only one Contingent RCF Loan which was repaid in 2013.
- 47 *New Business in the SLAL HWPF*
- 47.1 Subject to limited exceptions, such as increments, no new business may be written in the SLAL HWPF, unless, in outline, two conditions are satisfied.
- 47.2
- 47.2.1 The first condition is that the proposed business is not expected to have a material and adverse effect on the Residual Estate and the reasonable expectations of the SLAL HWPF Policyholders.
- 47.2.2 The second condition is that, in outline, the proposed business is not inconsistent with the Core Principles and the SLAL HWPF PPFM.
- 47.3 The SLAL HWPF must also be appropriately remunerated for the use of its capital and for the risks which it assumes in writing the new business.
- 47.4 Only a small amount of new business, excluding the excepted categories, has in fact been written in the SLAL HWPF since the SLAL Demutualisation Scheme.
- 48 *Transactions with the SLAL HWPF and a SLPF Scheme*
- 48.1 Except for any transaction which is expressly contemplated by the SLAL Demutualisation Scheme, SLAL may enter into a transaction affecting the assets, or liabilities, of the SLAL HWPF, only if the transaction is unlikely to have a material and adverse effect on the interests of the SLAL HWPF Policyholders.

48.2

- 48.2.1 Additional constraints apply where the transaction is material and with another SLAL Sub-Fund or includes the making to a “*connected person*” of a loan using assets in the SLAL HWPF or the giving to such a person of a guarantee which is “*backed*” by those assets.
- 48.2.2 In outline, such a transaction must be on commercial terms and benefit the SLAL HWPF With-Profits Policyholders.

48.3

- 48.3.1 In addition, an SLPF Scheme may be effected only if the SLAL WPA approves it on the basis that it is not expected to affect, materially and adversely, certain matters.
- 48.3.2 In outline, those matters are the quantum of, or distributions from, the Residual Estate and the contractual rights, and reasonable expectations, of the SLAL HWPF Policyholders.
- 48.3.3 As set out at Statement 162, the SLAL WPA Report confirms that the Phoenix Scheme will not have such an effect.
- 48.3.4 The Phoenix Scheme can be seen, in functional terms, as very similar to an SLPF Scheme in transferring most of the SLPF Business, which now comprises annuity business, to the sub-fund of Phoenix which is to replace the SLAL HWPF.
- 48.3.5 On that basis, the confirmation gives the SLAL HWPF Policyholders the same protection as they would have under an SLPF Scheme.

49 *Contingent Financing Arrangements*

- 49.1 One kind of transaction which is expressly contemplated by the SLAL Demutualisation Scheme is referred to as a “**Contingent Financing Arrangement**” and may be of two kinds.

49.2

- 49.2.1 In outline, the first kind is a loan, or other financing arrangement, which is made to the SLAL HWPF and the repayment of which is contingent on cashflows on any of its blocks of business.
- 49.2.2 The condition in Statement 48.1 applies to the first kind of Contingent Financing Arrangement.

49.3

49.3.1 The second kind of Contingent Financing Arrangement is a loan, or other financing arrangement, which is made by the SLAL HWPF and the repayment of which is contingent on cashflows on any of blocks of business of SLAL or another member of the Phoenix Group.

49.3.2 The condition in Statement 48.2.2 applies to the second kind of Contingent Financing Arrangement.

50 *The Costs, and Additional Expenses, of the SLAL HWPF*

50.1 The SLAL HWPF can be charged only with the costs of its operation.

50.2 The SLAL HWPF can be charged with the costs of the two pension schemes which were operated by SLAC only in so far as those are determined, with the advice of the SLAL WPA, to arise out of, in outline, “*benefit accruals*” after the SLAL Demutualisation Scheme.

50.3

50.3.1 In addition, the SLAL HWPF can be charged with some additional expenses which are in respect of certain Former SLAL German HWPF Policies which are now reinsured, under the SL Intl Reinsurance Arrangements.

50.3.2 In outline, those additional expenses are a percentage of unallocated premiums and initial commissions.

51 *Immediate Annuities*

51.1 If an immediate annuity is to be provided under a SLAL HWPF Policy, or under a policy which is reinsured by the SLAL HWPF, that annuity is to be provided by the SLAL PBF, or another Phoenix Group Company, and the cost is debited from the SLAL HWPF.

51.2 In outline, the cost of the annuity is the most favourable rates being offered for similar annuities by the SLAL PBF or another company in the Phoenix Group.

51.3 For completeness, the SLAL Demutualisation Scheme has also been applied, so that the SLAL PBF

51.3.1 is to pay for the immediate annuities which SLPF is to issue on the vesting of the SLPF Deferred Annuities.

51.3.2 Similarly, the SLAL PBF pays for the SLPF Post-2006 Immediate Annuities.

52 *The SLAL 2011 Scheme Internal Reinsurance Arrangements*

52.1 As said at Statement 26, the SLAL PBF also reinsures, in commercial terms and under the SLAL 2011 Scheme Internal Reinsurance Arrangements, longevity risk on, and augmentations to, the SLAL Pre-2006 Immediate Annuities and the SLPF Pre-2006 Immediate Annuities.

53 *The Taxation of the SLAL HWPF*

53.1 Taxation is chargeable on the SLAL HWPF on the basis that it is a separate mutual life company (the “**Tax Notional Company**”).

53.2 In addition, no charge is to be made to the SLAL HWPF in respect of any taxation which becomes due as a result of any Contingent Financing Arrangement or any transfer to a Surplus Transfer Fund.

53.3 It is also to be assumed that the Tax Notional Company successfully claimed, and received all allowances, reliefs and repayments which would be reasonably be expected to be claimed.

53.4 If there is a material change to the basis on which life assurance companies are taxed in the UK, the provisions of the SLAL Demutualisation Scheme on taxation are to be amended as set out in Statement 53.5.

53.5

53.5.1 The SLAL Board may also amend that basis on which taxation is attributable to the SLAL HWPF to the extent which it considers necessary, or desirable, to ensure that the SLAL HWPF is charged to taxation, as if it were the Tax Notional Company.

53.5.2 The exercise of that power is subject to the SLAL Board having taken appropriate advice.

53.6 In addition the allocation of taxation to the SLAL HWPF is to be done on an arm’s length basis.

53.7 The SLAL HWPF is not to be charged with taxation to the extent that it represents any penalty which has arisen from any act, or omission, after the SLAL Demutualisation Scheme.

54 *The Mortgage Endowment Promise*

54.1 The SLAL Demutualisation Scheme reconstituted what is referred to as the “**Mortgage Endowment Promise**”, which SLAC had made to certain of its policyholders who held mortgage endowment policies.

54.2 Those policyholders were resident in the UK or Ireland.

54.3 In outline, the Mortgage Endowment Promise obliged SLAC to meet some shortfalls between the maturity payments on those policies and the target values on those policies.

54.4 The Mortgage Endowment Promise was subject to a condition which was obscure and would have been impossible to operate after the SLAL Demutualisation Scheme.

54.5 Accordingly, the SLAL Demutualisation Scheme replaced that condition with formulaic measures which were based on certain investment returns of SLAL up to 2020.

54.6

54.6.1 For completeness, some SL Intl Policyholders also continue to be beneficiaries of that part of the Mortgage Endowment Promise which was transferred to SL Intl under the SLAL Brexit Scheme.

55 *The Cessation of the SLAL HWPF*

55.1

55.1.1 SLAL may cease to maintain the SLAL HWPF, with the PRA's consent, if, in outline, its then With-Profits Policy Liabilities decline to £0.5 billion, as adjusted for inflation from 10 July 2006.

55.1.2 At the end of July 2022, the adjusted sum was £875 million.

55.2

55.2.1 In addition, SLAL may cease to maintain the SLAL HWPF, without the PRA's consent, if its then "**With-Profits Policy Liabilities**" decline to £0.1 billion, as so adjusted.

55.2.2 At the end of July 2022, the adjusted sum was £175 million.

55.2.3 In outline, With-Profits Policy Liabilities exclude future policy related liabilities, are gross of reinsurance and are calculated in accordance with the PRA Rulebook.

55.3 The SLAL HWPF Policies are then to become non-profit SLAL Policies.

55.4 Those non-profit SLAL Policies are to have guaranteed benefits which are to be, in outline, at least equal to the "*benefit value*" of each SLAL HWPF With-Profits Policy.

55.5

55.5.1 In outline, the benefit value of a SLAL HWPF With-Profits Policy is to be based on the highest of its then guaranteed value, its then With-Profits Policy Liabilities and the amount of those liabilities increased by a share of the then "*WPF Policy Assets*".

- 55.5.2 Again in outline, the WPF Policy Assets are the net assets of the SLAL HWPF and are to be calculated by deducting the liabilities for the non-profit SLAL HWPF Policies, the current liabilities of the SLAL HWPF and its obligation to pay future Recourse Cashflows.
- 55.6 For completeness, the provisions on the cessation of the SLAL HWPF may be varied with the approval of the SLAL WPA and the PRA.
- 56 *SLAL Linked Funds*
- 56.1 The SLAL Demutualisation Scheme permits SLAL to open, close, amalgamate or divide SLAL Linked Funds.
- 56.2 As said at Statement 19.4, the Property-linked SLAL HWPF Policies are invested in the SLAL Linked Funds.
- 56.3
- 56.3.1 The SLAL Demutualisation Scheme includes a provision which applies on the cancellation (or reduction) of the property-linked investment element of a SLAL HWPF Policy.
- 56.3.2 That provision of the SLAL Demutualisation Scheme requires the amount of that cancellation (or reduction) to be credited to the SLAL HWPF.
- 56.4
- 56.4.1 That provision of the SLAL Demutualisation Scheme reflects the regulatory regime which was in force before Solvency II. In outline, that regime required a linked-fund of an insurance company to hold property-linked assets otherwise “*unit linked assets*” with a value equal to its aggregate liability to the property-linked policyholders.
- 56.5
- 56.5.1 Solvency II now requires a linked-fund to hold only property-linked assets with a value equal to the “*unit-linked technical provisions*”.
- 56.5.2 In outline, those technical provisions are the value of the aggregate liability to the property-linked policyholders, less “*the unit related part*” of future income, less expenses, of a linked fund, which move in accordance with its value and include the value of future management charges. Those technical provisions are generally less than those under the previous regulatory regime.
- 56.5.3 Again in outline, the effect of the Solvency II requirement is that, if an insurance company still holds property-linked assets with an aggregate value equal to its

liabilities to its property-linked policyholders, it may reduce those assets to the value required by Solvency II.

56.6 However, the practical effect of the provision of the SLAL Demutualisation Scheme is that, on the reduction of the property-linked investment element of a SLAL HWPF Policy, it is not clear that the sum released can be transferred to the SLAL PBF, and on to the SLAL Shareholder Fund.

56.7

56.7.1 By contrast, the value of future management charges on property-linked SLAL PBF Policies may be, and are, transferred to the SLAL Shareholder Fund on the cancellation of their property-linked investment element.

56.7.2 That different treatment is also widely used by insurance companies, including Phoenix, and is referred to as “*unit matching*”.

57 *The Power to Vary the SLAL Demutualisation Scheme*

57.1 Paragraph 70.2 provides for the variation of the SLAL Demutualisation Scheme, after its sanction, with this Court’s consent or, in limited circumstances, without that consent.

57.2 Paragraph 70.2 (D) is set out in full at Statement 153, with the other provisions of the SLAL Demutualisation Scheme which amplify it.

57.3 The Demutualisation Scheme Variations were made in accordance with Paragraph 70.2 (D) and are described at Statements 60 and 61 and at Statements 78 to 81.

58 *The SLAL With-Profits Committee*

58.1 Although it was not required to do so by the SLAL Demutualisation Scheme, SLAL has established a “*With-Profits Committee*” (the “**SLAL With-Profits Committee**”), in accordance with the COBS Rules.

58.2

58.2.1 The SLAL With-Profits Committee has a majority of members who are “*Non-Executive Members*”, namely those who are independent of the Phoenix Group.

58.2.2 In addition, the SLAL With-Profits Committee has at present a senior actuary as its independent chairman.

58.3 The SLAL With-Profits Committee reports annually on SLAL’s compliance with the SLAL HWPF PPFM and the equivalent set of principles and practices for the SLAL UKSMWPF.

- 58.4 In addition, the SLAL With-Profits Committee's remit includes the interests of the SLAL GWPF and the SLAL GSMWPF.
- 58.5 The SLAL With-Profits Committee now has the same members and chair as the equivalent committees of PLAL and of Phoenix (the "**Phoenix With-Profits Committee**").

THE SLAL 2011 SCHEME, THE DEMUTUALISATION SCHEME 2011 VARIATION AND THE DEMUTUALISATION SCHEME 2016 VARIATION

59 *The SLAL 2011 Scheme*

- 59.1 SLIF's business comprised only reinsurance.
- 59.2 The SLAL 2011 Scheme transferred to SLAL the whole of SLIF's business, including all the assets which matched the SLIF Reinsurance Agreements, the majority of which were allocated, or immediately transferred, to the SLAL PBF.
- 59.3
- 59.3.1 The SLIF-SLPF Property-Linked Reinsurance Agreements were transferred under the SLAL 2011 Scheme but ceased to be in force in 2014.
- 59.4 The Third-Parties Reinsurance Agreements were also transferred under the SLAL 2011 Scheme, were allocated to the SLAL PBF and remain in force.
- 59.5 The SLIF-SLAL Property-Linked Reinsurance Agreements and the SLIF-SLAL Annuities Reinsurance Agreements terminated by operation of law immediately after their transfer to SLAL under the SLAL 2011 Scheme.
- 59.6
- 59.6.1 The SLAL 2011 Scheme provided for the SLAL PBF to reinsure, in commercial terms and under the SLAL 2011 Internal Reinsurance Arrangements, the SLAL Pre-2006 Immediate Annuities, and the SLPF Pre-2006 Immediate Annuities.
- 59.6.2 In addition, the SLAL 2011 Scheme provided that the property-linked investment elements of the SLAL HWPF Policies which had been reinsured under the SLIF-SLAL Property-Linked Reinsurance Agreements, were allocated to the SLAL PBF.
- 59.7
- 59.7.1 In addition to transferring the Property-Linked Floating Charge, the SLAL 2011 Scheme amended it to address SLIF's property-linked assets being transferred to SLAL.

59.7.2 The Property-Linked Floating Charge was amended to the effect that the direct property-linked SLAL Policies, the SLIF-SLPF Property-Linked Reinsurance Agreements and the Third-Parties Reinsurance Agreements were to share in the recoveries under the Property-Linked Floating Charge, in the proportions which SLAL's liabilities under them bore to SLAL's total property-linked assets.

59.8

59.8.1 In addition, the Property-Linked Floating Charge was supplemented by the Security Trust Agreement, under which SLPF remains their agent, notwithstanding that it is no longer one of the beneficiaries.

59.8.2 The Security Trust Agreement was also amended by, as well as being transferred under, the SLAL 2011 Scheme.

59.8.3 As said at Statement 25.8, the Property-Linked Floating Charge is to be replaced by the New Phoenix Property-Linked Floating Charge over the Phoenix Property-Linked Charged Assets.

59.9

59.9.1 The SLAL 2011 Scheme continues in force in these respects.

59.9.2 The first is the Property-Linked Floating Charge and the Security Trust Agreement.

59.9.3 The second is the SLAL 2011 Scheme Internal Reinsurance Arrangements.

59.9.4 The third is the allocation of the property-linked investment elements of SLAL HWPF Policies to the SLAL PBF.

59.9.5 The fourth is the power of SLAL to change the SLAL Linked Funds, which may be wider than the equivalent power in the SLAL Demutualisation Scheme.

59.10 The SLAL 2011 Scheme also provides for its variation with the consent of this Court and, in limited circumstances, without the requirement for that consent.

59.11 The SLAL 2011 Scheme was varied by the SLAL 2011 Scheme Brexit Variation, which is described at Statement 81.

59.12 For completeness, six further, technical variations have been made without the requirement for this Court's approval to the SLAL 2011 Scheme and, in particular, to the SLAL 2011 Scheme Internal Reinsurance Arrangements.

60 *The Demutualisation Scheme 2011 Variation*

60.1 The SLAL Demutualisation Scheme required to be varied by the Demutualisation Scheme 2011 Variation in order to enable the SLAL 2011 Scheme to take effect.

60.2 That was because the SLAL 2011 Scheme Internal Reinsurance Arrangements were different, in legal terms, from SLIF's reinsurance, to which the SLAL Demutualisation Scheme referred, even if they had the same commercial, and economic, effect.

60.3 This Court gave its consent to the Demutualisation Scheme 2011 Variation at the same time as it sanctioned the SLAL 2011 Scheme.

61 *The Demutualisation Scheme 2016 Variation*

61.1 In outline, the Demutualisation Scheme 2016 Variation addressed the implications of Solvency II for the Demutualisation Scheme.

61.2 In particular, the Demutualisation Scheme 2016 Variation replaced the previous regulatory concepts with the new concepts which the PRA Rulebook had introduced to implement Solvency II.

61.3 The most significant of those concepts were the Solvency Capital Requirement, the new tiers of regulatory capital and With-Profits Policy Liabilities.

61.4 For completeness, the Demutualisation Scheme 2016 Variation in effect superseded an earlier variation to the SLAL Demutualisation Scheme which had been made, without the requirement for this Court's consent, by a "*Deed of Variation*", which was dated 22 December 2015 and became effective on 1 January 2016.

61.5 That earlier variation had, as a matter of urgency, introduced the context of a Solvency Capital Requirement into the SLAL Demutualisation Scheme.

THE SLAL BREXIT SCHEME

62 *The SLAL Brexit Scheme's Rationale*

62.1 The rationale for the SLAL Brexit Scheme was that SLAL might lose its right, under Solvency II, to carry on business in other EEA states after Brexit, which was then expected to occur on 29 March 2019.

62.2 Since the SLAL Brexit Scheme became effective, SL Intl has administered the Former SLAL Irish HWPF Policies and the Former SLAL Irish PBF Policies from its headquarters in Dublin.

62.3

62.3.1 SL Intl has also opened a branch in Germany.

62.3.2 In addition to writing new business in Germany and Austria, SL Intl administers from that office the Former SLAL German HWPF Policies, the Former SLAL German PBF Policies, the Former SLAL Austrian HWPF Policies, the Former SLAL Austrian PBF Policies.

62.4 For completeness, SL Intl has also retained the Austrian sales office.

63 *The Transfer of the Former SLAL Euro Business*

63.1 Against that background, the SLAL Brexit Scheme transferred to SL Intl the Former SLAL Euro Business, including in particular the Former SLAL Euro Policies.

63.2 In addition, the SLAL Brexit Scheme transferred some of the assets of SLAL which represented the technical provisions which were attributable to the Former SLAL Euro Policies.

63.3

63.3.1 SLAL retained other assets representing those technical provisions.

63.3.2 SLAL did so under a mechanism in the SLAL Brexit Scheme for the payment by SL Intl of the initial premium on each of the SL Intl Reinsurance Agreements.

63.3.3 The SL Intl Reinsurance Agreements reinsured not only some of the Former SLAL Euro Policies but also other with-profits SL Intl Policies, which are together referred to in this application as the “**SL Intl Reinsured Policies**”.

63.3.4 The liabilities under the SL Intl Reinsured Policies are referred to in this application as the “**SL Intl Reinsured Liabilities**”.

63.4 The SL Intl Reinsurance Agreements form part of the overall SL Intl Reinsurance Arrangements.

63.5 The SL Intl Reinsurance Arrangements also included SLAL and SL Intl entering into a “*Property-Linked Funds Agreement*” (the “**SL Intl EFL Agreement**”), which is described at Statement 69 and which is referred to in the Phoenix Scheme as the “*Property-Linked Funds Retrocession Agreement*”.

64 *The New SL Intl Funds*

64.1 In accordance with the SLAL Brexit Scheme, SL Intl established four new sub-funds, which are referred to in this application as the “**New SL Intl Funds**”.

64.2

64.2.1 The first of the New SL Intl Funds is called the “**SL Intl HWPF**” and is a with-profits sub-fund.

64.2.2 The policies which were allocated to, or have been written in, the SL Intl HWPF are referred to in this application as the “**SL Intl HWPF Policies**” and their holders are referred to as the “**SL Intl HWPF Policyholders**”.

64.3 The second of the New SL Intl Funds is called the “**SL Intl GWPF**” and is a with-profits sub-fund.

64.4 The third of the New SL Intl Funds called is the “**SL Intl GSMWPF**” and is also a with-profits sub-fund.

64.5 The fourth of the New SL Intl Funds is called the “**SL Intl Euro PBF**” and is a non-profit sub-fund.

64.6

64.6.1 In addition, the SL Intl Euro PBF includes property-linked sub-funds (the “**SL Intl Linked Funds**”), each of which corresponds to a SLAL Linked Fund.

64.6.2 Each of the SL Intl Linked Funds had, when the SLAL Brexit Scheme became effective, the same number of units and the same investment objectives as the corresponding SLAL Linked Fund.

65 *The Allocation of the Former SLAL Euro Policies*

65.1 The Former SLAL Euro HWPF Policies were allocated to the SL Intl HWPF.

65.2 The Former SLAL Euro PBF Policies were allocated to the SL Intl Euro PBF.

65.3 The property-linked investment elements of Former SLAL Euro HWPF Policies which were invested in the SLAL PBF were invested in the SL Intl Euro PBF and, more specifically, in the SL Intl Linked Funds.

65.4 The with-profits investment elements of Former SLAL Euro PBF Policies which were invested in the SLAL HWPF were invested in the SL Intl HWPF.

65.5 The investment elements of Former SLAL Euro PBF Policies which were invested in the SLAL GWPF were invested in the SL Intl GWPF.

65.6 The investment elements of Former SLAL Euro PBF Policies which were invested in the SLAL GSMWPF were invested in the SL Intl GSMWPF.

65.7 Those assets of SLAL which represented the technical provisions attributable to the Former SLAL Euro Policies were allocated to the equivalent New SL Intl Fund as the Former SLAL Euro Policies.

65.8

65.8.1 SL Intl also assumed SLAL's obligations under the Mortgage Endowment Promise to make payment to Former SLAL Euro Policyholders.

65.8.2 Those obligations were allocated to the SL Intl HWPF.

66 *The Conduct of the SL Intl Business*

66.1 SL Intl must manage each of the SL Intl HWPF, the SL Intl GWPF and the SL Intl GSMWPF in accordance with a set of PPFM (together the "**SL Intl Internal PPFM**").

66.2 Alternatively, SL Intl must manage each of the SL Intl HWPF, the SL Intl GWPF and the SL Intl GSMWPF using some materially equivalent form of protection, which is put in place after SL Intl has taken appropriate actuarial advice.

66.3

66.3.1 In either case, SL Intl must, to the extent reasonably practicable, carry on the SL Intl Business as to avoid a Capital Event of the kind described at Statement 42.

66.3.2 If SL Intl is exposed to a Capital Event, it must carry on the SL Intl Business to avoid that risk.

66.4 That obligation in effect qualifies, to that extent, SL Intl's obligation to carry on the SL Intl Business in accordance with the SL Intl Internal PPFM.

66.5

66.5.1 In addition, SLAL must manage the SLAL GWPF in accordance with a set of PPFM (the "**SLAL GWPF Internal PPFM**").

66.5.2 SLAL must also manage the SLAL GSMWPF in accordance with a set of PPFM (the "**SLAL GSMWPF Internal PPFM**").

66.5.3 The SLAL GWPF Internal PPFM and the SLAL GSMWPF Internal PPFM are to be consistent with the principles which are set out in one of the schedules to the SLAL Brexit Scheme.

66.6 For completeness, SL Intl also complies with the requirement of the CBI for an insurance company in Ireland to establish a set of “*With-Profits Operating Principles*” (“**WPOP**”) for its with-profits business and to operate that business in accordance with them.

67 *The Variation of the SLAL Brexit Scheme*

67.1 SLAL and SL Intl may apply to this Court for approval to vary the SLAL Brexit Scheme, as described at Statement 155.

THE SL INTL REINSURANCE ARRANGEMENTS

68 *The SL Intl Reinsurance Arrangements*

68.1 The SLAL Brexit Scheme provided for SLAL and SL Intl to enter into the SL Intl Reinsurance Agreements.

68.2

68.2.1 The first of the SL Intl Reinsurance Agreements (the “**SL Intl HWPF Reinsurance Agreement**”) provides for SLAL’s reinsurance of the largest category of the SL Intl Reinsured Policies, which are referred to in this application as the “**SL Intl HWPF Reinsured Policies**”.

68.2.2 The vast majority of the SL Intl HWPF Reinsured Policies comprise Former SLAL Euro HWPF Policies.

68.2.3 The SL Intl HWPF Reinsured Policies also include new SL Intl Policies which SL Intl has written, or writes, subject to certain restrictions as to pricing, and which are SL Intl HWPF Policies or the investment elements of which are invested in the SL Intl HWPF.

68.2.4 The commercial reasons for the SL Intl HWPF Reinsurance Agreement were to avoid the exceptional practical difficulties of splitting the SLAL HWPF and also to share with-profits investment experience.

68.3

68.3.1 The second of the SL Intl Reinsurance Agreements (the “**SL Intl GWPF Reinsurance Agreement**”) provides for SLAL’s reinsurance of the second category of SL Intl Reinsured Policies, which are referred to in this application as the “**SL Intl GWPF Reinsured Policies**”.

- 68.3.2 The vast majority of the SL Intl GWPF Reinsured Policies comprise the Former SLAL Euro Policies, the investment elements of which have been invested in the SL Intl GWPF.
- 68.4
- 68.4.1 The third of the SL Intl Reinsurance Agreements (the “**SL Intl GSMWPF Reinsurance Agreement**”) provides for SLAL’s reinsurance of the third category of SL Intl Reinsured Policies, which are referred to in this application as the “**SL Intl GSMWPF Reinsured Policies**”.
- 68.4.2 The vast majority of the SL Intl GSMWPF Reinsured Policies comprise the Former SLAL Euro Policies, the investment elements of which have been invested in the SL Intl GSMWPF.
- 68.5
- 68.5.1 Each of the SL Intl Reinsurance Agreements provided that SL Intl was to pay to SLAL what was referred to there as the “**Back-Book Premium**”.
- 68.5.2 In outline, each Back-Book Premium was agreed between SLAL and SL Intl as the fair value of the SL Intl Reinsured Liabilities under that SL Intl Reinsurance Agreement.
- 68.6 The SL Intl HWPF Reinsurance Agreement provided that the payment of its Back-Book Premium, less the amount of the initial premium which was due by SL Intl under the SLAL EFL Agreement, was to be satisfied by the set-off of SLAL’s obligation, under the SLAL Brexit Scheme, to transfer assets with an aggregate value equal to that net amount.
- 68.7 Each of the SL Intl GWPF Reinsurance Agreement and the SL Intl GSMWPF Reinsurance Agreement provided that, in accordance with the SLAL Brexit Scheme, the payment of its Back-Book Premium was to be satisfied by the set-off of SLAL’s obligation, under the SLAL Brexit Scheme, to transfer assets with an aggregate value equal to that amount.
- 68.8
- 68.8.1 Each of the SL Intl Reinsurance Agreements provides also for a further net daily payment between SLAL and SL Intl.
- 68.8.2 In outline, those daily payments include a ceding commission due by SLAL to SL Intl, less premiums paid on, and any sums recovered from, external reinsurers in respect of the SL Intl Reinsured Policies.
- 69 *The SL Intl EFL Agreement*
- 69.1 The SLAL Brexit Scheme also provided for the SL Intl EFL Agreement.

69.2

69.2.1 The SL Intl EFL Agreement concerns Former SLAL Irish HWPF Policies, whose property-linked investment elements were invested in SLAL Property-Linked Funds.

69.3

69.3.1 The SL Intl EFL Agreement applies to part of the SL Intl Reinsured Liabilities under those Former SLAL Irish HWPF Policies, namely the part which is attributable to their property-linked investment elements.

69.3.2 That part of those SL Intl Reinsured Liabilities has been “*retroceded*” (otherwise re-transferred) back to SL Intl.

69.4 The commercial purpose of that retrocession is to enable the property-linked investment elements of those Former SLAL Irish HWPF Policies to continue to be invested in the New SL Intl Linked Funds.

69.5

69.5.1 The initial premium under the SL Intl EFL Agreement was equal to the value of the assets of SLAL which represented the property-linked investment elements of those Former SLAL Irish HWPF Policies.

69.5.2 That initial premium was paid as part of the set-off which is described at Statement 68.6.

69.6 In addition, SLAL is required to account, as additional premiums, for *inter alia* any further premiums which are received under those Former SLAL Irish HWPF Policies and which are used to purchase additional units in the SL Intl Euro PBF.

70 *The Termination of the SL Intl Reinsurance Agreements and the SL Intl EFL Agreement*

70.1 Either SLAL or SL Intl has the right to terminate the SL Intl Reinsurance Agreements, or the SLAL EFL Agreement, on a material breach by the other party of a fundamental provision, or subject to certain conditions, on a change of control of the other party.

70.2

70.2.1 In addition, SL Intl has the right to terminate the SL Intl Reinsurance Agreements in certain circumstances which are described as “**Events of Default**”.

70.2.2 In outline, Events of Default include SLAL failing to make any payment under the SL Intl Reinsurance Agreements and specified events arising from SLAL’s actual, or likely, insolvency.

70.3

70.3.1 SL Intl also has the right to terminate the SL Intl Reinsurance Agreements in certain other circumstances.

70.3.2 Those circumstances include SLAL's credit rating falling below a specified minimum, SLAL ceasing to satisfy its "*Minimum Capital Requirement*" under the PRA Rulebook, SLAL making certain amendments to the SLAL HWPF PPFM and SLAL ceasing to maintain the SLAL HWPF.

70.3.3 In outline, a Minimum Capital Requirement of a Solvency II Firm is intended to enable it to pay its liabilities, including its contingent liabilities, within the following 12 months.

70.3.4 If an insurance company in the UK held an amount of regulatory capital which was below its Minimum Capital Requirement, the PRA would intervene.

70.4 The SL Intl Reinsurance Agreements are also to terminate if SLAL and SL Intl are unable to agree proposed changes to the investment management agreement which also forms part of the SL Intl Reinsurance Arrangements.

70.5 In addition, SLAL has the right to terminate the SL Intl EFL Agreement, if specified events arise from SL Intl's actual, or likely, insolvency.

70.6 The SL Intl HWPF Reinsurance Agreement, or the SL Intl EFL Agreement, is to terminate if the other does.

70.7 In addition, each of the SL Intl Reinsurance Agreements is to terminate if any of the others terminates on the occurrence of an Event of Default.

70.8

70.8.1 SLAL and SL Intl may also terminate any of the SL Intl Reinsurance Agreements by agreement.

70.8.2 They may also agree that alternative terms are to apply on its termination, instead of those which are set out at Statements 71 to 73.

70.8.3 However, any alternative terms must be approved by the SLAL WPA and the SL Intl HoAF.

71 *The Consequences of Termination of the SL Intl HWPF Reinsurance Agreements*

71.1 On the termination of any of the SL Intl Reinsurance Agreements, the SLAL Brexit Scheme is to be amended in certain respects.

- 71.2 First of all, the provisions which would apply on the cessation of the SLAL HWPF are to be deleted.
- 71.3
- 71.3.1 In addition, new provisions are to apply to Former SLAL HWPF Euro Policies becoming immediate annuities.
- 71.3.2 In outline, immediate annuities are to be provided by another SL Intl Fund, or another Phoenix Group Company, and the cost is to be met by the SL Intl HWPF.
- 71.4 References in Former SLAL Euro Policies to the SLAL HWPF are to be replaced by ones to the SL Intl HWPF.
- 71.5
- 71.5.1 The SLAL Brexit Scheme also provides that, on termination of the SL Intl HWPF Reinsurance Agreement, its provisions which apply to the SL Intl HWPF, or the SL Intl HWPF Policies, are to be suspended.
- 71.5.2 That suspension is subject to the SL Intl Board having determined that the latter is reasonable and appropriate to protect the rights and reasonable expectations of the holders of the SL Intl HWPF Policies or the holders of SL Intl Policies which are invested in the SL Intl HWPF.
- 71.5.3 The SL Intl Board must take appropriate actuarial advice before making such a determination.
- 71.5.4 Such a suspension could also last for only two years after the termination of the SL Intl HWPF Reinsurance Agreement.
- 71.6
- 71.6.1 In addition, the SLAL Brexit Scheme provides that, on termination of the SL Intl HWPF Reinsurance Agreement, the SL Intl Board must take whatever steps it regards as reasonable and appropriate to protect the rights, and reasonable expectations, of the holders of the SL Intl HWPF Policies, or the holders of those SL Intl Policies, the investment elements of which are invested in the SL Intl HWPF.
- 71.6.2 In outline, those steps are to include any, or all of, the closure of the SL Intl HWPF, its amalgamation with another SL Intl Fund, its conversion into a non-profit fund and the introduction of capital support arrangements.
- 71.6.3 Such steps could be taken in respect of the SL Intl HWPF only with the prior approval of an independent actuary and the approval of the CBI or the absence, within three months, of any objection by the CBI.

71.6.4 In addition, any steps would have to comply with the SL Intl Internal PPFM.

72 *The Consequences of Termination of the SL Intl GWPF Reinsurance Agreement or the SL Intl GSMWPF Reinsurance Agreement*

72.1 On the termination of the SL Intl GWPF Reinsurance Agreement, the SL Intl Board could take similar steps in respect of the SL Intl GWPF.

72.2 On the termination of the SL Intl GSMWPF Reinsurance Agreement, the SL Intl Board could take similar steps in respect of the SL Intl GSMWPF.

72.3

72.3.1 Such steps could be taken in respect of the SL Intl GWPF or the SL Intl GSMWPF only with the prior approval of an independent actuary and the approval of, or the absence of objection from, the CBI.

72.3.2 In addition, any steps would have to comply with the SL Intl Internal PPFM.

73 *The Termination Amounts*

73.1 Each of the SL Intl Reinsurance Agreements provides for the payment by SLAL to SL Intl of a “Termination Amount”.

73.2

73.2.1 In relation to the SL Intl HWPF Reinsurance Agreement, the Termination Amount is, in outline, to be calculated by reference to the aggregate value, at the date of termination, of six items of the SL Intl Reinsured Liabilities in respect of the SL Intl HWPF Reinsured Policies.

73.2.2 Those items are:

- (i) the then With-Profits Policy Liabilities in respect of the SL Intl HWPF Reinsured Policies;
- (ii) the best estimate of the future With-Profits Policy Liabilities in respect of the SL Intl HWPF Reinsured Policies;
- (iii) the best estimate of the non-profit liabilities in respect of the SL Intl HWPF Reinsured Policies;
- (iv) SL Intl’s cost of capital;

- (v) a share of the distributions from the SLAL Residual Estate (which is referred to as the “inherited estate”) in respect of the SL Intl HWPF Reinsured Policies; and
- (vi) any other accounting liabilities in respect of the SL Intl HWPF Reinsured Policies.

73.2.3 The liability in respect of the termination of the SL Intl EFL Agreement is then to be “*netted*” against the sum of those six items.

73.3

73.3.1 In relation to the SL Intl GWPF Reinsurance Agreement, the Termination Amount is, in outline, to be calculated by reference to the aggregate value at the date of termination of five items of the SL Intl Reinsured Liabilities in respect of the SL Intl GWPF Reinsured Policies.

73.3.2 Those items are:

- (i) the then With-Profits Policy Liabilities in respect of the SL Intl GWPF Reinsured Policies;
- (ii) the best estimate of the future With-Profits Policy Liabilities in respect of the SL Intl GWPF Reinsured Policies;
- (iii) the best estimate of the non-profit liabilities in respect of the SL Intl GWPF Reinsured Policies;
- (iv) SL Intl’s cost of capital in respect of the SL Intl GWPF Reinsured Policies; and
- (v) any other accounting liabilities in respect of the SL Intl GWPF Reinsured Policies.

73.4 In relation to the SL Intl GSMWPF Reinsurance Agreement, the Termination Amount is, in outline, to be calculated by reference to the aggregate value at the date of termination of the same five items of the SL Intl Reinsured Liabilities in respect of the SL Intl GSMWPF.

73.5 Any of the Termination Amounts could be satisfied by the transfer to SL Intl of those assets in the SLAL HWPF, the SLAL GWPF or the SLAL GSMWPF which represented the SL Intl Reinsured Liabilities.

73.6 In addition, the calculation of the Termination Amount for the SL Intl HWPF Reinsurance Agreement would be likely to take a significant time.

73.7

- 73.7.1 Accordingly, each of the SL Intl Reinsurance Agreements provides, in outline and except on termination on an Event of Default, for three payments.
- 73.7.2 SLAL is to pay “*an Initial Termination Amount*” within three business days of the termination.
- 73.7.3 In addition, SLAL is to pay “*an Interim Termination Amount*” within 20 business days of the termination.
- 73.7.4 SLAL is also to pay “*an Adjustment Amount*” after the Termination Amount has been calculated.

74 *The SL Intl Reinsurance Arrangements-The SL Intl Reinsurance Fixed Charge*

74.1 The SL Intl Reinsurance Arrangements also include the SL Intl Reinsurance Fixed Charge over certain of its assets (the “**SL Intl Reinsurance Fixed Charged Assets**”).

74.2

- 74.2.1 The SL Intl Reinsurance Fixed Charged Assets include cash in segregated accounts with a custodian bank.
- 74.2.2 In addition, the SL Intl Reinsurance Fixed Charged Assets include securities and rights under specified derivative contracts.

74.3 In outline, the aggregate value of the SL Intl Reinsurance Fixed Charged Assets must, on each specified valuation date, be at least equal to the greater of two amounts for each of the SLAL HWPF, the SLAL GWPF and the SLAL GSMWPF.

74.4

- 74.4.1 The first amount comprises the sum of the “**Relevant Liabilities**” in respect of each of the SLAL HWPF, the SLAL GWPF and the SLAL GSMWPF, less a deduction for each of them.
- 74.4.2 The Relevant Liabilities are, in outline, the sum of two amounts.
- 74.4.3 Those amounts are (i) the asset shares of the with-profits Former SLAL Euro Policies and (ii) the best estimate of the SL Intl Reinsured Liabilities in respect of the non-profit Former SLAL Euro Policies.
- 74.4.4 Those SL Intl Reinsured Liabilities are also to exclude the value of the property-linked investment elements of the Former SLAL Irish Euro Policies which are the subject of the SL Intl EFL Agreement.

- 74.4.5 The deduction from the Relevant Liabilities comprises the value of any of the assets which represent any of the Relevant Liabilities but are of kinds which cannot, under the SL Intl Reinsurance Agreements, be used as SL Intl Reinsurance Fixed Charged Assets.
- 74.5 The second amount is 90 per cent of the Relevant Liabilities.
- 74.6 The SL Intl Reinsurance Fixed Charge is supplemented by an investment management agreement, which addresses the management of the SL Intl Reinsurance Fixed Charged Assets.
- 74.7 The SL Intl Reinsurance Fixed Charge is governed by English law.
- 74.8
- 74.8.1 In addition, the SL Intl Reinsurance Fixed Charge, together with the arrangements for the custody and management of the SL Intl Reinsurance Fixed Charged Assets, were and are still intended to comply with the EU Delegated Regulation which supplements Solvency II and continue in force for an insurance company.
- 74.8.2 In outline, the EU Delegated Regulation includes the requirements for “*collateral arrangements*”, which enable reinsurance to be taken into account by an insurance company in calculating its solvency requirements under Solvency II.
- 75 *The SL Intl Reinsurance Arrangements - The SL Intl Reinsurance Floating Charge*
- 75.1 In addition to the SL Intl Reinsurance Fixed Charge, SLAL has granted to SL Intl the SL Intl Reinsurance Floating Charge.
- 75.2 The SL Intl Reinsurance Floating Charge is over all of SLAL’s present, and future, assets, subject to three exceptions, the SL Intl Reinsurance Fixed Charged Assets, any other assets over which SLAL is unable to grant security and the property-linked assets of SLAL, which are subject to the Property-Linked Floating Charge.
- 75.3
- 75.3.1 The SL Intl Reinsurance Floating Charge is stated to be governed by English law.
- 75.3.2 However, the SL Intl Reinsurance Floating Charge also includes provisions which apply only to assets which are governed by Scots law and to its attachment to those assets.
- 75.4
- 75.4.1 In addition, the SL Intl Reinsurance Floating Charge restricts the aggregate sum which SL Intl could recover under it and the SL Intl Reinsurance Fixed Charge.

- 75.4.2 That restriction is the aggregate sum which SL Intl could have recovered, had it been a direct SLAL Policyholder rather than a secured creditor.
- 75.4.3 For completeness, the SL Intl Reinsurance Fixed Charge does not include that restriction.
- 75.5 The SL Intl Reinsurance Floating Charge also postpones its enforcement until an insolvency practitioner, who has been appointed to SLAL, decides to make a distribution to its creditors.
- 75.6
- 75.6.1 As described at Statement 152, the SL Intl Reinsurance Floating Charge is to be replaced by a new floating charge (the “**New Phoenix SL Intl Reinsurance Floating Charge**”) which is to be granted by Phoenix.
- 75.6.2 In outline, the New Phoenix SL Intl Reinsurance Floating Charge is to be over Phoenix’s present, and future, assets subject to exceptions, and is in practice to provide SL Intl with equivalent security to that which it has under the SL Intl Reinsurance Floating Charge.
- 75.6.3 Those assets which are to be subject to the New Phoenix SL Intl Reinsurance Floating Charge are referred to in this application as the “**New Phoenix SL Intl Reinsurance Charged Assets**”.

76 *The Effect of the SL Intl Reinsurance Arrangements*

In economic terms, the effect of the SL Intl Reinsurance Arrangements is to preserve the priorities before the SLAL Brexit Scheme of the Former SLAL Euro Policyholders, the other SL Intl Policyholders and the other SLAL Policyholders.

77 *The Deed Polls and the SL Intl Court Undertaking*

- 77.1 The SLAL Brexit Scheme is supplemented by three deed polls (the “**Deed Polls**”) which were granted by SL Intl and are governed by Irish law.
- 77.2 The first of the Deed Polls is in favour of those Former SLAL Euro Policyholders who are SL Intl HWPF Policyholders or whose investment elements are invested in the SL Intl HWPF.
- 77.3 The second of the Deed Polls is in favour of those Former SLAL Euro Policyholders whose investment elements are invested in the SL Intl GWPF.
- 77.4 The third of the Deed Polls is in favour of those Former SLAL Euro Policyholders whose investment elements are invested in the SL Intl GSMWPF.

- 77.5 Each of the Deed Polls gives those SL Intl Policyholders direct rights against SL Intl to be paid the sums which they would have received, if their SL Intl Policies had remained with SLAL.
- 77.6 The Deed Polls have removed any remaining legal doubts as to whether the bonuses payable on those SL Intl Policies could depend on SLAL exercising discretion in respect of its own profits and bonuses.
- 77.7 In addition, the Deed Polls are supplemented by an undertaking (the “**SL Intl Undertaking**”) which SL Intl has given to this Court and provides that the Deed Polls are enforceable by those SL Intl Policyholders, as if they were governed by Scots law.
- 77.8
- 77.8.1 In connection with the Proposed Brexit Scheme Variation, each of the Deed Polls is to be amended in accordance with its terms.
- 77.8.2 In outline, each amendment is, in effect, to refer to amounts that Phoenix, rather than SLAL determines would be payable by Phoenix, rather than SLAL, to a Phoenix policyholder holding a with-profits policy equivalent to that held by a SL Intl Policyholder.
- 77.8.3 The Deed Polls, as so amended, are referred to in this application as the “**Amended Deed Polls**”.
- 77.9
- 77.9.1 SLAL and SL Intl have been advised by their Irish lawyers that the terms of the Deed Polls permit the proposed amendments if three requirements are satisfied.
- 77.9.2 The first of those requirements is that the SL Intl Board takes appropriate actuarial advice on the proposed amendments to the Deed Polls.
- 77.9.3 The second requirement is that the CBI is notified in writing of those amendments and does not object within three months of being notified.
- 77.9.4 The third requirement is that the proposed amendments are advertised in advance in the specified publications.
- 77.9.5 SL Intl is to satisfy those requirements for the Amended Deed Polls.
- 77.10 In addition, SL Intl is to grant to this Court a new undertaking (the “**New SL Intl Undertaking**”) which is to replace the SL Intl Undertaking and to supplement the Amended Deed Polls.

THE DEMUTUALISATION SCHEME BREXIT VARIATION AND THE SLAL 2011 SCHEME VARIATION

- 78 *The Demutualisation Scheme Brexit Variation- the SLAL HWPF*
- 78.1 The Demutualisation Scheme Brexit Variation varied some of the provisions of the SLAL Demutualisation Scheme in order to enable the SLAL Brexit Scheme and the SL Intl Reinsurance Arrangements to take effect.
- 78.2
- 78.2.1 Subject to limited exceptions, SLAL's rights, and obligations, under the SL Intl HWPF Reinsurance Agreement and the SL Intl EFL Agreement were allocated to the SLAL HWPF.
- 78.2.2 The allocation to the SLAL HWPF of the SL Intl HWPF Reinsurance Agreement was excluded from the restriction on writing new business in it.
- 78.3 The SL Intl Reinsured HWPF Policies continue to have the rights to have bonuses determined, and their asset shares calculated, in accordance with the Core Principles, as if they remained SLAL Policyholders.
- 78.4 Similarly, those SL Intl Reinsured HWPF Policies which had, as SLAL Policies, rights to distributions from the Residual Estate continue to have those rights.
- 78.5 The Defined Blocks which comprise Former SLAL Irish HWPF Policies refer to their being reinsured under the SL Intl HWPF Reinsurance Agreement.
- 78.6 The arrangements for SLAL HWPF Policies to become immediate annuities which are described at Statement 51, apply also to SL Intl Reinsured HWPF Policies.
- 78.7
- 78.7.1 On the termination of the SL Intl HWPF Reinsurance Agreement, the SLAL Demutualisation Scheme is to be varied by the deletion of all references to it and to the SL Intl Reinsured Policies.
- 78.7.2 In addition, any part of the Termination Amount in respect of the SL Intl HWPF Reinsurance Agreement is to be transferred from the SLAL HWPF only to the extent that it does not result *inter alia* in the elimination of the surplus funds of the SLAL HWPF.
- 78.7.3 To the extent that any part of the Termination Amount cannot be transferred out of the SLAL HWPF, the SLAL Shareholder Fund is, in effect, to transfer that part to SL Intl.

78.8 The SLAL Shareholder Fund is also to transfer to SL Intl any part of that Termination Amount which relates to the cost of providing the capital resources which are required to meet the Solvency Capital Requirement in respect of the SL Intl Reinsured Liabilities.

79 *The Demutualisation Scheme Brexit Variation - The SLAL GWPF*

79.1 In addition, the Demutualisation Scheme Brexit Variation varied some of the provisions of the SLAL Demutualisation Scheme which apply to the SLAL GWPF in order to enable the SLAL Brexit Scheme and the SL Intl Reinsurance Arrangements to take effect.

79.2 SLAL must operate the SLAL GWPF in accordance with the SLAL GWPF Internal PPFM.

79.3 The SLAL GWPF Internal PPFM are also to be consistent with the principles which are set out in the SLAL Brexit Scheme.

79.4

79.4.1 SLAL's rights, and obligations, under the SL Intl GWPF Reinsurance Agreement, in so far as they apply to the investment elements of the SL Intl Reinsured Policies which are invested in the SL Intl GWPF, have been allocated to the SLAL GWPF.

79.4.2 All of SLAL's other rights, and obligations, under the SL Intl GWPF Reinsurance Agreement have been allocated to the SLAL PBF.

79.5 On the termination of the SL Intl GWPF Reinsurance Agreement, all references in the SLAL Demutualisation Scheme to that agreement and to the SL Intl Reinsured Policies are to be deleted.

80 *The Demutualisation Scheme Brexit Variation - the SLAL GSMWPF*

80.1 In addition, the Demutualisation Scheme Brexit Variation varied some of the provisions of the SLAL Demutualisation Scheme which apply to the SLAL GSMWPF in order to enable the SLAL Brexit Scheme and the SL Intl Reinsurance Arrangements to take effect.

80.2 SLAL must operate the SLAL GSMWPF in accordance with the SLAL GSMWPF Internal PPFM.

80.3 The SLAL GSMWPF Internal PPFM are also to be consistent with the principles which are set out in the SLAL Brexit Scheme.

80.4

80.4.1 SLAL's rights, and obligations, under the SL Intl GSMWPF Reinsurance Agreement, in so far as they apply to the investment elements of the Reinsured Policies which are invested in the SL Intl GSMWPF, have been allocated to the SLAL GSMWPF.

- 80.4.2 All of SLAL's other rights, and obligations, under the SL Intl GSMWPF Reinsurance Agreement have been allocated to the SLAL PBF.
- 80.5 On the termination of the SL Intl GSMWPF Reinsurance Agreement, all references in the SLAL Demutualisation Scheme to that agreement and to its Reinsured Policies are to be deleted.
- 81 *The SLAL 2011 Scheme Variation*
- 81.1 In order to enable the SLAL Brexit Scheme to take effect, the SLAL 2011 Scheme Brexit Variation varied the provisions of the SLAL 2011 Scheme.
- 81.2 The SLAL 2011 Scheme Internal Reinsurance Arrangements were amended to apply to those SL Intl Policies which were SLAL Pre-2006 Immediate Annuities and are reinsured by the SLAL HWPF under the SL Intl HWPF Reinsurance Agreement.
- 81.3
- 81.3.1 In addition, the SLAL PBF is, on termination of the SL Intl HWPF Reinsurance Agreement, to make certain payments to the SLAL HWPF.
- 81.3.2 In outline, those payments will be equal to the technical provisions in the SLAL PBF in respect of the longevity risk on, and augmentations to, the SL Intl Policies which are SLAL Pre-2006 Immediate Annuities and are reinsured under the SL Intl HWPF Reinsurance Agreement.
- 81.4 In addition, the SLAL 2011 Scheme Brexit Variation varied the Property-Linked Floating Charge.
- 81.5 As so varied, the Property-Linked Floating Charge applies only to the property-linked assets, and liabilities, of SLAL which were denominated in sterling.
- 81.6 In addition, the Property-Linked Floating Charge's treatment of SLAL's rights under derivative contracts was clarified.
- 81.7 The variations to the Property-Linked Floating Charge have maintained, so far as was reasonably practicable, its purpose of placing its remaining beneficiaries in the same position as that of direct SLAL Policyholders in respect of their respective recoveries from SLAL's property-linked assets.

82 **SL INTL'S PRESENT FINANCIAL AND REGULATORY POSITIONS**

- 82.1 SL Intl's latest audited accounts are in its annual report and accounts for the year to 31 December 2021.

82.2

82.2.1 Those accounts showed that at that date SL Intl had total assets of €37,870 million (£31,853 million), gross liabilities of €37,264 million (£31,343 million) and, therefore, total equity of €606 million (£510 million).

82.2.2 Those liabilities included technical policyholder liabilities of €36,643 million (£30,821 million) in respect of the SL Intl's Policies (net of the SL Intl Reinsurance Agreements and other inward reinsurance contracts).

82.3 SL Intl accounts for the year 2021 also showed that SLAL had received in that year "*gross-earned premium income*" of €1,773 million (£1,491 million).

82.4

82.4.1 The way in which Solvency II has been implemented in Ireland is still not materially different from the way in which it has been implemented by the PRA Rulebook in the UK.

82.4.2 For completeness, the EU Commission has made proposals to amend Solvency II.

82.5

82.5.1 As at 31 December 2022, SL Intl's Solvency Capital Requirement was €329 million (£292 million) and its regulatory capital was €766 million (£680 million).

82.5.2 In particular, 93 per cent of SL Intl's regulatory capital was categorised as Tier I Capital.

SLPF

83 *The SLPF Business*

83.1 As said at Statement 15.6, the SLPF Business now comprises the SLPF Deferred Annuities, the SLPF Pre-2006 Immediate Annuities and the SLPF Post-2006 Immediate Annuities, all of which comprise non-profit pension business.

83.2 SLPF has a single long-term fund, which includes all the SLPF Policies.

83.3

83.3.1 The SLPF Pre-2006 Immediate Annuities are reinsured by SLAL, through the SLAL HWPF, as described at Statement 35.9.

- 83.3.2 In addition, the SLPF Pre-2006 Immediate Annuities are also covered by the SLAL 2011 Scheme Internal Reinsurance Arrangements.
- 83.4
- 83.4.1 The SLPF Deferred Annuities are reinsured by SLAL.
- 83.4.2 That reinsurance was allocated to the SLAL HWPF under the SLAL Demutualisation Scheme.
- 83.4.3 The SLAL PBF is to pay the immediate annuities which are issued on the vesting of SLPF Deferred Annuities, as described at Statement 51.3. In return, the SLAL PBF is to receive a payment from the SLAL HWPF.
- 83.4.4 Similarly, the SLAL PBF pays the SLPF Post-2006 Immediate Annuities.
- 83.5
- 83.5.1 SLPF has not written any further insurance business since 2014 and has not written any new annuities since before the SLAL Demutualisation Scheme.
- 83.5.2 Until 2014, SLPF also wrote trustee investment policies.
- 83.6
- 83.6.1 Until 2014, SLPF also wrote the property-linked policies which were reinsured under the SLIF-SLPF Property-Linked Reinsurance Agreement and were also secured by the Property-Linked Floating Charge.
- 83.6.2 None of those property-linked policies remains in force.
- 83.7 However, SLPF remains the agent under the Security Trust Agreement and is to be appointed the beneficiaries' agent under the New Security Trust Agreement.
- 83.8
- 83.8.1 As at 31 December 2022, there were 364 SLPF Policies and a similar number of SLPF Policyholders.
- 83.8.2 For completeness no SLPF Policyholder was, according to SLPF's records, as at 31 December 2022, resident in Guernsey or Jersey.
- 83.9
- 83.9.1 SLPF's only material contracts, other than the Security Trust Agreement and those with the Phoenix Group Companies, are those with fund managers and custodians.

83.9.2 The counterparties to those contracts are referred to in this application as the “**SLPF Counterparties**”.

83.9.3 For completeness, SLPF is reinsured only by SLAL and has no reinsurers outside the Phoenix Group.

84 *SLPF’s Financial and Regulatory Positions*

84.1 SLPF’s latest audited accounts will be in its annual report and accounts for the year to 31 December 2022, which are to be signed shortly and then produced.

84.2

84.2.1 The unsigned accounts showed that at that date SLPF had total assets of £16.6 million, gross liabilities of £5.5 million and, therefore, total equity of £11.1 million.

84.2.2 Those liabilities included insurance contract liabilities of £5 million in respect of the then SLPF Policies.

84.3 In addition, the 2022 Solvency and Financial Condition Report showed that SLPF’s technical provisions at 31 December 2022 were £6 million in respect of the SLPF Policies.

84.4 SLPF’s accounts for the year 2022 also showed that SLPF received in that year no gross-earned premium income.

84.5

84.5.1 As the SLPF Policies have only a relatively small value and are fully reinsured to SLAL, the Minimum Capital Requirement, which is described at Statement 70.3, applies to SLPF.

84.5.2 As at 31 December 2022, SLPF’s Minimum Capital Requirement was £3 million and its regulatory capital was £11 million.

84.5.3 However, SLPF’s surplus is small, in relation to the Phoenix Group, and could also be distributed as a dividend.

84.6 For completeness, SLPF does not have a capital policy, as all the SLPF Policies are reinsured by SLAL.

PLAL

85 *The PLAL Business*

85.1 In outline, the PLAL Business comprises life and pension business, including immediate and deferred annuities and protection business.

85.2 As at 31 December 2022, there were approximately 680,000 PLAL Policies and approximately three quarters of that number of PLAL Policyholders.

85.3

85.3.1 Some PLAL Policies have been written to, or are held by, residents of Guernsey or are governed by Guernsey law (“**PLAL Guernsey Policies**”).

85.3.2 In addition, some PLAL Policies have been written to residents of Jersey or are governed by Jersey law (“**PLAL Jersey Policies**”).

85.3.3 As at 31 December 2022, there were 562 PLAL Guernsey Policies and 605 PLAL Jersey Policies.

85.4

85.4.1 PLAL’s only material contracts outside the Phoenix Group comprise reinsurance agreements, investment management agreements and custodian agreements.

85.5

85.5.1 The counterparties to those contracts are referred to in this application as “**PLAL Counterparties**”.

86 *PLAL’s Funds*

86.1 PLAL maintains two funds within its long-term business, namely the “*Long-Term Fund*” (“**PLAL Long-Term Fund**”) and the “*Shareholder Fund*” (the “**PLAL Shareholder Fund**”).

86.2 The PLAL Long-Term Fund comprises five sub-funds (the “**PLAL Funds**”).

86.3

86.3.1 The PLAL Funds are as follows:

- (i) the “*London Life With-Profits Fund*” (the “**PLAL LL WP Fund**”);

- (ii) the “*National Provident Life With-Profits Fund*” (the “**PLAL NPL WP Fund**”);
- (iii) the “*Pearl With-Profits Fund*” (the “**PLAL Pearl WP Fund**”);
- (iv) the “*SERP Fund*” (the “**PLAL SERP Fund**”); and
- (v) the “*Non-Profit Fund*” (the “**PLAL Non-Profit Fund**”).

86.3.2 All of the PLAL Funds, except the PLAL Non-Profit Fund, are with-profits sub-funds.

86.4 The PLAL LL WP Fund, the PLAL NPL WP Fund and the PLAL SERP Fund receive financial shareholder support.

87 *The Previous PLAL Schemes*

87.1 The PLAL Business includes the insurance businesses which were transferred to PLAL under *inter alia* the two PLAL Previous Schemes.

87.2

87.2.1 The first of the PLAL Previous Schemes was the insurance scheme (the “**PLAL 2012 Scheme**”) which became effective on 30 September 2012 and which provided for the transfer to PLAL of the insurance business of London Life Ltd.

87.2.2 The with-profits insurance business was allocated to the PLAL LL WP Fund, which PLAL established at that time and the non-profit business was allocated to the PLAL Non-Profit Fund.

87.3

87.3.1 The second of the PLAL Previous Schemes was the insurance scheme (the “**PLAL 2015 Scheme**”) which became effective on 30 June 2015 and which provided for the transfer to PLAL of the remaining insurance business of NPLL.

87.3.2 Most of that insurance business was allocated to the PLAL NPL WP Fund, which PLAL established at that time.

88 *PLAL’s Financial and Regulatory Positions*

88.1 PLAL’s latest audited accounts are in its annual report and accounts for the year to 31 December 2022.

88.2

88.2.1 Those accounts showed that at that date PLAL had total assets of £12,989 million, gross liabilities of £12,363 million and, therefore, total equity of £626 million.

88.2.2 Those liabilities included insurance contract liabilities of £10,682 million in respect of the then PLAL Policies.

88.3 In addition, the 2022 Solvency and Financial Condition Report showed that PLAL's technical provisions at 31 December 2022 were £9,873 million in respect of the PLAL Policies.

88.4 PLAL's accounts for 2022 also showed that it had received in that year gross-earned premium income of £166 million.

88.5

88.5.1 As at 31 December 2022, PLAL's Solvency Capital Requirement was approximately £666 million and its regulatory capital was approximately £1,214 million.

88.5.2 That regulatory capital is calculated after deducting an amount in respect of PLAL's ring-fenced funds.

88.5.3 In particular, 99 per cent of PLAL's regulatory capital was categorised as Tier I Capital.

88.6

88.6.1 For completeness, PLAL's Solvency Capital Requirement position is reinforced by its capital policy.

88.6.2 In outline, that policy is maintained primarily in line with the PLAL 2012 Scheme.

88.7

88.7.1 PLAL also carried out the LIST 2022 tests.

88.7.2 The results were that PLAL was still able in each scenario to meet its Solvency Capital Requirement and to comply with its capital policy.

88.8 PLAL also maintains additional capital buffers, as described at Statement 40.12.2.

PHOENIX

89 *The Phoenix Business*

89.1 The Phoenix Business at the date of this application comprises life and pension business, including immediate and deferred annuities, new bulk annuities written under the “*Standard Life*” brand and non-profit protection policies written under the “*Sun Life*” brand.

89.2 As at 31 December 2022, there were approximately 3,720,000 Present Phoenix Policies and approximately three quarters of that number of Present Phoenix Policyholders.

89.3 Phoenix maintains two funds within its long-term business, namely the “*Phoenix Long-Term Fund*” and the “*Phoenix Shareholders’ Fund*”.

89.4

89.4.1 The Phoenix Long-Term Fund comprises at present 11 sub-funds (the “**Present Phoenix Funds**”).

89.4.2 The Present Phoenix Funds are as follows:

- (i) the “*100% With-Profits Fund*” (the “**Phoenix 100% WP Fund**”);
- (ii) the “*90% With-Profits Fund*” (the “**Phoenix 90% WP Fund**”);
- (iii) the “*Alba With-Profits Fund*” (the “**Phoenix Alba WP Fund**”);
- (iv) the “*Britannic Industrial Branch With-Profits Fund*” (the “**Phoenix BIB WP Fund**”);
- (v) the “*Britannic With-Profits Fund*” (the “**Phoenix Britannic WP Fund**”);
- (vi) the “*Phoenix With-Profits Fund*” (the “**Phoenix WP Fund**”);
- (vii) the “*SAL With-Profits Fund*” (the “**Phoenix SAL WP Fund**”);
- (viii) the “*Scottish Mutual With-Profits Fund*” (the “**Phoenix SMA WP Fund**”);
- (ix) the “*SPI With-Profits Fund*” (the “**Phoenix SPI WP Fund**”);
- (x) the “*NPI With-Profits Fund*” (the “**Phoenix NPI WP Fund**”); and
- (xi) the “*Non-Profit Fund*” (the “**Phoenix Non-Profit Fund**”).

- 89.4.3 All the Present Phoenix Funds, except the Phoenix Non-Profit Fund, are with-profits sub-funds.
- 89.4.4 Of those with-profits Present Phoenix Funds, only the Phoenix Britannic WP Fund requires financial support.
- 89.4.5 That support is expected to be repaid before the Phoenix Scheme becomes operative.
- 89.5 The Phoenix Non-Profit Fund also includes a series of linked-funds, which are together referred to in this application as the **“Present Phoenix Linked Funds”**.

90 *The Previous Phoenix Acquisition Schemes*

90.1

90.1.1 The first of the Previous Phoenix Acquisition Schemes was the insurance scheme (the **“Phoenix 2009 Scheme”**) which became effective on 1 January 2009 and which provided for the transfer to Phoenix of the insurance businesses of SMA and SPL.

90.1.2 The with-profits parts of those insurance businesses were allocated to the Phoenix SMA WP Fund, or the Phoenix SPI WP Fund, which Phoenix established at that time.

90.1.3 The non-profits parts of those businesses were allocated to the Phoenix Non-Profit Fund.

90.1.4 The second of the Previous Phoenix Acquisition Schemes was the insurance scheme (the **“Phoenix 2011 Scheme”**) which became effective on 1 January 2011 and which provided for the transfer to Phoenix of the insurance business of PALAL.

90.1.5 That insurance business was allocated to the SAL WP Fund, which Phoenix established at that time.

90.2

90.2.1 The third of the Previous Phoenix Acquisition Schemes was the insurance scheme (the **“Phoenix 2012 Scheme”**) which became effective on 1 January 2012 and which provided for the transfer to Phoenix of the insurance business of NPI Limited and certain annuity business of NPLL.

90.2.2 Those insurance businesses were allocated to the Phoenix Non-Profit Fund, with the with-profits investment elements being allocated to the Phoenix NPI WP Fund.

90.3

90.3.1 The fourth of the Previous Phoenix Acquisition Schemes was the insurance scheme (the “**Phoenix 2017 Scheme**”) which became effective on 8 December 2017 and which provided for the transfer to Phoenix of the insurance business of AWL.

90.3.2 That insurance business was allocated to the Phoenix Non-Profit Fund.

90.4

90.4.1 The fifth of the Previous Phoenix Acquisition Schemes was the insurance scheme (the “**Phoenix 2018 Scheme**”) which became effective on 31 December 2018 and which provided for the transfer to Phoenix of the insurance business of Abbey Life Assurance Company Ltd.

90.4.2 That insurance business was allocated to the Phoenix Non-Profit Fund.

90.5

90.5.1 For completeness, Phoenix also entered into an insurance scheme in 2005 and another in 2006 (the “**Phoenix 2006 Scheme**”).

90.5.2 Those insurance schemes provided for the transfer to Phoenix of the insurance businesses of other insurance companies.

91 *The Previous Phoenix Disposal Schemes*

91.1

91.1.1 The first of the previous Phoenix Disposal Schemes was the insurance scheme which became effective on 30 September 2013 and which transferred certain annuity business of Phoenix, PLAL, and NPLL to Guardian Assurance Ltd.

91.1.2 NPLL’s rights, and obligations, under that insurance scheme were transferred to PLAL under the PLAL 2015 Scheme.

91.2 The second of the previous Phoenix Disposal Schemes was the insurance scheme which became effective on 31 December 2016 and transferred certain annuity business of Phoenix to ReAssure Ltd, which has been since July 2020 a Phoenix Group Company.

92 *The Indirect Phoenix Schemes*

92.1 The businesses which were transferred to Phoenix under certain of the Previous Phoenix Acquisition Schemes included rights, and obligations, which arose under six earlier insurance schemes (the “**Indirect Phoenix Schemes**”) and in respect of which it is possible that rights, or liabilities, remain outstanding at the date at which the Phoenix Scheme becomes effective.

92.2

92.2.1 The first of the Indirect Phoenix Schemes was the insurance scheme which in 1989 transferred *inter alia* immediate annuity business of Property Growth Assurance Company Limited to PALAL.

92.2.2 PALAL's rights under that insurance scheme were transferred to Phoenix under the Phoenix 2011 Scheme.

92.3

92.3.1 The second of the Indirect Phoenix Schemes was the insurance scheme which in 2005 transferred certain pension annuity business of PALAL to Canada Life Ltd.

92.3.2 PALAL's rights under that insurance scheme were transferred to Phoenix under the Phoenix 2011 Scheme.

92.4

92.4.1 The third of the Indirect Phoenix Schemes was the insurance scheme which in 2005 transferred the long-term insurance business of Allianz Property Growth Assurance Company Ltd to BULA.

92.4.2 BULA's rights under that insurance scheme were transferred to Phoenix under the Phoenix 2006 Scheme.

92.5

92.5.1 The fourth of the Indirect Phoenix Schemes was the insurance scheme which in 2006 transferred certain pension annuity business of PLP to Prudential Retirement Income Ltd.

92.5.2 PLP's rights, and obligations, under that insurance scheme, were transferred to Phoenix under the Phoenix 2006 Scheme.

92.6

92.6.1 The fifth of the Indirect Phoenix Schemes was the insurance scheme which in 2011 transferred an insurance business of Friends Life WL Ltd to AWL.

92.6.2 The rights, and obligations, of AWL under that insurance scheme were transferred to Phoenix under the Phoenix 2017 Scheme.

92.7

92.7.1 The sixth of the Indirect Phoenix Schemes was the insurance scheme which in 2011 transferred an insurance business of Friends Life Company Ltd to AWL.

92.7.2 The rights, and obligations, AWL under that insurance scheme were transferred to Phoenix under the Phoenix 2017 Scheme.

93 *The Phoenix Brexit Scheme*

93.1 The Phoenix Brexit Scheme is between Phoenix and ReAssure Life Limited, as transferors, and, as transferee, PLAE, which is also a Phoenix Group Company.

93.2 In outline, the Phoenix Brexit Scheme transferred to PLAE the Phoenix Policies which were written by those transferors in the EEA and in, particular, Ireland, Sweden, Norway, Germany and Iceland.

93.3 The Phoenix Brexit Scheme transferred approximately 19,630 Phoenix Policies, for which Phoenix's technical provisions were, as at 30 June 2021, approximately £638 million.

93.4

93.4.1 In connection with the Phoenix Brexit Scheme, Phoenix and PLAE have entered into arrangements under which Phoenix reinsures the With-Profits Policy Liabilities, and the unit-linked liabilities, of PLAE under the Phoenix policies which were transferred under the Phoenix Brexit Scheme.

93.4.2 Phoenix's liabilities under those reinsurance arrangements are secured by a fixed charge in respect of certain of Phoenix's assets, which are held in custodian accounts in respect of the Phoenix Alba WP Fund, the Phoenix WP Fund and the Phoenix SPI With-Profits Fund.

93.4.3 In addition, those liabilities of Phoenix are also secured by a floating charge over all of its assets, subject to exceptions.

93.4.4 That floating charge is to rank *pari passu* with the New Phoenix SL Intl Reinsurance Floating Charge in respect of the assets of Phoenix which are secured under them.

93.5 As said at Statement 9.4, a separate scheme, which is in the same terms as those of the Phoenix Brexit Scheme and is governed by Irish law, was sanctioned by the Irish Court on 1 November 2022 and became effective on 1 January 2023.

94 *Phoenix's Financial and Regulatory Positions*

94.1 Phoenix's latest audited accounts are in its annual report and accounts for the year to 31 December 2022.

- 94.2
- 94.2.1 Those accounts showed that at that date Phoenix had total assets of £62,180 million, gross liabilities of £60,216 million and, therefore, total equity of £1,964 million.
- 94.2.2 Those liabilities included insurance contract liabilities of £53,919 million in respect of the then Phoenix Policies.
- 94.3 In addition, the 2022 Solvency and Financial Condition Report showed that Phoenix's technical provisions at 31 December 2022 were £50,821 million.
- 94.4 Phoenix's accounts for the year 2022 also showed that it had received in that year gross-earned premium income of £5,555 million.
- 94.5
- 94.5.1 As at 31 December 2022, Phoenix's Solvency Capital Requirement was approximately £2,293 million and its regulatory capital was approximately £3,595 million.
- 94.5.2 That regulatory capital is calculated after deducting an amount in respect of Phoenix's ring-fenced funds.
- 94.5.3 In particular, 99 per cent of Phoenix's regulatory capital was categorised as Tier I Capital.
- 94.6 For completeness, Phoenix's Solvency Capital Requirement position is reinforced by its capital policy, which is maintained primarily in line with the Phoenix 2009 Scheme and is broadly the same as SLAL's capital policy, which is described at Statement 40.10.
- 94.7
- 94.7.1 Phoenix also carried out the LIST 2022 tests.
- 94.7.2 The results were first of all that Phoenix was still able in each scenario to meet its Solvency Capital Requirement.
- 94.7.3 In addition, Phoenix was able to comply with its capital policy after being assumed to take the management action which LIST 2022 permitted.
- 94.8 Phoenix also maintains additional capital buffers, as described at Statement 40.12.2

THE PHOENIX SCHEME'S COMMERCIAL PURPOSE AND THE CHANNEL ISLANDS SCHEMES

95 *The Phoenix Scheme's Commercial Purpose*

95.1 The overall commercial purpose of the Phoenix Scheme is to rationalise the insurance businesses of the Phoenix Group by reducing the number of its insurance companies.

95.2

95.2.1 That rationalisation of the Phoenix Group is reasonably expected to result in a reduction in the total regulatory capital which the Phoenix Group Companies are required to hold.

95.2.2 In outline, the Solvency Capital Requirement, after the Phoenix Scheme, of Phoenix, as a single, larger, and in particular more diversified insurance company will be less than the aggregate of the present Solvency Capital Requirements of Phoenix, PLAL, SLAL and SLPF.

95.2.3 In addition, that rationalisation of the Phoenix Group is reasonably expected to result in a reduction in the costs of complying with the regulatory, and other statutory, requirements of insurance companies.

95.2.4 That rationalisation is also reasonably expected to result in greater operational, and administrative, efficiency, including having to operate only a single insurance company and a single insurance scheme.

95.3

95.3.1 SLAL, PLAL and SLPF are to apply to cease to be authorised as insurance companies as soon as reasonably practicable after the Phoenix Scheme becomes effective.

95.3.2 As described at Statements 102.2 and 102.3, SLAL may be required to remain an insurance company as long any SLAL Policies remain subject to the Russia (Sanctions) (EU Exit) Regulations 2019 (the "**Russia Sanctions Regulations**").

95.3.3 The reinsurance agreements between SLAL and SLPF are to be transferred to Phoenix, under the Phoenix Scheme, and will terminate immediately thereafter by operation of law.

95.4

95.4.1 The Phoenix Scheme is to supersede the SLAL Demutualisation Scheme, the SLAL 2011 Scheme, the Previous PLAL Schemes and the Previous Phoenix Acquisition Schemes.

95.4.2 Those Schemes are together referred to in this application as the “**Superseded Schemes**”.

95.5

95.5.1 The Phoenix Scheme is primarily to consolidate the provisions of the Superseded Schemes and to make only limited, or insubstantial, changes to their provisions.

95.5.2 Those changes are to facilitate the operation of the Phoenix Scheme by conforming the provisions and by reflecting their practical application.

95.5.3 In addition, the changes are to reflect present regulation and to update regulatory, and other, references.

95.6

95.6.1 The Phoenix Scheme is also to make only eight substantive, and material, changes to the terms of the SLAL Demutualisation Scheme.

95.6.2 Those changes are to apply to the new sub-fund which Phoenix is to establish to replace the SLAL HWPF and which is to be called the “**Heritage With-Profits Fund**” (the “**Phoenix Heritage WP Fund**”).

95.6.3 For completeness, some of those provisions of the Phoenix Scheme will also apply to some other funds of Phoenix.

95.7

95.7.1 The first change, concerns the reserves which are held in the New Phoenix Linked Funds, in respect of the Property-Linked SLAL HWPF Policies, and which have been described at Statement 56.

95.7.2 In outline, the addition is to enable any property-linked asset, which is above the reserves which Solvency II requires to be held, to be transferred to the Phoenix Non-Profit Fund.

95.7.3 That change is described at Statement 144.

95.8

95.8.1 The second change concerns the calculation of the Recourse Cashflows from the Phoenix Heritage WP Fund.

95.8.2 In outline, the proposed change concerns mainly the times at which certain elements of the formulae are to form part of the Recourse Cashflows, as described at Statement 134.

95.8.3 That change will not affect the annual amount of any of the Recourse Cashflows.

95.8.4 The change is described at Statement 120.7.2 and 120.7.3.

95.9

95.9.1 The third change is to the provision of the SLAL Demutualisation Scheme, which relates to a Capital Event and is described at Statement 42.

95.9.2 The change is described at Statements 120.7 and 132.

95.10

95.10.1 The fourth change is the introduction into Phoenix's capital policy, which is to be adopted under the Phoenix Scheme, of requirements for Phoenix to hold capital of a certain quality and quantity.

95.10.2 That change is described at Statements 120.2 and 120.3.

95.11

95.11.1 The fifth change concerns the support which is to be provided to *inter alia* the Phoenix Heritage WP Fund.

95.11.2 As described at Statements 120.9 to 120.12 the Phoenix Scheme sets out specific criteria for such support and so amplifies the equivalent provision of the SLAL Demutualisation Scheme, which has been described at Statement 45.

95.12

95.12.1 The sixth change is the provision for reallocation of non-profit policies from *inter alia* the Phoenix Heritage WP Fund to the Phoenix Non-Profit Fund.

95.12.2 That change is described at Statement 116.3.

95.13

95.13.1 The seventh change concerns the Phoenix Linked Funds.

95.13.2 As described at Statement 113, the investment objectives of a Phoenix Linked Fund may also be modified and any of the powers in respect of a Phoenix Linked Fund may be exercised on the advice of the senior manager with responsibility for customers, as well as on the advice of the Phoenix Chief Actuary.

95.14

95.14.1 The final change concerns the obligation which the SLAL Demutualisation Scheme imposes on the SLAL Board to provide to the UK Regulators an annual certificate as to SLAL's compliance with, its obligations in respect of the SLAL Funds and the MEP.

95.14.2 The Phoenix Scheme is not to include an equivalent obligation for any of the Superseded Schemes, as the FCA Handbook has largely the same effect.

95.15

95.15.1 In addition, the Phoenix Scheme is in effect to replace the Property-Linked Floating Charge by the New Phoenix Property-Linked Floating Charge, and is also to replace the Security Trust Agreement.

95.15.2 The Phoenix Scheme is otherwise to replicate the substance of the SLAL 2011 Scheme. The proposed SLAL 2011 Scheme Variation is described at Statement 151.

95.16

95.16.1 The Phoenix Scheme is also to refer to the Proposed SLAL Brexit Scheme Variation.

95.16.2 The Proposed SLAL Brexit Scheme Variation is first of all to replace SLAL with Phoenix, as the transferor under the SLAL Brexit Scheme.

95.16.3 The Proposed SLAL Brexit Scheme Variation is also to discharge the SL Intl Reinsurance Floating Charge and to replace it with the New Phoenix Reinsurance Floating Charge over the New Phoenix Reinsurance Charged Assets.

95.16.4 The Proposed SLAL Brexit Scheme Variation is described further at Statement 152.

95.17

95.17.1 The Phoenix Scheme will not affect the charges which are levied on the Transferred Policies or how they are invested.

95.17.2 In addition the Phoenix Scheme will not affect the administration of the SLAL Business, the SLPF Business and the PLAL Business.

95.17.3 In particular, the Phoenix Scheme will not affect the administration of the part of the SLAL Business which is being sub-contracted, as has been mentioned at Statement 30.

96 *The Channel Island Schemes*

96.1 The Guernsey Scheme is required to transfer the SLAL Guernsey Policies and the PLAL Guernsey Policies.

96.2

96.2.1 The date on which the Guernsey Scheme becomes operative is referred to in the Phoenix Scheme as the “**Guernsey Transfer Date**”.

96.2.2 The hearing at which sanction of the Guernsey Scheme is to be sought is expected to be on 20 October 2023.

96.3 The Jersey Scheme is required to transfer the SLAL Jersey Policies and the PLAL Jersey Policies.

96.4

96.4.1 The date on which the Jersey Scheme becomes operative is referred to in the Phoenix Scheme as the “**Jersey Transfer Date**”.

96.4.2 The hearing at which sanction of the Jersey Scheme is to be sought has been fixed for 17 October 2023.

96.5 The Guernsey Transfer Date and the Jersey Transfer Date are expected to be the same as the date on which the Phoenix Scheme is to become operative, as described at Statement 97.3.

96.6 For completeness, the Guernsey Scheme and the Jersey Scheme becoming operative is conditional on the Phoenix Scheme being sanctioned.

THE TRANSFER PROVISIONS OF THE PHOENIX SCHEME

97 *The Transfer Date and the Conditions*

97.1 The main terms of the Phoenix Scheme are described in this Statement and at Statements 98 to 113.

- 97.2 The Phoenix Scheme refers to SLAL, SLPF and PLAL together as the “**Transferors**”.
- 97.3
- 97.3.1 The Phoenix Scheme is to become operative at 23.59 on 27 October 2023 or at such later time and date as the Transferors and Phoenix may agree in writing (in either case the “**Transfer Date**”) and which the Companies Court and the UK Regulators may also agree.
- 97.3.2 Unless the Phoenix Scheme does not take effect on or before 1 January 2024, or such later date as the Transferors and Phoenix may agree and the Companies Court may allow, it will lapse.
- 97.4 The Phoenix Scheme is not to become operative, unless the Transferors and Phoenix have consented to any modifications or addition to it, or to any condition, which the Companies Court may approve or impose.
- 97.5
- 97.5.1 In addition, the Phoenix Scheme is not to become operative, unless this Court has granted its consent, in terms satisfactory to SLAL and Phoenix, to the Proposed Demutualisation Scheme Variation, the Proposed SLAL 2011 Scheme Variation and granted its approval to the Proposed SLAL Brexit Scheme Variation.
- 97.5.2 That condition of the Phoenix Scheme will be satisfied if this Court makes the Consent Order, in the terms proposed at Statement 184, and the equivalent order sought in each of the other Proposed SLAL Schemes Variations Applications.
- 97.5.3 In addition, that condition will be satisfied if none of those three orders is recalled, or varied, before the Transfer Date.
- 97.6
- 97.6.1 In addition, the Phoenix Scheme, so far as possible, is to be treated by the parties, for purposes of accounting and financial reporting, as having become effective on 30 September 2023.
- 97.6.2 That date is referred to in the Phoenix Scheme as the “**Effective Date**”.
- 97.6.3 The Effective Date will be the beginning of one of the quarterly accounting periods for the Phoenix Group and so would be more convenient, in accounting terms, than 27 October 2023.
- 97.6.4 That “*treatment*” of the Phoenix Scheme would have effect only between the parties to the Phoenix Scheme, would only be for reporting purposes and would not have an adverse effect on any third party, including in particular any SLAL Policyholder.

- 97.6.5 The Companies Court has sanctioned several insurance schemes, those insurance schemes include the Phoenix 2009 Scheme, the Phoenix 2012 Scheme, the Phoenix 2017 Scheme and the PLAL 2012 Scheme, which have provided for such treatment.
- 97.6.6 For completeness, the Phoenix Scheme is not to be retrospective, in the wider sense that the Effective Date is to be before the Sanction Hearing.
- 97.7 The Proposed SLAL Schemes Variations are similarly, and so far as possible, to be treated, as between the parties and for those reporting purposes, as having become effective on 30 September 2023.
- 97.8
- 97.8.1 Phoenix will require additional regulatory permissions in order to manage the SLAL SIPP Scheme.
- 97.8.2 Phoenix has applied for those permissions and reasonably expects to have them before the Phoenix Scheme Sanction Hearing.
- 97.9
- 97.9.1 For completeness, Phoenix is also to apply for certain other regulatory approvals or consents.
- 97.9.2 They include approval for the Phoenix Heritage WP Fund to use a Matching Adjustment and for Phoenix to recalculate its TMTP. SLAL's use of a Matching Adjustment and TMTP have been referred to at Statement 40.8.
- 97.9.3 They also include the consents which are required for the change of control of certain of SLAL's subsidiaries and whose treatment under the Phoenix Scheme is referred to at Statement 103.2.
- 97.9.4 None of them is required before the Phoenix Scheme becomes operative.
- 98 *The Transferred Business*
- 98.1 In the Phoenix Scheme, the “**Transferred Business**” is to comprise the business of each Transferor at the Transfer Date.
- 98.2 The Transferred Business is to include the “**Transferred Policies**”, the “**Transferred Assets**” and the “**Transferred Liabilities**”.
- 98.3 With effect from the Transfer Date, the Transferred Business is to be transferred to Phoenix.

98.4

98.4.1 “**Assets**” are defined in the widest terms as comprising rights, and interests, of every description and in every capacity.

98.4.2 Similarly, “**liabilities**” are defined in the widest terms as comprising liabilities, and obligations, of every description, whether present or future or actual or contingent.

99 *The Transferred Policies*

99.1 The Transferred Policies are to comprise the policies of each of the Transferors which are within the Transferred Business and in respect of which any liability remains outstanding at the Transfer Date.

99.2 In addition, the Transferred Policies are to include any policies which are reinstated after the Transfer Date and proposals for policies which are received before it.

99.3

99.3.1 In addition, the Transferred Policies are to include the SLAL Guernsey Policies and the PLAL Guernsey Policies, with effect from the Guernsey Transfer Date.

99.3.2 The Transferred Policies are also to include the SLAL Jersey Policies and the PLAL Jersey Policies, with effect from the Jersey Transfer Date.

99.4 However, the Transferred Policies are not to include those policies which are referred to as the “**Excluded Policies**” and are described at Statement 102.

99.5 As at 31 December 2022 there would have been approximately 4,950,000 Transferred Policies and a similar number of policyholders (the “**Transferred Policyholders**”).

100 *The Transferred Assets*

100.1 The Transferred Assets are to comprise all the assets of each Transferor.

100.2 The Transferred Assets are, first of all, to include all the rights of each Transferor under the Transferred Policies and all its rights against third parties in relation to the Transferred Business.

100.3

100.3.1 In addition, the Transferred Assets are to include all the rights of each Transferor under contracts in respect of the Transferred Business, including any reinsurance arrangements under which the Transferred Business is reinsured.

100.3.2 Those reinsurance arrangements are to include those with the SLAL Reinsurers.

- 100.4 The Transferred Assets are to include all the rights of each of the Transferors in the records, however stored, relating to the Transferred Business and any rights relating to taxation,
- 100.5 As is to be permitted by the Proposed SLAL Brexit Scheme Variation, those Transferred Assets which are, at the Transfer Date, SL Intl Reinsurance Fixed Charged Assets are to be transferred along with, and subject to, the SL Intl Reinsurance Fixed Charge.
- 100.6 The Transferred Assets are to include all the assets of each of the Transferors, which are attributable to the Excluded Policies.
- 100.7 However, the Transferred Assets are not to include any assets which are referred to as “**Excluded Assets**”, which are described at Statement 102 or “**Residual Assets**”, which are described at Statement 103.
- 100.8
- 100.8.1 For completeness, SLAL and Phoenix have been advised that the Phoenix Scheme would not be recognised, under Irish law, as transferring to Phoenix the SL Intl Share Pledge, along with the indebtedness which PGH owes to SLAL and which the SL Intl Share Pledge secures.
- 100.8.2 Accordingly, the SL Intl Share Pledge is to be transferred by SLAL to Phoenix consensually, under Irish law.
- 100.9
- 100.9.1 Similarly, the Transferors and Phoenix have been advised that the Phoenix Scheme might well not be recognised by the laws of Ireland, Luxembourg, or Delaware as transferring rights, and obligations, under contracts which are governed by one of those laws.
- 100.9.2 Accordingly, those contracts are to be transferred consensually.
- 100.10
- 100.10.1 For completeness, the Transferred Assets are to include subsidiaries of the Transferors, which are not dormant and are referred to in the Phoenix Scheme as “**Transferred Subsidiaries**”.
- 100.10.2 Certain of the Transferred Subsidiaries are incorporated in jurisdictions, such as Luxembourg, which might not recognise their transfer under the Phoenix Scheme.
- 100.10.3 Accordingly, the shares in those Transferred Subsidiaries are also to be transferred consensually.

101 *The Transferred Liabilities*

101.1 The Transferred Liabilities are to comprise all the liabilities of each of the Transferors.

101.2 The Transferred Liabilities are, first of all, to include all the liabilities of each of the Transferors under the Transferred Policies and all its liabilities to third parties.

101.3 The Transferred Liabilities are also to include all the liabilities under the Mortgage Endowment Promise, subject to the immaterial changes which are described at Statement 141.

101.4

101.4.1 In addition, the Transferred Liabilities are to include all the liabilities of each of the Transferors under its contracts in respect of the Transferred Business, including any reinsurance arrangements under which the Transferred Business is reinsured.

101.4.2 Those reinsurance arrangements include those with the SLAL Reinsurers.

101.5 The Transferred Liabilities are also to include all the liabilities of each of the Transferors relating to taxation.

101.6

101.6.1 The Transferred Liabilities are to include what are referred to as the “**Mis-selling Liabilities**”.

101.6.2 They are all the liabilities of each of the Transferors relating to the mis-selling of any of the Transferred Policies, including any costs arising from any legal proceedings or directions of a regulatory body, and any penalties.

101.7 In addition, the Transferred Liabilities are not to include any liabilities which are referred to as “**Excluded Liabilities**” or “**Residual Liabilities**”.

102 *The Excluded Policies, the Excluded Assets and the Excluded Liabilities*

102.1 The Excluded Policies are, first of all, to include all policies which are not capable of ever being transferred under section 111 at the Transfer Date.

102.2

102.2.1 The Excluded Policies are also to include any policy the transfer of which is likely to be prohibited, under the Russia Sanctions Regulations, without a licence from the Office of Financial Sanctions Implementation. In outline, one SLAL Policyholder is subject to the Russia Sanctions Regulations.

- 102.2.2 An application is to be made for a licence to transfer their SLAL Policy, under the Phoenix Scheme.
- 102.2.3 If the licence is not granted before the Transfer Date, the SLAL Policy is to be an Excluded Policy.
- 102.2.4 That SLAL Policy would transfer on what is referred to in the Phoenix Scheme as the “**Excluded Policies Transfer Date**”, which is, in outline, when the restrictions on its transfer are removed.

102.3

- 102.3.1 In addition, one of the “*products*” which is available under the SLAL SIPP and which is called the “*Group Flexible Retirement Plan*” (a “**GFRP**”), is invested in a “*master unit-linked*” policy (the “**SLIP Policy**”) which SLAL has issued to the trustee of the SLAL SIPP Scheme.
 - 102.3.2 The SLAL SIPP Scheme has two members who are subject to the Russia Sanctions Regulations, along with their GFRP (the “**Sanctioned Plans**”).
 - 102.3.3 The Sanctioned Plans include terms and conditions which are contractual arrangements with SLAL.
 - 102.3.4 An application is to be made for a licence also to transfer, under the Phoenix Scheme, the SLIP Policy and the Sanctioned Plans.
 - 102.3.5 The Phoenix Scheme is to include provisions which are to apply if the licence is not granted before the Transfer Date.
 - 102.3.6 First of all, the SLIP Policy is in effect to be split into two.
 - 102.3.7 The very small part of the SLIP Policy which is attributable to the Sanctioned Plans is to be an Excluded Policy, and therefore is to be retained by SLAL, and the remaining part is to transfer on the Transfer Date.
 - 102.3.8 Secondly, the Sanctioned Plans are also to be treated as Excluded Policies.
 - 102.3.9 The part of the SLIP Policy and the Sanctioned Plans would transfer on the Excluded Policies Transfer Date.
- 102.4 In addition, the Excluded Policies are to include the SLAL Guernsey Policies and the PLAL Guernsey Policies until the Guernsey Transfer Date.
 - 102.5 The Excluded Policies are also to include the SLAL Jersey Policies and the PLAL Jersey Policies until the Jersey Transfer Date.

102.6

102.6.1 The Excluded Policies are to be fully reinsured by Phoenix with effect from the Transfer Date.

102.6.2 The premiums which are to be due by a Transferor for that reinsurance are, in outline, to be satisfied by assets of the Transferor whose value is equal to the technical provisions in respect of those Excluded Policies and the payment to Phoenix of all subsequent premiums received under the Excluded Policies.

102.6.3 The overall concept of excluded policies, and their reinsurance, are conventional in insurance schemes.

102.6.4 For completeness, it is expected that the only Excluded Policies will be those which have been described at Statements 102.2 and 102.3 which are referred to at Statement 102.1.

102.6.5 Those Excluded Policies are to be reinsured by Phoenix, as just described.

102.7 The Excluded Assets are to include all records which each of the Transferors is required by legal, or regulatory, requirements to retain.

102.8

102.8.1 In addition, the Excluded Assets are to include the shares in dormant subsidiaries of any of the Transferors, as said at Statement 100.10.

102.8.2 In effect, the Transferors' dormant subsidiaries are to be Excluded Assets.

102.9 The Excluded Assets are also to include SLPF's rights under, or in connection with, the Security Trust Agreement and the New Security Trust Agreement.

102.10 The Excluded Liabilities are to include all the liabilities of each Transferor, which are attributable to any of the Excluded Assets.

103 *The Residual Assets*

103.1 The Residual Assets are to include, first of all, any assets of a Transferor, at the Transfer Date, the transfer of which the Companies Court has declined to order under section 112(2).

103.2

103.2.1 The consent of the PRA is required for the change from SLAL to Phoenix of the control of SLPF.

103.2.2 In addition, the consent of the FCA is required for the transfer of another of SLAL's subsidiaries, Standard Life Lifetime Mortgages Limited.

103.2.3 If the consent is not obtained by the Transfer Date, the shares in the companies are to be Residual Assets.

103.3

103.3.1 In addition, the Residual Assets are to include any assets of a Transferor which are attributable to the Transferred Business and in respect of which that Transferor and Phoenix agree in writing, prior to the Transfer Date, that it is not to be transferred at that time.

103.3.2 None of the Transferors and Phoenix anticipates reaching any such agreement.

103.4 The Residual Assets are also to include any assets which are attributable to the Transferred Business and the transfer of which is not recognised by the law of the jurisdiction in which it is situated or requires further steps.

103.5

103.5.1 The Residual Assets are also to include assets representing what is to be referred to in the Phoenix Scheme as the “**CR Amount**” for each of the Transferors.

103.5.2 The CR Amount is defined as £4 million or any higher sum which the Transferor is required by the PRA Rulebook to hold.

103.5.3 For completeness, SLAL would require to remain as an insurance company as long as there were any Excluded Policies which have been referred to at Statements 102.2 and 102.3.

103.6 The concept of Residual Assets is conventional in insurance schemes.

104 *The Residual Liabilities*

104.1 The Residual Liabilities are, first of all, to include any liabilities of the Transferors at the Transfer Date, the transfer of which the Companies Court has declined to order under section 112(2).

104.2

104.2.1 In addition, the Residual Liabilities are to include any liability which is attributable to the Transferred Business and in respect of which SLAL and Phoenix agree in writing, prior to the Transfer Date, that it should not be transferred at that time.

104.2.2 None of the Transferors and Phoenix anticipates reaching any such agreement.

104.3 The Residual Liabilities are also to include any such liability the transfer of which is not recognised by the law of the jurisdiction in which it is situated or requires further steps.

104.4 The Residual Liabilities are also to include all liabilities in respect of any Residual Asset, including any liability to taxation.

104.5 The concept of Residual Liabilities is also conventional in insurance schemes.

105 *The Subsequent Transfer Date*

105.1 The Residual Assets and the Residual Liabilities are to transfer to Phoenix only at what is referred to as their “**Subsequent Transfer Date**”.

105.2 In outline, the Subsequent Transfer Date is the date on which the impediment to transfer is overcome or Phoenix and the Transferor agree to the transfer.

105.3 The Subsequent Transfer Date for the assets which represent the CR Amount of a Transferor is when, in the opinion of the board of the Transferor, those assets are no longer required to satisfy that Transferor’s Solvency Capital Requirement and, in respect of SLPF, to be able to meet its requirements as agent under the New Security Trust Agreement.

105.4 Until the Subsequent Transfer Date for a Residual Asset, the Transferor is to hold that asset in trust for Phoenix, unless that trust would require any consent which has not been obtained.

105.5 The Residual Assets which are to satisfy the CR Amount of a Transferor are to be subject to that trust only to the extent that it is consistent with the Transferor continuing to satisfy the requirements in the PRA Rulebook for capital resources (otherwise regulatory capital).

106 *The Legal Effect of the Phoenix Scheme*

106.1 Each Transferred Policyholder is to have the same rights against Phoenix, and is to be subject to the same liabilities, under their Transferred Policy, as they had against SLAL.

106.2 Any reference in any Transferred Policy to SLAL, or to its directors or employees, is to be a reference to Phoenix or to its directors or employees.

106.3 Where a Transferred Policy is held under a trust, or subject to the rules of a pension scheme, that trust, or those rules, are to operate consistently with the transfer of the Transferred Policy.

106.4 Any premiums payable in respect of a Transferred Policy are to be payable to Phoenix.

106.5 Any mandates, or other instructions, for the payment of any premium, or for any sum by a Transferor, which is payable on a Transferred Policy, are to remain in force in respect of Phoenix.

106.6

106.6.1 The Transferred Policies are to include the reinsurance agreements between SLAL and SLPF and those between Phoenix and PLAL.

106.6.2 All those agreements will immediately after their transfer to Phoenix terminate by operation of law.

106.6.3 In outline, most of those agreements are to be replaced by internal reinsurance arrangements which are to be between different sub-funds of Phoenix and are to have the same economic effect as the reinsurance agreements had.

106.6.4 The internal reinsurance arrangements which are to replace SLAL's reinsurance agreements which are within the SLAL HWPF are to be allocated to the Phoenix Heritage WP Fund.

106.7

106.7.1 With effect from the Transfer Date, any "**Proceedings**" which are pending by, or against, any of the Transferors are to be continued by, or against, Phoenix.

106.7.2 Proceedings are to include any legal proceedings before any court, regulatory body or arbitration panel.

106.8 With effect from its Subsequent Transfer Date, any Proceedings which are pending by, or against, any Transferor in connection with a Residual Asset or a Residual Liability are to be continued by, or against, Phoenix.

106.9

106.9.1 With effect from the Transfer Date, Phoenix is to succeed to all the rights, and obligations, of each Transferor in respect of any personal data which relates to the Transferred Business.

106.9.2 In addition, Phoenix is to become the data controller of any personal data which relates to the Transferred Business.

106.10

106.10.1 With effect from the Transfer Date, Phoenix is to become the administrator, and operator, of the personal pension schemes, and stakeholder pension schemes, which have been established by a Transferor and which are to be listed in the Phoenix Scheme.

106.10.2 Those pension schemes include the eight schemes which have been established by SLAL or where SLAL acts as the provider, one of which is the SLAL SIPP Scheme.

106.11 With effect from the Transfer Date, Phoenix is also to assume, in place of the Transferor, the liabilities of the “*provider*” of the pension schemes.

106.12

106.12.1 The transfer of the Transferred Assets is to take effect, notwithstanding any restriction on otherwise transferring them.

106.12.2 In addition, that transfer is not to give any other party the right to terminate, or treat as terminated, any right or to have different rights, or obligations, including any right of termination, in consequence of the transfer.

106.13 That provision of the Phoenix Scheme is to reflect section 112(A), which will have effect, unless the Companies Court makes an order to the contrary.

106.14 It is reasonably expected that there will be a limited number of agreements, including leases, with SLAL Counterparties, SLPF Counterparties and PLAL Counterparties, which do not consent to the transfer of their rights under the Phoenix Scheme.

107 *The Earlier Insurance Schemes*

107.1 As said at Statement 95.4, the Phoenix Scheme is to replace the Superseded Schemes.

107.2 In addition, the Phoenix Scheme is primarily to replicate, and consolidate, the provisions of the Superseded Schemes.

107.3 The Phoenix Scheme’s treatment of the Property-Linked Floating Charge and of the Security Trust Agreement is described at Statement 151, as part of the description of the Proposed SLAL 2011 Scheme Variation.

107.4

107.4.1 The Phoenix Scheme is also to make provision for any obligations which remain to be performed under the Previous Phoenix Disposal Schemes and the Indirect Phoenix Schemes.

107.4.2 The Previous Phoenix Disposal Schemes and the Indirect Phoenix Schemes are to continue in effect, subject to the provisions of the Phoenix Scheme and on the basis that, if Phoenix is not already a party to them, it will become a party, instead of PLAL.

108 *The SLAL Brexit Scheme*

108.1 With effect from the Transfer Date, the SLAL Brexit Scheme is to be varied by the Proposed SLAL Brexit Scheme Variation. That provision of the Phoenix Scheme is not, as a matter of law, an operative one but is included as a convenient record.

108.2

108.2.1 The terms of the Proposed SLAL Brexit Scheme Variation are marked on a copy of the SLAL Brexit Scheme, which is appended to the SLAL Brexit Scheme Variation Application.

108.2.2 The Proposed SLAL Brexit Scheme Variation is described at Statement 152.

THE NEW PHOENIX FUND STRUCTURE AND THE ALLOCATIONS UNDER THE PHOENIX SCHEME

109 *The Revised Phoenix Fund Structure*

109.1 With effect from the Transfer Date, Phoenix is to establish, and maintain, eight new with-profits sub-funds (the “**New Phoenix With-Profits Funds**”), within the Phoenix Long Term Fund.

109.2 The New Phoenix With-Profits Funds are to comprise:

- (i) the “*Heritage With-Profits Fund*” (the “**Phoenix Heritage WP Fund**”);
- (ii) the “*UK Smoothed Managed With-Profits Fund*” (the “**Phoenix UKSM WP Fund**”);
- (iii) the “*German With-Profits Fund*” (the “**Phoenix German WP Fund**”);
- (iv) the “*German Smoothed Managed With-Profits Fund*” (the “**Phoenix German SMWP Fund**”);
- (v) the “*London Life With-Profits Fund*” (the “**Phoenix LL WP Fund**”);
- (vi) the “*National Provident Life With-Profits Fund*” (the “**Phoenix NPL WP Fund**”);
- (vii) the “*Pearl With-Profits Fund*” (the “**Phoenix Pearl WP Fund**”); and
- (viii) the “*SERP Fund*” (the “**Phoenix SERP Fund**”).

109.3

109.3.1 The New Phoenix With-Profits Funds and the Present Phoenix Funds are together referred to in this application as the “**Phoenix Funds**”.

109.3.2 The Phoenix Funds, other than the Phoenix Non-Profit Fund, are together referred to in this application as the “**Phoenix With-Profits Funds**”.

- 109.3.3 The Phoenix Policyholders in each of the Phoenix With-Profits Funds, some of whom may hold non-profit policies, are together referred to in this application as the “**Phoenix WP Policyholders**”.
- 109.4 With effect from the Transfer Date, Phoenix is to maintain all but one of the Present Phoenix Funds.
- 109.5
- 109.5.1 The exception is that the Phoenix NPI WP Fund is to be closed.
- 109.5.2 The with-profits investment element of some Present Phoenix Policies are invested in the NPI WP Fund.
- 109.5.3 Those investment elements and the assets and liabilities of the NPI WP Fund are to be allocated to the new Pearl WP Fund.
- 109.5.4 The with-profit investment elements which are invested in the Phoenix NPI WP Fund are already reinsured by the PLAL Pearl WP Fund, which the Phoenix Pearl WP Fund is to replace.
- 109.5.5 Accordingly, it is convenient for the Phoenix Pearl WP Fund to include all the investment elements in the Phoenix NPI WP Fund.
- 109.6 The diagram at Schedule 5 includes Phoenix’s proposed fund structure after the Phoenix Scheme has become operative and the New Phoenix Funds have been established.
- 110 *The Allocation of Transferred Policies*
- 110.1 With effect from the Transfer Date, the Transferred Policies are to be allocated to the New Phoenix Funds as set out in this Statement.
- 110.2
- 110.2.1 The Transferred Policies within the SLAL HWPF are to be allocated to the Phoenix Heritage WP Fund.
- 110.2.2 Those Transferred Policies and any policies which are written in the Phoenix Heritage WP Fund are referred to in this application as the “**Phoenix HWPF Policies**” and their holders are referred to in this application as the “**Phoenix HWPF Policyholders**”.
- 110.3
- 110.3.1 The SLAL Policies within the SLAL PBF are to be allocated to the Phoenix Non-Profit Fund.

- 110.3.2 The investment elements within the SLAL UKSMWPF, together with the Transferred Assets and the Transferred Liabilities in respect of those investment elements, are to be allocated to the Phoenix UKSM WP Fund.
- 110.3.3 The investment elements within the SLAL GWPF, together with the Transferred Assets and the Transferred Liabilities in respect of those investment elements, are to be allocated to the Phoenix German WP Fund.
- 110.3.4 The investment elements within the SLAL GSMWPF, together with the Transferred Assets and the Transferred Liabilities in respect of those investment elements, are to be allocated to the Phoenix German SMWP Fund.

110.4

- 110.4.1 Those Transferred Policies of SLPF which are SLPF Pre-2006 Immediate Annuities, or SLPF Deferred Annuities, and so are reinsured by the SLAL HWPF are to be allocated to the Phoenix Heritage WP Fund.
- 110.4.2 Those Transferred Policies of SLPF which are SLPF Post-2006 Immediate Annuities and so are reinsured by the SLAL PBF are to be allocated to the Phoenix Non-Profit Fund.
- 110.4.3 As said at Statement 106.6.2, the reinsurance agreements between SLAL and SLPF are to be transferred to Phoenix and will immediately terminate by operation of law.

110.5

- 110.5.1 The Transferred Policies within the PLAL LL WP Fund are to be allocated to the Phoenix LL WP Fund.
- 110.5.2 The Transferred Policies within the PLAL NPL WP Fund are to be allocated to the Phoenix NPL WP Fund.
- 110.5.3 The Transferred Policies within the PLAL Pearl WP Fund are to be allocated to the Phoenix Pearl WP Fund.
- 110.5.4 The Transferred Policies within the PLAL SERP Fund are to be allocated to the Phoenix SERP Fund.
- 110.5.5 The Transferred Policies within the PLAL Non-Profit Fund are to be allocated to the Phoenix Non-Profit Fund.

110.6

110.6.1 With effect from the Guernsey Transfer Date, each Guernsey Policy is to be allocated to the New Phoenix Fund to which it would have been allocated, had it been a Transferred Policy.

110.6.2 With effect from the Jersey Transfer Date, each Jersey Policy is to be allocated to the New Phoenix Fund to which it would have been allocated, had it been a Transferred Policy.

111 *The Allocation of the Transferred Assets*

111.1 With effect from the Transfer Date, the Transferred Assets are to be allocated to the New Phoenix Funds, as set out in this Statement.

111.2

111.2.1 The Transferred Assets within the SLAL HWPF are to be allocated to the Phoenix Heritage WP Fund.

111.2.2 Those Transferred Assets are to include the rights under the SL Intl HWPF Reinsurance Agreement, which is referred to in the Phoenix Scheme as the “**HWPF Reinsurance Agreement**”, and the membership of SLPF.

111.2.3 The Transferred Assets within the SLAL PBF are to be allocated to the Phoenix Non-Profit Fund.

111.2.4 The Transferred Assets within the SLAL UKSMWPF are to be allocated to the Phoenix UKSM WP Fund.

111.2.5 The Transferred Assets within the SLAL GWPF, including the rights under the SL Intl GWPF Reinsurance Agreement, are to be allocated to the Phoenix German WP Fund.

111.2.6 The Transferred Assets within the SLAL GSMWPF, including the rights under the SL Intl GSMWPF Reinsurance Agreement, are to be allocated to the Phoenix German SMWP Fund.

111.2.7 The Transferred Assets within the SLAL Shareholder Fund are to be allocated to the Phoenix Shareholders' Fund.

111.3

111.3.1 Those Transferred Assets of SLPF which are attributable to the SLPF Pre-2006 Immediate Annuities or the SLPF Deferred Annuities are to be allocated to the Phoenix Heritage WP Fund.

111.3.2 Those Transferred Assets of SLPF which are attributable to the SLPF Post-2006 Immediate Annuities are to be allocated to the Phoenix Non-Profit Fund.

111.3.3 The Transferred Assets of SLPF which are attributable to its surplus assets are to be allocated to the Phoenix Heritage WP Fund.

111.4

111.4.1 The Transferred Assets within the PLAL LL WP Fund are to be allocated to the Phoenix LL WP Fund.

111.4.2 The Transferred Assets within the PLAL NPL WP Fund are to be allocated to the Phoenix NPL WP Fund.

111.4.3 The Transferred Assets within the PLAL Pearl WP Fund are to be allocated to the Phoenix Pearl WP Fund.

111.4.4 The Transferred Assets within the PLAL SERP Fund are to be allocated to the Phoenix SERP Fund.

111.4.5 The Transferred Assets within the PLAL Non-Profit Fund are to be allocated to the Phoenix Non-Profit Fund.

111.4.6 The Transferred Assets within the PLAL Shareholder Fund are to be allocated to the Phoenix Shareholders' Fund.

111.5

111.5.1 With effect from its Subsequent Transfer Date, each Residual Asset is to be allocated to the New Phoenix Fund to which it would have been allocated, had it been a Transferred Asset.

111.5.2 The exception is that Residual Assets which represent the CR Amount of SLPF are to be allocated to the Phoenix Heritage WP Fund.

112 *The Allocation of the Transferred Liabilities*

112.1 With effect from the Transfer Date, the Transferred Liabilities are to be allocated to the New Phoenix Funds as set out in this Statement.

112.2

112.2.1 The Transferred Liabilities within the SLAL HWPF, including the obligations under the SL Intl HWPF Reinsurance Agreement, are to be allocated to the Phoenix Heritage WP Fund.

- 112.2.2 The Transferred Liabilities within the SLAL PBF, are to be allocated to the Phoenix Non-Profit Fund.
- 112.2.3 The Transferred Liabilities within the SLAL UKSMWPF are to be allocated to the Phoenix UKSM WP Fund.
- 112.2.4 The Transferred Liabilities within the SLAL GWPF, including the obligations under the SL Intl GWPF Reinsurance Agreement, are to be allocated to the Phoenix German WP Fund.
- 112.2.5 The Transferred Liabilities within the SLAL GSMWPF, including the obligations under the SL Intl GSMWPF Reinsurance Agreement, are to be allocated to the Phoenix German SMWP Fund.
- 112.2.6 The Transferred Liabilities within the SLAL Shareholder Fund are to be allocated to the Phoenix Shareholders' Fund.

112.3

- 112.3.1 Those Transferred Liabilities of SLPF which are attributable to the SLPF Pre-2006 Immediate Annuities or SLPF Deferred Annuities are to be allocated to the Phoenix Heritage WP Fund.
- 112.3.2 Those Transferred Liabilities of SLPF which are attributable to the SLPF Post-2006 Immediate Annuities are to be allocated to the Phoenix Non-Profit Fund.
- 112.3.3 Any other Transferred Liabilities of SLPF are to be allocated to the Phoenix Heritage WP Fund.

112.4

- 112.4.1 The Transferred Liabilities within the PLAL LL WP Fund are to be allocated to the Phoenix LL WP Fund.
- 112.4.2 The Transferred Liabilities within the PLAL NPL WP Fund are to be allocated to the Phoenix NPL WP Fund.
- 112.4.3 The Transferred Liabilities within the PLAL Pearl WP Fund are to be allocated to the Phoenix Pearl WP Fund.
- 112.4.4 The Transferred Liabilities within the PLAL SERP Fund are to be allocated to the Phoenix SERP Fund.
- 112.4.5 The Transferred Liabilities within the PLAL Non-Profit Fund are to be allocated to the Phoenix Non-Profit Fund.

- 112.4.6 The Transferred Liabilities within the PLAL Shareholder Fund are to be allocated to the Phoenix Shareholders' Fund.
- 112.5 With effect from its Subsequent Transfer Date, each Residual Liability is to be allocated to the New Phoenix Fund to which it would have been allocated, had it been a Transferred Liability.
- 112.6 With effect from the Transfer Date, the with-profits investments elements of Present Phoenix Policies which have been invested in the Phoenix NPI WP Fund are to be re-allocated, on the same terms, to the Phoenix Pearl WP Fund.
- 113 *The Phoenix Linked Funds*
- 113.1 With effect from the Transfer Date, the assets, and liabilities, of each linked fund of a Transferor are to be allocated to a new corresponding linked fund, which is at that time to comprise the same number and value of units and which is referred to in this application as **“a New Phoenix Linked-Fund”**.
- 113.2 With effect from the Transfer Date, Phoenix is to allocate to each Transferred Policy the same number, and class, of units in the corresponding New Phoenix Linked Fund, as were allocated to it in the Transferor's linked fund.
- 113.3
- 113.3.1 Phoenix is to have the power, to amalgamate, modify the investment objectives of, close or wind up any Present Phoenix Linked Fund or New Phoenix Linked Fund (in each case **“a Phoenix Linked Fund”**) or do any combination of those actions.
- 113.3.2 In exercising that power, the Phoenix Board is to have regard to the advice of the Phoenix CA or that of another appropriate senior manager of Phoenix, who is referred to in the Phoenix Scheme as a *“Customer Director”*.
- 113.4 The exercise of any of those powers is, in outline, not to apply to Phoenix Linked Funds which are linked to schemes, and funds, outside the Phoenix Group and to one of the Present Phoenix Linked Funds which were established under the Phoenix 2018 Scheme.
- 113.5 In addition, the exercise of those powers is to be subject to any regulatory requirements to the terms of any Transferred Policy, or to those of any Present Phoenix Policy and the Phoenix Board being satisfied that the exercise is equitable among those Phoenix Policyholders who would be affected by it.
- 113.6 In outline, a Transferred Policyholder, or other Phoenix Policyholder, who is affected by any of the actions which are referred to in this Statement is to have the right to switch their investment element, without penalty, into another Phoenix Linked Fund.

113.7

113.7.1 Those provisions on the Phoenix Linked Funds are largely to harmonise the Superseded Schemes, which they largely replicate.

113.7.2 In particular, those provisions are not to differ in substance from those of the SLAL Demutualisation Scheme and of the SLAL 2011 Scheme other than in respect of the modification of the investment objectives of SLAL Linked Funds.

113.7.3 The alternative of advice from a senior manager who has been approved under the regulatory regime is also to be an innovation on the SLAL Demutualisation Scheme.

113.8 For completeness, the Phoenix Scheme will not affect the pricing structures or investment strategies of *inter alia* the SLAL Linked Funds.

THE OPERATION OF THE WITH-PROFITS PHOENIX FUNDS

114 *The Overall Purpose, and Structure, of the Provisions*

114.1 Statements 115 to 148 describe the detailed provisions of the Phoenix Scheme for the operation of the Phoenix Funds, and, in particular, the Phoenix With-Profits Funds.

114.2 The provisions which apply to the New Phoenix With-Profits Funds are to give the Transferred Policyholders which are allocated to them at least the protections which they had under their Superseded Scheme.

114.3 Those protections are to replicate, subject only to limited changes, the substance of those of the Superseded Schemes, including those of the SLAL Demutualisation Scheme.

114.4 Certain of the changes are to give additional protections, in order to make the protections consistent and to facilitate the operation of the Phoenix Scheme.

114.5

114.5.1 Certain provisions are to apply to all the Phoenix With-Profits Funds and are described at Statements 115 to 130.

114.5.2 Other provisions are to apply only to a particular Phoenix With-Profits Fund and are to be set out in one of the schedules to the Phoenix Scheme.

114.6

114.6.1 The schedule which is to apply to the Phoenix Heritage WP Fund (the “**Phoenix HWPF Schedule**”) is described at Statements 131 to 145.

- 114.6.2 The schedule which is to apply to the Phoenix German WP Fund (the “**Phoenix GWPF Schedule**”) is described at Statement 146.
- 114.6.3 The schedule which is to apply to the Phoenix German SMWP Fund (the “**Phoenix GSMWPF Schedule**”) are described at Statement 147.
- 114.6.4 The schedule which is to apply to the Phoenix UKSM WP Fund (the “**Phoenix UKSMWP Schedule**”) is described at Statement 148.
- 114.7 The description of each schedule indicates any substantive changes from the present provisions of the SLAL Demutualisation Scheme.
- 114.8 Certain of the provisions of those schedules are also to replicate what are, in substance, protections for SL Intl Policies.
- 115 *The General Provisions - The Scheme Principles, the Phoenix PPFM and the Phoenix With-Profits Committee*
- 115.1 The provisions which are to apply to each Phoenix With-Profits Fund include a set of “*Scheme Principles of Financial Management*” (the “**Scheme Principles**”) which apply to it.
- 115.2
- 115.2.1 The Scheme Principles for the Phoenix Heritage WP Fund are referred to as the “**Phoenix HWPF Scheme Principles**” and are to be set out in the Phoenix HWPF Schedule.
- 115.2.2 The Phoenix HWPF Scheme Principles may not be generally varied.
- 115.2.3 However, the Scheme Principles of any other Phoenix With-Profits Fund, except the Phoenix German WP Fund and the Phoenix German SMWP Fund may generally be varied.
- 115.2.4 The Phoenix HWPF Scheme Principles may be varied only, in outline, to reflect variations to the PRA Rulebook which change the regulatory capital which is treated as being available to the Phoenix Heritage WP Fund.
- 115.2.5 In addition, any such variation must, in outline, have been approved by the Phoenix WPA and by an independent expert and the UK Regulators must not have objected to it.
- 115.3
- 115.3.1 In addition, the Phoenix Scheme is to refer to the more detailed set of PPFM (the “**Phoenix PPFM**”) which is to be adopted for a Phoenix With-Profits Fund.

- 115.3.2 The Phoenix PPFM for the Phoenix Heritage WP Fund are referred to in this application as the “**Phoenix HWPF PPFM**”.
- 115.3.3 The Phoenix PPFM which are to be adopted for the Phoenix German WP Fund and the Phoenix German SMWP Fund (the “**Phoenix GWPF PPFM**” and the “**Phoenix GSMWPF PPFM**”) are to be their present PPFM.
- 115.3.4 The Scheme Principles for those Phoenix WP Funds require them to be operated in accordance with their PPFM.
- 115.3.5 The Phoenix PPFM which are to be adopted for the Phoenix UKSMWP Fund (the “**Phoenix UKSMWP PPFM**”) are to be their present PPFM.
- 115.3.6 The Scheme Principles for the Phoenix UKSMWP Fund requires it to be operated in accordance with that PPFM.

115.4

- 115.4.1 In addition, Phoenix is to maintain the Phoenix With-Profits Committee as a committee of the Phoenix Board.
- 115.4.2 In outline, the Phoenix With-Profits Committee is to consider, and to advise the Phoenix Board on, the interests of the Phoenix WP Policyholders.
- 115.4.3 In addition, the Phoenix With-Profits Committee is also to consider, and to advise the Phoenix Board on, the interests, through the SL Intl Reinsurance Arrangements, of the SL Intl HWPF Policyholders and the SL Intl Policyholders whose investment elements are invested in the SL Intl HWPF.
- 115.4.4 The remit and composition of the Phoenix With-Profits Committee are described more fully at Statement 130.

116 *The General Provisions - New Business and Re-Allocation*

116.1

- 116.1.1 No new long-term insurance business by Phoenix is to be written in a Phoenix With-Profits Fund, except the Phoenix UKSM WP Fund or any other new fund which Phoenix establishes after the Transfer Date.
- 116.1.2 That provision is to be subject to limited exceptions, such as Phoenix Policies which are issued on the exercise of options or increments.

116.2

- 116.2.1 Those exceptions are to be subject to the specific provisions which apply to each Phoenix With-Profits Fund.
- 116.2.2 The writing in the Phoenix Heritage WP Fund of what is called “*additional business*” will also have to comply with the restrictions which are to be in the Phoenix HWPF Schedule and are described at Statement 136.
- 116.2.3 For completeness, the SLAL HWPF is to be closed to new business, as described at Statement 136.2.

116.3

- 116.3.1 Subject to Statement 116.4, Phoenix may re-allocate to the Phoenix Non-Profit Fund, or any other non-profit fund, any non-profit policy of Phoenix which is within, or reinsured by, a Phoenix With-Profit Fund.
- 116.3.2 That re-allocation is to be subject to the terms of the policy, and to the approval of the Phoenix With-Profits Committee.
- 116.3.3 In addition, the Phoenix With-Profit Fund will have to transfer to the Phoenix Non-Profit Fund assets with, in outline, a market value which is fair and equitable in the context of the risks of the Phoenix Policy or which is consistent with the amount which Phoenix would have charged for the assumption of that risk in issuing a new Phoenix Policy.

116.4

- 116.4.1 That provision for reallocation is a change to the SLAL Demutualisation Scheme. However, the provision is not to apply, in respect of *inter alia* the Phoenix Heritage WP Fund, to the provision of immediate annuities.
- 116.4.2 The provision of immediate annuities for Phoenix Heritage WP Fund is to be subject to the specific provisions of the Phoenix HWPF Schedule, which are described at Statement 136.

117 *The General Provisions - Hybrid Policies*

- 117.1 The Phoenix Scheme is to provide for the investment element of a Phoenix Policy, including a hybrid policy, to be invested in a different Phoenix Fund from that in which the Phoenix Policy is written or to which it is to be allocated.
- 117.2 Those provisions are also to address the mechanics of switches, under which the investment elements change.

117.3

117.3.1 The provisions on hybrid Phoenix Policies which are allocated to the Phoenix Heritage WP Fund are to be set out in the Phoenix HWPF Schedule.

117.3.2 Those provisions are broadly to replicate those of the SLAL Demutualisation Scheme.

118 *The General Provisions - Distributions of Surplus in the Phoenix With-Profits Funds*

118.1 The provisions of the Phoenix Scheme which are to apply to the distribution of surplus from the Phoenix Heritage WP Fund are to differ from those which apply to the other Phoenix With-Profit Funds.

118.2 The provisions which are to apply to the Phoenix Heritage WP Fund are to be in the Phoenix HWPF Schedule and are described at Statement 134.

118.3

118.3.1 In outline, the provisions which are to apply to the other Phoenix With-Profit Funds replicate the present rights of the various categories of Phoenix WP Policyholders and of Phoenix to the surpluses arising on those Phoenix With-Profit Funds.

118.3.2 In outline, those Phoenix WP Policyholders are entitled to receive either 100 per cent or 90 per cent of the surplus of their Phoenix With-Profits Fund.

118.4 For completeness, the Phoenix German SMWP Fund, the Phoenix German WP Fund and the Phoenix UKSM WP Fund operate in a way which does not give rise to a surplus.

119 *The General Provisions – The Allocation of Expenses*

119.1 The expenses of Phoenix which are to be allocated to each Phoenix With-Profit Fund are generally to be set out in the schedule which is to apply to it or in the Phoenix PPFM for it.

119.2 Alternatively, the expenses may be allocated as the Phoenix Board believes appropriate, having regard to the COBS Rules and appropriate actuarial advice.

119.3 The Phoenix HWPF Schedule is to set out which expenses are to be allocated to the Phoenix Heritage WP Fund.

120 *The General Provisions - The Phoenix Capital Policy and Capital Support*

120.1 The Phoenix Scheme is to provide that with effect from the Transfer Date, Phoenix is to adopt, and comply with, Phoenix's capital policy (the "PCP"), which is described, in outline, in this Statement.

120.2

- 120.2.1 The overall purpose of the PCP is to harmonise the capital requirements under primarily the SLAL Demutualisation Scheme, the PLAL 2012 Scheme and the Phoenix 2009 Scheme, without reducing the protections which they give and taking account of the present practice of SLAL, PLAL and Phoenix.
- 120.2.2 The overall effect of the PCP is to improve the position of all the Phoenix WP Policyholders.

120.3

- 120.3.1 The PCP is to provide that, Phoenix shall hold assets which satisfy two tests, which are called “*the Scheme Capital Quantity Test*” and the “*the Scheme Capital Quality Test*”.
- 120.3.2 The SLAL Demutualisation Scheme did not include any equivalent tests. Accordingly, their adoption in the PCP is to improve the position of the SLAL HWPF Policyholders.

120.4

- 120.4.1 In addition, the PCP is to provide that, to the extent reasonably practicable, Phoenix shall carry on its business so that there is no significant foreseeable risk that a Capital Event arises. If a Capital Event were to occur, that might require departure from the Scheme Principles.
- 120.4.2 That third element of the PCP (the “*Capital Event Requirement*”) is to be based largely on the provisions of the SLAL Demutualisation Scheme which have been described at Statement 42.
- 120.4.3 As set out in outline at Statement 120.7, the Capital Event Requirement is to be amplified in certain respects, and is to be applied to all the Phoenix With-Profits Funds.

120.5

- 120.5.1 In outline, the Scheme Capital Quantity Test is to require Phoenix to hold sufficient assets in excess of its liabilities, to ensure that, in certain “*stress test scenarios*”, it can meet its Solvency Capital Requirement and provide to any Phoenix With-Profits Fund support of the kind described later in this Statement.
- 120.5.2 Again in outline, the scenarios are to be those which the Phoenix Board reasonably considers appropriate, having regard to the “*risk appetite*” which it has set for the Scheme Capital Quantity Test and the requirement to treat policyholders fairly.

120.5.3 The risk appetite which is to be applied from the Transfer Date is that Phoenix does not have a less than 1 in 10 chance over one year of meeting its Solvency Capital Requirement.

120.6

120.6.1 In outline, the Scheme Capital Quality Test is to require Phoenix to hold sufficient assets of a nature, and liquidity, to ensure that in certain stress test scenarios two things continue.

120.6.2 The first is that Phoenix's "*Matching Adjustment Fund*" continues to comply with Solvency II.

120.6.3 The second is that Phoenix can meet any liquidity demands which would arise in those scenarios, including a requirement to provide any Phoenix With-Profits Fund with support of the kind described in this Statement.

120.6.4 The stress test scenarios are to be ones which are considered by the Phoenix Board to be appropriate.

120.6.5 In outline, a Matching Adjustment is an increase to the discount rate to be applied in the calculation by an insurance company of the best estimate of its liabilities. That increase arises in respect of only specified kinds of asset.

120.6.6 A Matching Adjustment Fund comprises such assets.

120.7

120.7.1 As regards the Capital Event Requirement, the PCP rewords the provision of the SLAL Demutualisation Scheme, amplifies the provision in certain respects which are described at Statements 120.7.2 and 120.7.3 and applies it to all the Phoenix With-Profits Funds.

120.7.2 First of all, the PCP is to provide that, if a Capital Event does arise, remedial action which would result in the business of any Phoenix With-Profits Fund not being conducted in accordance with its Scheme Principles may be taken only if remedial action has already been taken in the Phoenix Non-Profit Fund, or otherwise within Phoenix, and has not ended the Capital Event.

120.7.3 In addition, any remedial action will have to be taken at the same time in each of the Phoenix With-Profits Funds, subject to six exceptions, including the Phoenix German WP Fund, the Phoenix German SMWP Fund and the Phoenix UKSM WP Fund.

120.7.4 In outline, the exceptions for those Phoenix With-Profits Funds are to be made because of their nature or operation.

- 120.7.5 Any remedial action may be taken in relation to a Phoenix With-Profits Fund only after the Phoenix Board has had regard to the advice of the Phoenix CA and of the Phoenix WPA for that Phoenix With-Profit Fund.
- 120.7.6 For completeness, any remedial action in respect of a Phoenix WP Fund, other than the Phoenix Heritage With-Profits Fund, is limited to changing the “*asset mix*” of the Phoenix With-Profits Fund.
- 120.7.7 The wider scope of remedial action in respect of the Phoenix Heritage WP Fund is to replicate the SLAL Demutualisation Scheme.
- 120.8 The PCP is also to provide for the giving of support to the Phoenix With-Profits Funds.
- 120.9
- 120.9.1 That support is to be given to the majority of the Phoenix With-Profits Funds, if the value of its assets falls below the minimum requirements of the PRA Rulebook and the FCA Handbook, plus 0.5 per cent of the greater of, (i) in outline, the With-Profits Policy Liabilities of that fund, but including future policy-related liabilities, and (ii) £5 million.
- 120.9.2 The effect of that provision is that those Phoenix With-Profits Funds, including the Phoenix Heritage WP Fund, will hold assets of at least that value.
- 120.9.3 Support is to be given to any of the Phoenix German WP Fund, the Phoenix German SMWP Fund and the Phoenix UKSM WP Fund only if the value of its assets falls below the minimum applicable requirements.
- 120.9.4 The different threshold for those Phoenix With-Profits Funds is because their business does not require any surplus.
- 120.9.5 For completeness, the arrangements which are referred to Statement 38.3.3 for the support of the SLAL GWPF are to continue to be available to the Phoenix German WP Fund.
- 120.10
- 120.10.1 That support is to be given as a loan, or other arrangement, from the Phoenix Non-Profit Fund or the Phoenix Shareholders’ Fund, and, in the case of the Phoenix Heritage WP Fund will have also to comply with the provisions of the Phoenix HWPF Schedule which are described at Statement 133.
- 120.10.2 The giving of any support is subject to the Phoenix WPA for that Phoenix With-Profits Fund having certified to the Phoenix With-Profits Committee that the terms of the support are no less favourable than arm’s length commercial terms and that

the support will not detrimentally affect the reasonable expectations of the Phoenix WP Policyholders in that Phoenix With-Profits Fund.

120.11

120.11.1 An additional provision is to apply, if a Phoenix With-Profits Fund is unable to meet from its own resources the proportion of Phoenix's Solvency Capital Requirement which is attributable to it.

120.11.2 In that event, the Phoenix With-Profits Committee may recommend, or request in the case of the Phoenix SPI WP Fund, to the Phoenix Board that the Phoenix Non-Profit Fund or the Phoenix Shareholders' Fund holds additional capital to meet that shortfall.

120.11.3 If that capital is not available, actions are then to be taken in the Phoenix With-Profits Fund to ensure that it can meet that shortfall.

120.11.4 However, that additional provision is not to apply to any of the Phoenix Heritage WP Fund, the Phoenix German WP Fund, the Phoenix German SMWP Fund and the Phoenix UKSM WP Fund.

120.12 Any support to a Phoenix With-Profits Fund is to be taken into account in calculating whether a threshold for its support has been met or whether it can meet its proportion of Phoenix's Solvency Capital Requirement.

120.13

120.13.1 Finally as regards the PCP, the Phoenix Board may change the stress test scenarios for the Scheme Capital Quantity Test or the Scheme Capital Quality Test.

120.13.2 As regards the Scheme Capital Quantity Test any reduction in the assets held by Phoenix which would result from a proposed change to the risk appetite is to require an independent actuary to certify that the change is unlikely to have a material adverse effect on the interests of the Phoenix Policyholders.

120.14

120.14.1 In addition, the Phoenix Board may make other amendments to the PCP, other than in respect of the Capital Event Requirement, which it considers appropriate.

120.14.2 The exercise of that power is to be subject to two conditions.

120.14.3 The first is that the requirements of the PRA which govern the components of the PCP change materially.

120.14.4 The second condition is that, after the proposed amendment, the PCP would continue to meet the underlying objectives of the schedule to the Phoenix Scheme in which it is set out.

120.15

120.15.1 In addition, the Phoenix Scheme, as well as the PCP, is to make provision for support by a Phoenix With-Profits Fund to another.

120.15.2 The Phoenix Scheme is to provide that any proposed support which is to be given by a Phoenix With-Profits Fund is to be subject to two requirements.

120.15.3 The first is that neither the Phoenix Non-Profit Fund nor the Phoenix Shareholders' Fund has any surplus assets.

120.15.4 The second requirement is that the Phoenix WPA for the Phoenix With-Profits Fund which is intended to give the support has certified that, in their opinion, its terms are no less favourable than arms' length commercial terms would be and that those terms will not detrimentally affect the reasonable expectations of the Phoenix WP Policyholders in that Phoenix With-Profits Fund.

120.16 In addition, the Phoenix Scheme is to provide that the repayment by a Phoenix With-Profits Fund of any support, under the PCP, is not to be treated as a distribution by it of any of its surplus.

121 *The General Provisions - The Future Financial Management of the Phoenix With-Profits Funds*

121.1 In addition to the PCP, Phoenix is to manage each Phoenix With-Profits Fund in accordance with its Scheme Principles and the Phoenix PPFM for that fund.

121.2 Phoenix is also to manage each of the New Phoenix With-Profits Funds, having regard to the practices of the Transferor of the Transferred Polices which were allocated to it, unless it would be inconsistent with the Phoenix Scheme or the Scheme Principles for that Phoenix With-Profits Fund.

121.3

121.3.1 In outline, Phoenix may amend the Scheme Principles for any Phoenix With-Profits Fund, if *inter alia* the Phoenix Board believes that the proposed amendment is immaterial or is necessary either to respond to a new economic environment or to any change in legislation or to protect the interests of Phoenix WP Policyholders.

121.3.2 Such a proposed amendment is to require the prior approval of the UK Regulators.

121.3.3 As said at Statement 114.3, those provisions largely replicate what is in the Superseded Schemes.

122 *The General Provisions - The Hypothecation of Assets*

122.1 The Phoenix Scheme is not to prevent Phoenix from “*hypothecating*” asset within a Phoenix With-Profit Fund.

122.2 The hypothecation is not to be contrary to the terms of any of the Phoenix Policies and is not to have a material adverse effect on the interests of Phoenix Policyholders in the Phoenix With-Profits Fund.

122.3 In addition, hypothecation of assets in three of the Phoenix With-Profit Funds will have to comply with the provisions which apply to them.

123 *The General Provisions - Investment Management*

Phoenix is to use reasonable endeavours to ensure that the same level of skill and diligence is applied to the investment management of the assets in each of the Phoenix With-Profits Funds.

124 *The General Provisions - The Taxation of the Phoenix With-Profits Funds*

124.1 Taxation attributable to each Phoenix With-Profits Fund is generally to be calculated, so far as practicable, on the bases set out in this Statement.

124.2

124.2.1 Those general provisions are not to apply to the Phoenix Heritage WP Fund.

124.2.2 The provisions which are to apply to the Phoenix Heritage WP Fund are to be in the Phoenix HWPF Schedule and are described at Statement 139.

124.3 In outline the basis for the taxation of ten of the Phoenix With-Profits Funds, is to be that of a separate mutual life company.

124.4 The basis for the taxation of each of the other Phoenix With-Profits Funds, is that it is a separate proprietary life company.

124.5 In addition, no charge is to be made to any Phoenix New With-Profits Fund in respect of any taxation which becomes due after the Transfer Date as a result of any transfer under the Phoenix Scheme.

124.6 It is also to be assumed that all appropriate allowances, reliefs and repayments are to be claimed.

124.7 If there is a material change to the basis on which life assurance companies are taxed in the UK, the Phoenix Board is to have the power which is described in Statement 124.8.1.

124.8

124.8.1 The Phoenix Board may change that basis on which taxation is attributable to the Phoenix With-Profits Funds to the extent which it considers necessary for the provisions of the Phoenix Scheme to continue, so far as possible, to have the same effect.

124.8.2 The exercise of that power is to be subject to the Phoenix Board having taken appropriate advice and having given prior notification to the UK Regulators.

124.9

124.9.1 Any taxation which is incurred by Phoenix as a result of a transfer of surplus out of a Phoenix With-Profits Fund is to be charged to that Phoenix With-Profits Fund, where that is in accordance with Phoenix's practice.

124.9.2 However, no taxation is to be charged to the asset shares of the Phoenix WP Policyholders of that Phoenix With-Profits Fund.

125 *The General Provisions - Inwards Reinsurance*

125.1 Phoenix may procure that any Phoenix Fund undertakes the reinsurance of any other insurance business, including that of another Phoenix Group Company.

125.2 The exercise of that power is to be subject to the Phoenix Board having obtained appropriate actuarial advice on the proposed reinsurance.

125.3 In addition, the exercise of that power is to be subject to the Phoenix HWPF Schedule and to provisions which apply to other Phoenix With-Profits Funds.

126 *The General Provisions - Outwards Reinsurance*

126.1 Phoenix may procure that any Phoenix With-Profits Fund reinsures any of its Phoenix Policies with any other insurance company, including another Phoenix Group Company.

126.2 The exercise of that right is to be subject to the Phoenix Board having obtained appropriate actuarial advice on the proposed reinsurance.

126.3 In addition, the exercise of that power is to be subject to the Phoenix HWPF Schedule and to provisions which apply to other Phoenix With-Profits Funds.

127 *The General Provisions - Internal Reinsurance between Phoenix Funds*

127.1 With effect from the Transfer Date, what is referred to as the “**Group Reinsurance Arrangements**” are to be replaced.

127.2 The Group Reinsurance Arrangements are those between SLAL and SLPF, between PLAL and Phoenix and any other equivalent arrangements between any funds of a Transferor, including the SLAL 2011 Scheme Internal Reinsurance Arrangements.

127.3 The Group Reinsurance Arrangements are to be replaced by new internal arrangements which have the same economic effect and are to include those between the Phoenix Non-Profit Fund and the Phoenix Heritage WP Fund.

127.4

127.4.1 In addition, the Phoenix Board may establish between Phoenix Funds further arrangements, which are also equivalent to reinsurance.

127.4.2 The exercise of that power is to be subject to the Phoenix Board having obtained appropriate actuarial advice on the proposed internal reinsurance.

127.5

127.5.1 In addition, the Phoenix Board may vary, or terminate, those replacement arrangements or any new arrangements.

127.5.2 The exercise of that power is to be subject to certain conditions.

127.5.3 The Phoenix Board will have to obtain actuarial advice that the proposed arrangements are not likely to affect the reasonable expectations of the Phoenix Policyholders in the Phoenix Funds concerned.

127.6 The exercise of that power is also to be subject to *inter alia* the provisions of the Phoenix HWPF Schedule, which are described at Statement 137.

128 *The General Provisions - The Thresholds for the Cessation of the Phoenix With-Profits Funds*

128.1 The Phoenix Scheme is to provide for the cessation, whether by closure or merger, of the Phoenix With-Profits Funds.

128.2

128.2.1 Those provisions are to update the provisions of the Superseded Schemes to, broadly, the extent of providing, first of all, that the thresholds for cessation are to be expressed, broadly, in terms of With-Profits Policy Liabilities.

128.2.2 However, With-Profits Policy Liabilities Policy Liabilities is to be defined, other than for a with-profits SLAL Policy, as including future policy related liabilities.

128.2.3 The provisions are also to be updated by omitting a requirement to close any Phoenix With-Profits Fund, once its assets have fallen below a specified threshold.

128.3

128.3.1 Most of the Phoenix With-Profits Funds may cease to be maintained if their With-Profits Policy Liabilities fall below £50 million, subject to annual indexation.

128.3.2 The exceptions are to comprise the Phoenix Heritage WP Fund, the Phoenix German WP Fund, the Phoenix German SMWP Fund, the Phoenix UKSM WP Fund, the Phoenix 100% WP Fund and the Phoenix 90% WP Fund.

128.4

128.4.1 In addition, the Phoenix Board will, before deciding to cease to maintain a Phoenix With-Profits Fund, determine that that action is in the interests of its Phoenix WP Policyholders.

128.4.2 Before exercising that power, the Phoenix Board must have to have regard to the advice of the Phoenix WPA and the Phoenix With-Profits Committee and must also notify the UK Regulators.

128.4.3 In addition, Phoenix is to have to complete the cessation of a Phoenix With-Profits Fund as soon as is reasonably practicable and within 12 months of informing the UK Regulators of the cessation.

128.5

128.5.1 The thresholds for ceasing to maintain the Phoenix Heritage WP Fund are to differ from those for any of the other Phoenix With-Profits Funds.

128.5.2 In addition, the provisions which are described at Statement 128.4 are not to apply to the Phoenix Heritage WP Fund.

128.6

128.6.1 The Phoenix Heritage WP Fund may cease to be maintained in two sets of circumstances.

128.6.2 In outline, the first is that its With-Profits Policy Liabilities fall below £875 million (subject to annual indexation) and the UK Regulators have given their approval.

128.6.3 In outline, the second set of circumstances is that those liabilities fall below £175 million (again subject to annual indexation).

128.7

128.7.1 Both sets of circumstances are to replicate the substance of the provisions of the SLAL Demutualisation Scheme, for the cessation of the SLAL HWPF, which have been described at Statement 55.

128.7.2 The threshold sums which are set out in the SLAL Demutualisation Scheme are to be updated in the Phoenix Scheme to 1 July 2022, by applying the indexation which is provided for in the SLAL Demutualisation Scheme and is referred to at Statement 55.1.

128.8

128.8.1 The general provisions which are described at Statements 128.2 to 128.4 are also not to apply to the Phoenix German WP Fund, the Phoenix German SMWP Fund and the Phoenix UKSM WP Fund.

128.8.2 In outline, the Phoenix German WP Fund and the Phoenix German SMWP Fund may cease to be maintained in accordance with the terms of the SL Intl GSMWPF Reinsurance Agreement and those of the SL Intl GWPF Reinsurance Agreement, which are to be allocated to those Phoenix With-Profits Funds and also in accordance with the terms of the Phoenix GWPF PPFM or the Phoenix GSMWPF PPFM.

128.8.3 For completeness, the Phoenix Scheme is not to include any provision for the cessation of the Phoenix UKSM WP Fund. Such a provision would be unnecessary as the terms of the Transferred Policies in effect permit its cessation.

129 *The General Consequences of the Cessation of a Phoenix With-Profits Fund*

129.1 The provisions of the Phoenix Scheme which are to apply generally on the cessation of a Phoenix With-Profits Fund are not to apply to the Phoenix Heritage WP Fund or to the

Phoenix German WP Fund, the Phoenix German SMWP Fund and the Phoenix UKSM WP Fund.

129.2 In outline, the provisions which are to apply on the cessation of one of the other Phoenix With-Profits Fund are to provide that its policies, together with its assets and liabilities, may be transferred either to the Phoenix Non-Profit Fund or to another Phoenix With-Profits Fund.

129.3

129.3.1 Again in outline, those provisions are to provide that the benefits which the Phoenix Policyholders in the Phoenix With-Profits Fund which is to cease are to have what is referred to as a “*Closure Uplift*”.

129.3.2 Again in outline, the Closure Uplift is to be based on the surplus assets of that Phoenix With-Profits Fund and is to be calculated by the Phoenix Board in accordance with specified principles.

129.4

129.4.1 The updating of the provisions which are generally to apply on the cessation of a Phoenix With-Profits Fund is not to apply on the cessation of the Phoenix Heritage WP Fund in order not to disturb the overall arrangement for the SLAL HWPF under the SLAL Demutualisation Scheme.

129.4.2 In addition, those provisions are not to apply on the cessation of the Phoenix German WP Fund, or on that of the Phoenix German SMWP Fund, because neither is operated in a way which produces any such surplus assets.

130 *The General Provisions - The Phoenix With-Profits Committee*

130.1 The Phoenix Scheme is to provide that Phoenix is to maintain the Phoenix With-Profits Committee as a committee of the Phoenix Board.

130.2 The Phoenix With-Profits Committee, and its quorum for business, are to comprise a majority of “*Non-Executive Members*”, one of whom is to be its chair.

130.3

130.3.1 The Non-Executive Members are always to include “*an Independent Member*”.

130.3.2 The requirement to have an Independent Member is not to apply temporarily, if the latter ceases to be a member of the Phoenix With-Profits Committee in specified circumstances, such as incapacity.

- 130.4 In outline, the Independent Member is to be a member, or prospective member, of the Phoenix With-Profits Committee who is, or is qualified to be, a Non-Executive Member, who is not a director of the Phoenix Group and who is an actuary.
- 130.5 The Phoenix With-Profits Committee is to adopt with effect from the Transfer Date what are referred to in the Phoenix Scheme as the “*Terms of Reference*”.
- 130.6 The Terms of Reference are to include detailed provisions on the composition, and the operation, of the Phoenix With-Profits Committee.
- 130.7
- 130.7.1 In addition, the Terms of Reference are to include the detailed purposes of the Phoenix With-Profits Committee.
- 130.7.2 In outline, its overall purpose is to consider the interests of the Phoenix WP Policyholders and, through the SL Intl Reinsurance Arrangements, the interests of SL Intl HWPF Policyholders and of those SL Intl Policyholders whose investment elements are invested in the SL Intl HWPF.
- 130.8 The Phoenix With-Profits Committee is to advise the Phoenix Board on *inter alia* compliance with each of the Phoenix PPFM, the distribution of surplus and the bonus rates.
- 130.9
- 130.9.1 The Terms of Reference of the Phoenix With-Profits Committee are to be in substance the same as those of the SLAL With-Profits Committee.
- 130.9.2 In addition, the membership of the Phoenix With-Profits Committee is to be the same as that of the SLAL With-Profits Committee.
- 130.10 The SL Intl Board is to have the power to receive any report of the Phoenix With-Profits Committee which is relevant to the SL Intl Policyholders and to make representations to the Phoenix With-Profits Committee.
- 130.11
- 130.11.1 In outline, the Phoenix Board may amend the Terms of Reference and the provisions which are set out in this Statement only subject to certain conditions.
- 130.11.2 Again in outline, those conditions are that the Phoenix CA and the Phoenix WPA certify that the proposed amendment will not have an adverse effect on the Phoenix WP Policyholders, that the Phoenix With-Profits Committee has been consulted and has not objected to those amendments and that the UK Regulators, do not make any adverse comment on the proposed amendment and that comment is not resolved.

130.11.3 Again in outline, the Phoenix Board may also in limited circumstances amend the Terms of Reference, without a certificate by an independent actuary or notifying the UK Regulators.

130.11.4 All the Non-Executive Members must agree to that course and the Phoenix Board and the Phoenix With-Profits Committee must consider the proposed amendment to be immaterial or to correct an omission.

THE SPECIFIC PROVISIONS FOR THE PHOENIX HERITAGE WP FUND

131 *The Phoenix Heritage WP Fund Scheme Principles*

131.1 The Phoenix HWPF Schedule is to set out the Phoenix HWPF Scheme Principles.

131.2 The Phoenix HWPF Scheme Principles are to address, first of all, the investment policy and bonus philosophy of the Phoenix Heritage WP Fund.

131.3 Those Phoenix HWPF Scheme Principles are to replicate in substance the Core Principles, which have been described at Statement 43.

131.4 In outline, asset shares are to be generally used to determine bonuses on the with-profits Phoenix Heritage WP Fund Policies.

131.5 The investment policy of the Phoenix Heritage WP Fund and its bonus philosophy are to be those which would be appropriate to the Notional Company which is based on the assumptions which have been described at Statements 43.3 and 43.4.

131.6 In addition, the Residual Estate of the Phoenix Heritage WP Fund is to be distributed to the remaining with-profits Transferred Policies which were transferred under the SLAL Demutualisation Scheme, in the same way as has been described at Statement 43.5.

131.7

131.7.1 The Phoenix HWPF Scheme Principles are also to provide for the adoption of the Phoenix HWPF PPFM.

131.7.2 The Phoenix HWPF PPFM, and any variation to them, are to be consistent with the Phoenix HWPF Scheme Principles and are broadly to replicate the SLAL HWPF PPFM, which have been described at Statement 42.3.

131.7.3 The only changes are to be those which reflect the closure of the SLAL HWPF to new business as is described in this Statement and those which reflect the Phoenix Scheme.

- 132 *The Capital Policy of the Phoenix Heritage WP Fund*
- 132.1 The PCP is to set out Phoenix’s obligation to carry on the Phoenix Business, so as to avoid a Capital Event and to extend its application to the other Phoenix With-Profits Funds.
- 132.2 As is described at Statement 120, the PCP is also to reword, and in certain respects amplify, the provisions of the SLAL Demutualisation Scheme which have been described at Statement 42.
- 132.3 Those amplifications, together with the introduction into the PCP of the Scheme Capital Quantity Test and the Scheme Capital Quality Test, are to improve the present position of the SLAL HWPF Policyholders.
- 133 *Support for the Phoenix Heritage WP Fund*
- 133.1 The PCP is also to address further the provision of financial support to the Phoenix Heritage WP Fund.
- 133.2 That support may be provided by a contingent loan, or otherwise, from the Phoenix Non-Profit Fund or the Phoenix Shareholders’ Fund, and is to be repaid only if the repayment is less than the Transferable Amount in respect of the Reference Valuation Period in which the repayment is to be made.
- 133.3
- 133.3.1 Those provisions are to replicate the provisions of the SLAL Demutualisation Scheme which have been described at Statement 45.
- 133.3.2 However, any support which is referred to earlier in this Statement is to be taken into account in calculating whether the Phoenix Heritage WP Fund can satisfy the test set out in Statement 120.8 for support.
- 133.3.3 The effect is that additional support under the Phoenix PCP is only to be provided, if the support which is referred to earlier in this Statement is insufficient.
- 133.4 As said at Statement 120.15.4, the Phoenix Scheme is to provide expressly that any support which is to be given to *inter alia* the Phoenix Heritage WP Fund is to be on arms’ length terms.
- 134 *The Distribution of Surplus on, and Recourse Cashflows out of, the Phoenix Heritage WP Fund*
- 134.1 The Phoenix HWPF Schedule is also to address the distribution of surplus on, and cashflows out of, the Phoenix Heritage WP Fund.

134.2 Subject to the changes which are described in this Statement, those provisions are to replicate those of the SLAL Demutualisation Scheme, which have been described at Statement 44 and concern the distribution of surplus on, and the Recourse Cashflows from, the SLAL HWPF.

134.3

134.3.1 The Phoenix HWPF Schedule, first of all, concerns the timing of the application of the formulae for the Recourse Cashflows.

134.3.2 As said at Statement 44.7, the formula for the calculation of the Recourse Cashflow from each Defined Block comprises two elements, namely (i) the income and expenditure of the Defined Block and (ii) any change in reserves in respect of the Defined Block.

134.4

134.4.1 The Phoenix HWPF Schedule is to provide, in effect, that for all the Defined Blocks, other than the Unitised Pensions (UK) Block, both elements of the Recourse Cashflow are to be calculated, and paid, only in respect of a calendar year.

134.4.2 However, the Phoenix HWPF Schedule is to provide, in effect, that the first element of the Recourse Cashflow for the Unitised Pensions (UK) Block is to be calculated, and paid, in respect of the length of the Reference Valuation Period.

134.4.3 In outline, the Phoenix HWPF Schedule is also to clarify the “*risk-free interest rate structure*” which the formulae for the Recourse Cashflows includes.

134.5

134.5.1 In outline, the overall reason for the proposed changes is that, as said at Statement 44.7.2, the Reference Valuation Periods are now (and are expected to remain) ones of six months.

134.5.2 However, it has proved impractical to calculate precisely the second element of each formula when a Reference Valuation Period does not begin on 1 January.

134.5.3 The first element of the Unitised Pensions (UK) Block is to be treated in a different way because it can be precisely calculated at any date. In addition, it is the largest of the Defined Blocks.

134.5.4 Accordingly, it is appropriate to calculate and pay, separately the Recourse Cashflows for that Defined Block on the basis of only the first element of the formula.

134.6

134.6.1 Those proposed changes will not affect the annual amount of a Recourse Cashflow from any of the Defined Blocks, including the Unitised Pensions (UK) Block.

134.6.2 Similarly, the proposed changes will not affect the security or the reasonable expectations of the former SLAL HWPF Policyholders.

134.7

134.7.1 Similarly, the Phoenix HWPF Schedule is to make provision for the calculation of the Recourse Cashflows, if the Phoenix Heritage WP Fund ceases with effect from a date other than 31 December in any year.

134.8

134.8.1 The references in the SLAL Demutualisation Scheme, including those on the Recourse Cashflows, to the Contingent RCF Loans are also to be changed to Contingent Financing Arrangements.

134.8.2 The Phoenix Scheme is not to provide for Contingent RCF Loans because SLAL has entered into only one Contingent RCF Loan, as said at Statement 46.6.

134.9 For completeness, the Phoenix HWPF Schedule is to refer to “SONIA”, namely the “*Sterling Overnight Index Average*” instead of to “LIBOR”.

135 *The Further Capital Support Account*

135.1 In addition, the Phoenix HWPF Schedule is to provide that, in the context of the Recourse Cashflows, Phoenix is also required to maintain an account which is referred to as the “**Further Capital Support Account**”.

135.2 If the Phoenix Heritage WP Fund enters into a Contingent Financing Arrangement, its amount is to be added to the Reference Valuation Period Transfer Amount for that Reference Valuation Period.

135.3 In addition, an amount which is equal to the Phoenix Heritage WP Fund’s liability in respect of the Contingent Financing Arrangement is to be recorded in the Further Capital Support Account.

135.4 Phoenix will be unable to make distributions out of the Phoenix Shareholders’ Fund, if the effect is to reduce the aggregate surplus on it and the Phoenix Non-Profit Fund below the amount in the Further Capital Support Account.

135.5

- 135.5.1 Those provisions of the Phoenix HWPF Schedule are, subject to the changes which are described in this Statement, to replicate those of the SLAL Demutualisation Scheme, which have been described at Statement 45.
- 135.5.2 The references to a Contingent RCF Loan are, as already said, to be replaced by ones to Contingent Financing Arrangement.
- 135.5.3 The balance at the Transfer Date on the Further Capital Support Account is also to be stated expressly at £11,340,768.
- 135.5.4 In addition, the part of the Further Capital Support Account, which is referred to as the “*Regulatory Capital Component*”, is to be amortised to zero by 31 December 2026.
- 135.5.5 That amortisation is to replicate the substance of the SLAL Demutualisation Scheme.

136 *New Business in the Phoenix Heritage WP Fund and Immediate Annuities*

136.1 The Phoenix HWPF Schedule is also to address the writing of additional business in the Phoenix Heritage WP Fund and immediate annuities.

136.2

- 136.2.1 The provisions for additional business are to replicate those of the Demutualisation Scheme, which have been described at Statement 47.
- 136.2.2 It is also envisaged that at the Transfer Date, the SLAL HWPF or the Phoenix Heritage WP Fund will be closed to what is called in the COBS Rules “*new business*”, which will still permit SLAL or Phoenix to write primarily increments on policies then in force.
- 136.2.3 It is also envisaged that the SLAL HWPF Policyholders will, as part of the communications which are described at Statement 172.7, be informed of that intention.
- 136.2.4 The COBS Rules require the SLAL HWPF Policyholders to be so informed.

136.3

136.3.1 The provisions of the Phoenix HWPF Schedule on immediate annuities which are to be provided under a Phoenix HWPF Policy, or a policy invested in, or reinsured by, the Phoenix Heritage WP Fund, are to replicate those which have been described at Statement 51 for the provision of immediate annuities by the SLAL PBF.

136.3.2 For completeness, those new arrangements are to apply also to the former SLPF Deferred Annuities.

137 *The Phoenix Heritage WP Fund's Internal Reinsurance Arrangements*

137.1 The Phoenix HWPF Schedule is to include internal reinsurance arrangements which are to be between the Phoenix Non-Profit Fund and the Phoenix Heritage With-Profits Fund.

137.2 Those arrangements are to apply to those Phoenix Policies which were SLAL Pre-2006 Immediate Annuities or SLPF Pre-2006 Immediate Annuities.

137.3 The Phoenix Non-Profit Fund is internally to reinsure the longevity risk on, and augmentations to, those Phoenix Policies.

137.4 Those arrangements are to replicate the SLAL 2011 Scheme Internal Reinsurance Arrangements.

138 *The Phoenix Heritage WP Fund's Costs and Additional Expenses*

138.1 The Phoenix HWPF Schedule is also to address the liability of the Phoenix Heritage WP Fund for the costs of SLAC's pension schemes and for additional expenses which relate to certain Former SLAL German Policies.

138.2 Those provisions are to replicate those which provided for the costs of the SLAL HWPF and have been described at Statement 50.

139 *The Taxation of the Phoenix Heritage WP Fund*

139.1 The Phoenix HWPF Schedule is also to address the taxation of the Phoenix Heritage WP Fund.

139.2 In certain respects, those provisions are more restrictive than the general provisions of the Phoenix Scheme which have been described at Statement 124.

139.3 Those provisions of the Phoenix HWPF Schedule are to replicate those which provided for the taxation of the SLAL HWPF and have been described at Statement 53.

140 *The Transactions in the Phoenix Heritage WP Fund*

140.1 The Phoenix HWPF Schedule is also to address transactions in the Phoenix Heritage WP Fund.

140.2 In outline, those provisions are to impose restrictions on such transactions, particularly ones with a "connected person" and are to permit Contingent Financing Arrangements.

140.3

140.3.1 Those provisions are to replicate those of the SLAL Demutualisation Scheme which have been described at Statement 48.

140.3.2 That is subject to the omission of the reference to a Contingent RCF Loan.

141 *The Mortgage Endowment Promise*

141.1 The Phoenix HWPF Schedule is also to provide for Phoenix's liability under the Mortgage Endowment Promise.

141.2 Those provisions are to replicate those which have been described at Statement 54, subject to two changes.

141.3 First of all, some of the final calculations for the Mortgage Endowment Promise were done in 2020 and the actual figures are to be included and the provision is to be significantly simplified.

141.4 Secondly, the undefined reference in the SLAL Demutualisation Scheme to the "**Managed Fund**" has been defined as the SLAL Fund which is called "*the Standard Life Managed Life Fund*" and which has been used in fact for the Mortgage Endowment Promise.

142 *The Termination of the SLAL HWPF Reinsurance Agreement*

142.1 The Phoenix HWPF Schedule is also to provide for the consequences of the termination of the SLAL HWPF Reinsurance Agreement.

142.2 On the termination of the SLAL HWPF Reinsurance Agreement, the Phoenix Scheme is to be varied by the deletion of all references to it and to the SL Intl Reinsured Policies.

142.3 In outline, the Phoenix Non-Profit Fund is also to transfer to the Phoenix Heritage WP Fund any part of the Termination Amount which relates to the cost of providing the capital resources required to meet the Solvency Capital Requirement in respect of those SL Intl HWPF Reinsured Liabilities.

142.4 Those arrangements are to replicate the substance of those which have been described at Statement 71 and under which the SLAL Shareholder Fund is subject to an equivalent obligation to the SLAL HWPF.

143 *The Cessation of the Phoenix Heritage WP Fund*

143.1 The Phoenix HWPF Schedule is also to include the provisions which are to apply on the cessation of the Phoenix Heritage WP Fund, instead of those which have been described at Statement 129 and which are to apply on the cessation of other Phoenix With-Profits Funds.

143.2

143.2.1 Those provisions of the Phoenix HWPF Schedule are to form part of the Phoenix HWPF Scheme Principles.

143.2.2 The Phoenix HWPF Policyholders are to receive guaranteed benefits from the surplus funds of the Phoenix Heritage With-Profits Fund.

143.3 In outline, those guaranteed benefits are to be equal to the benefit value of each Phoenix HWPF Policy.

143.4

143.4.1 The provisions of the Phoenix HWPF Schedule for the cessation of the Phoenix Heritage WP Fund, including the consequences of its cessation, are to replicate the substance of the provisions of the SLAL Demutualisation Scheme, which have been described at Statement 57.

143.4.2 The only difference is to be that the closure thresholds are to be shown at their values at 1 July 2022, as said at Statement 128.7.2.

143.5

143.5.1 The provisions on the cessation of the Phoenix Heritage WP Fund may be varied with the approval of its Phoenix WPA and the PRA.

143.5.2 That power to vary is to replicate the provision of the SLAL Demutualisation Scheme which is described at Statement 55.6.

144 *The Property-Linked Phoenix HWPF Policies*

144.1 The Phoenix HWPF Schedule is also to include the further substantive change to the SLAL Demutualisation Scheme, which concerns the Property-Linked SLAL HWPF Policies and is clearly to permit unit-matching.

144.2 As said at Statement 56, the likely effect of the SLAL Demutualisation Scheme is that, in outline, any release of reserves, beyond those which Solvency II requires to be held in the SLAL Linked Funds, would have to be paid to, and would be retained, in the SLAL HWPF.

144.3 In outline, the change is clearly to permit assets, which are held in the Phoenix Linked Funds and are in excess of the unit-linked technical provisions required by Solvency II in respect of former SLAL HWPF Policies, to be paid to the Phoenix Non-Profit Fund and, if liquidity permitted, to the Phoenix Shareholders' Fund.

144.4 In practice, the excess would be relatively small and would largely represent the value of future management charges on those former SLAL HWPF Policies.

144.5 In addition, the new provision is to impose an obligation on the Phoenix Shareholders' Fund to allocate assets to the New Phoenix Linked Funds to ensure that they always hold assets with a value at least equal to the overall technical provisions which Solvency II requires them to hold.

144.6

144.6.1 The change which the new provision is to introduce is clearly to permit unit-matching in respect of the former Property-linked SLAL HWPF Policies, which will be consistent with its general use by insurance companies and, in particular, by SLAL in respect of the SLAL PBF.

144.6.2 For completeness, the operation of the new provision is to be subject to the approval of the Phoenix WPA and the Phoenix With-Profits Committee.

144.7

144.7.1 If operated by Phoenix, in respect of the Phoenix Heritage WP Fund, unit matching will have no effect on the rights attaching to those former Property-linked SLAL HWPF Policies.

144.7.2 In particular, unit matching will not affect the amount, or timing, of the management charges to which those former SLAL HWPF Policies are to be subject in the New Phoenix Linked Funds, or on their financial security in them.

145 *Table of Destinations from the SLAL Demutualisation Scheme*

145.1 Schedule 6 contains a table showing where provisions of the SLAL Demutualisation Scheme are to be reflected, in some cases subject to amendment, in the Phoenix Scheme.

145.2 That table shows primarily where provisions of the SLAL Demutualisation are to be reflected in the Phoenix HWPF Schedule, the Phoenix GWPF Schedule and the Phoenix GSMWPF Schedule.

THE SPECIFIC PROVISIONS FOR THE PHOENIX GERMAN WP FUND, THE PHOENIX GERMAN SMWP FUND AND THE PHOENIX UKSM WP FUND

146 *The Phoenix GWPF Schedule*

146.1 The Phoenix GWPF Schedule is to provide that Phoenix is to operate the Phoenix German WP Fund in accordance with the Phoenix GWPF PPFM.

146.2

- 146.2.1 The Phoenix GWPF PPFM is to be consistent with the principles which are set out in the SLAL Brexit Scheme, as if references to SLAL were ones to Phoenix.
- 146.2.2 Phoenix is to maintain the Phoenix GWPF PPFM, unless the Phoenix Board, having regard to appropriate actuarial advice, put in place some materially equivalent form of protection.
- 146.2.3 Those provisions are to replicate those of the SLAL Demutualisation Scheme, as varied by the Demutualisation Scheme Brexit Variation, which require SLAL to operate the SLAL GWPF in accordance with the SLAL GWPF PPFM, as described at Statement 66.1.

146.3

- 146.3.1 In addition, the Phoenix GWPF Schedule is to provide for the allocation to the Phoenix German WP Fund of certain of Phoenix's rights, and obligations, under the SL Intl GWPF Reinsurance Agreement.
- 146.3.2 Those are the rights, and obligations, attributable to the investment elements of the SL Intl Reinsured Policies which are invested in the SL Intl GWPF.
- 146.3.3 All of Phoenix's other rights, and obligations, under the SL Intl GWPF Reinsurance Agreement are to be allocated to the Phoenix Non-Profit Fund.

146.4

- 146.4.1 In addition, the Phoenix GWPF Schedule is to state which assets of the Phoenix German WP Fund can form part of the SL Intl Reinsurance Fixed Charged Assets.
- 146.4.2 In outline, those are to be the assets which represent the With-Profits Policy Liabilities of the Phoenix German WP Fund and certain of its other liabilities.
- 146.4.3 Those provisions are to replicate provisions of the SLAL Demutualisation Scheme, as varied by the Demutualisation Scheme Brexit Variation.

146.5

- 146.5.1 On the termination of the SL Intl GWPF Reinsurance Agreement, any amount which is payable by Phoenix to SL Intl and is described at Statement 74.3 is to be transferred only out of the Phoenix Shareholders' Fund or the Phoenix Non-Profit Fund.

146.5.2 On the termination of the SL Intl GWPF Reinsurance Agreement, all references in the Phoenix Scheme to that agreement and to its SL Intl Reinsured Policies are also to be deleted.

146.5.3 Those provisions on that termination are to replicate those of the SLAL Demutualisation Scheme, as varied by the Demutualisation Scheme Brexit Variation.

147 *The Phoenix GSMWPF Schedule*

147.1 The Phoenix GSMWPF Schedule is to provide that Phoenix is to operate the Phoenix German SMWP Fund in accordance with the Phoenix GSMWPF PPFM.

147.2 The Phoenix GSMWPF PPFM are to be consistent with the principles which are set out in the SLAL Brexit Scheme, as if references to SLAL were ones to Phoenix.

147.2.1 Phoenix is to maintain the Phoenix GSMWPF PPFM, unless the Phoenix Board, having regard to appropriate actuarial advice, put in place some materially equivalent form of protection.

147.2.2 Those provisions are to replicate those of the SLAL Demutualisation Scheme, as varied by the Demutualisation Scheme Brexit Variation, which require SLAL to operate the SLAL GSMWPF in accordance with the SLAL GSMWPF PPFM, as described at Statement 66.1.

147.3

147.3.1 In addition, the Phoenix GSMWPF Schedule is to provide for the allocation to the Phoenix German SMWP Fund of certain of Phoenix's rights, and obligations, under the SL Intl GSMWPF Reinsurance Agreement.

147.3.2 Those are the rights, and obligations, attributable to the investment elements of the SL Intl Reinsured Policies which are invested in the SL Intl GSMWPF.

147.3.3 All of Phoenix's other rights, and obligations, under the SL Intl GSMWPF Reinsurance Agreement are to be allocated to the Phoenix Non-Profit Fund.

147.4

147.4.1 In addition, the Phoenix GSMWPF Schedule is to state which assets of the Phoenix German SMWP Fund can form part of the SL Intl Reinsurance Fixed Charged Assets.

147.4.2 In outline, those are to be the assets which represent the With-Profits Policy Liabilities and certain other liabilities of the Phoenix German SMWP Fund.

147.4.3 Those provisions are to replicate provisions of the SLAL Demutualisation Scheme, as varied by the Demutualisation Scheme Brexit Variation.

147.5

147.5.1 On the termination of the SL Intl GSMWPF Reinsurance Agreement, any amount which is payable by Phoenix to SL Intl and is described at Statement 73.4 is to be transferred only out of the Phoenix Shareholders' Fund or the Phoenix Non-Profit Fund.

147.5.2 On the termination of the SL Intl GSMWPF Reinsurance Agreement, all references in the Phoenix Scheme to that agreement and to its SL Intl Reinsured Policies are also to be deleted.

147.5.3 Those provisions are to replicate those of the SLAL Demutualisation Scheme, as varied by the Demutualisation Scheme Brexit Variation.

148 *The Phoenix UKSMWP Schedule*

148.1 The Phoenix UKSMWP Schedule is to provide that Phoenix is to operate the Phoenix UKSMWP Fund in accordance with the Phoenix UKSMWP PPFM.

148.2 Phoenix is to maintain the Phoenix UKSMWP PPFM, unless the Phoenix Board, having regard to appropriate actuarial advice, puts in place some materially equivalent form of protection.

THE MODIFICATION OF THE PHOENIX SCHEME, ITS GOVERNING LAW AND ITS COSTS

149 *The Modification of the Phoenix Scheme*

149.1 The Transferors and Phoenix may consent to any modification of, or addition to, the Phoenix Scheme prior to its sanction and to any condition, or provision, which the Companies Court may approve or impose.

149.2 After its sanction, Phoenix or, if any Transferor which is directly affected by the proposed amendment, Phoenix and that Transferor may apply to the Companies Court for consent to amend its terms.

149.3 The UK Regulators must be given 42 days' written notice of any proposed amendment and are each to have the right to be heard by the Companies Court at any hearing at which the proposed amendment is to be considered.

149.4

149.4.1 Any application for consent to a proposed amendment must be accompanied by a certificate from an independent actuary that, in his opinion, the proposed amendment does not materially adversely affect the security, or reasonable expectations, of the customers of Phoenix, including the Transferred Policyholders.

149.4.2 For completeness, the terms of such a certificate would reflect those of Paragraph 70.2(D).

149.4.3 However, the terms of the certificate would amend those under the Previous PLAL Schemes, which do not include any express reference to materiality

149.5 In addition, any proposed amendment must not reduce the protections which are conferred by the Phoenix Scheme on the Phoenix Policies in the NPL WP Fund or the SPL WP Fund.

149.6 A proposed amendment must also have the consent, which must not be unreasonably withheld or delayed, of the Phoenix With-Profits Committee.

149.7

149.7.1 In addition, Phoenix may vary the Phoenix Scheme without the consent of the Companies Court in specified circumstances.

149.7.2 Phoenix may vary the Phoenix Scheme to the extent that its provisions expressly permit their variation.

149.7.3 In addition, Phoenix may vary the Phoenix Scheme, with the approval of the Phoenix WPA, where the proposed variation is reasonably considered by the Phoenix Board to be necessary to ensure that its provisions operate in the intended manner, where the provision to be varied will be materially affected by a variation to the PRA Rulebook, the FCA Handbook, other legislation or any requirement of, or guidance from, one of the UK Regulators.

149.7.4 Phoenix may also vary the Phoenix Scheme to make minor or (subject to having regard to appropriate actuarial advice and to Statement 149.7.5) technical amendments, including the correction of manifest errors.

149.7.5 The UK Regulators must have been notified of the proposed variation of the kind which is described in this Statement at least 28 days in advance of it being made and have not objected.

149.8

149.8.1 The provisions for the variation of the Phoenix Scheme are broadly to replicate the substance of Paragraph 70.2 and will give no less protection to the Transferred Policyholders.

149.8.2 In addition, the provisions are to give more protection than the equivalent provision of the SLAL 2011 Scheme gives.

150 *The Governing Law and Costs*

150.1 The Phoenix Scheme is necessarily to be governed by English law.

150.2

150.2.1 The costs which are incurred by the Transferors and Phoenix in relation to the Phoenix Scheme are to be borne by the Phoenix Shareholders' Fund.

150.2.2 Those costs include those of this application and of the other Proposed SLAL Schemes Variations Applications.

THE PROPOSED SLAL 2011 SCHEME VARIATION AND THE PROPOSED SLAL BREXIT SCHEME VARIATION

151 *The Proposed SLAL 2011 Scheme Variation*

151.1 The Proposed SLAL 2011 Scheme Variation is to discharge SLAL from its continuing obligations under the SLAL 2011 Scheme, which are described at Statement 59 and is also to discharge the Property-Linked Floating Charge and the Security Trust Agreement.

151.2 Those continuing elements of the SLAL 2011 Scheme are then to be replaced by provisions of the Phoenix Scheme.

151.3

151.3.1 First of all, the Property-Linked Floating Charge is to be replaced by the New Phoenix Property-Linked Floating Charge over the New Phoenix Property-Linked Charged Assets, as described at Statement 25.8.5.

151.3.2 In addition the Security Trust Agreement is to be replaced by the New Security Trust Agreement, as described at Statement 25.9.

151.3.3 In particular, the New Security Trust Agreement is to be governed by English law, so as be consistent with the New Phoenix Property-Linked Floating Charge.

- 151.3.4 In addition, SLPF is to be appointed as the beneficiaries' agent under the New Security Trust Agreement.
- 151.4
- 151.4.1 In addition the SLAL 2011 Scheme Internal Reinsurance Arrangements are to be replaced by the arrangements which are to be in the Phoenix Scheme and which are described at Statement 137.
- 151.4.2 The replacement arrangements are to apply also to the former SLPF Pre-2006 Immediate Annuities.
- 151.5 The investment elements of Property-linked SLAL HWPF Policies are also to be allocated to the Phoenix Non-Profit Fund instead of to the SLAL PBF.
- 151.6 SLAL's powers to change the SLAL Linked Funds are to be replaced by the equivalent powers which Phoenix is to have and are described at Statement 113.
- 151.7 As said at Statement 97.7, the Proposed SLAL 2011 Scheme Variation is also, so far as possible, to be treated, for purposes of accounting and financial reporting, as having become effective on 30 September.
- 152 *The Proposed SLAL Brexit Scheme Variation*
- 152.1 The Proposed SLAL Brexit Scheme Variation is to vary the SLAL Brexit Scheme in order to enable the Phoenix Scheme to take effect.
- 152.2 The provisions of the Proposed SLAL Brexit Scheme Variation are marked on a copy of the SLAL Brexit Scheme, which forms an appendix to the SLAL Brexit Scheme Variation Application and, for completeness, on its references to the SLAL Demutualisation Scheme and the SLAL 2011 Scheme.
- 152.3
- 152.3.1 First of all, the Proposed SLAL Brexit Scheme Variation is to provide for SLAL to be in effect replaced by Phoenix as the transferor under the SLAL Brexit Scheme.
- 152.3.2 In more technical terms, Phoenix is to assume all the rights, and obligations, of SLAL under the SLAL Brexit Scheme, in so far as they have not been fully exercised, or discharged, at the Transfer Date.
- 152.3.3 In that context, the Proposed SLAL Brexit Scheme Variation is, in particular, to replace the references in the SLAL Brexit Scheme to the SLAL Funds with references to the New Phoenix Funds and to make equivalent amendments in the SL Intl Reinsurance Agreements.

152.3.4 For completeness, the Proposed SLAL Brexit Scheme Variation is also to substitute the definition of “*EEA state*” in the Interpretation Act 1978 for that in FSMA.

152.3.5 In addition, incorrect references to the “*SL Intl Euro PBF*” are also to be corrected.

152.4

152.4.1 Phoenix is to grant an undertaking to this Court (the “**Phoenix Undertaking**”) to assume all the rights, and obligations, of SLAL under the SLAL Brexit Scheme, in so far as they have not been fully exercised or discharged at the Transfer Date.

152.4.2 The Phoenix Undertaking will also include Phoenix’s submission to the jurisdiction of this Court in respect of the SLAL Brexit Scheme.

152.5 In addition, the SL Intl Reinsurance Fixed Charge is to be over the specified assets of Phoenix after their transfer under the Phoenix Scheme.

152.6

152.6.1 In addition, the Proposed SLAL Brexit Scheme Variation is to discharge the SL Intl Reinsurance Floating Charge and in effect to replace it by the New Phoenix SL Intl Reinsurance Floating Charge, which is to be over the New Phoenix SL Intl Reinsurance Charged Assets.

152.6.2 The New Phoenix SL Intl Reinsurance Floating Charge is to be granted under the SLAL Brexit Scheme, in the same way as the SL Intl Reinsurance Floating Charge, and is referred to in the Phoenix Scheme as the “*New Brexit Floating Charge*”.

152.6.3 In addition, Phoenix and SL Intl are to take all steps (including the execution or delivery of any document) which are necessary or desirable to effect, or perfect, the New Phoenix SL Intl Reinsurance Floating Charge.

152.7

152.7.1 Subject to the exceptions in the rest of this Statement, the New Phoenix Reinsurance Charged Assets are to comprise all of Phoenix’s present and future assets.

152.7.2 The New Phoenix SL Intl Reinsurance Charged Assets are not to include those assets of Phoenix which are subject to the SL Intl Reinsurance Fixed Charge or any other assets which Phoenix owns at the Transfer Date, or thereafter, and over which Phoenix is contractually bound not to grant any security.

152.7.3 In addition, the New Phoenix SL Intl Reinsurance Charged Assets are not to include any other assets over which Phoenix has granted or grants, a security. That is to be a difference from the SL Intl Reinsurance Floating Charge, which does not include such an express statement.

152.7.4 However, that difference is unlikely to be of practical significance. First of all, the SL Intl Reinsurance Floating Charge does not prevent SLAL from granting a fixed security which would, under section 464(4)(a) of the Companies Act 1985 have priority. In addition, that provision of the New Phoenix SL Intl Reinsurance Floating Charge is to be subject to restrictions which in practice reduce its practical effect.

152.7.5 The first restriction is to apply to a security which is over all, or substantially all, of Phoenix's assets and which would in practice be a floating charge.

152.7.6 The second is to apply to a security which ranks *pari passu* with the New Phoenix SL Intl Reinsurance Floating Charge and Phoenix's other "*unsubordinated insurance debt*", as defined in Regulation 2 of the Insurers (Reorganisation and Winding up) Regulations 2004, which have been referred to at Statement 25.6.

152.7.7 That restriction is to apply to, among others, the floating charge which Phoenix is to grant in connection with the Phoenix Brexit Scheme and which is described at Statement 93.4.2.

152.8

152.8.1 Subject to the difference which is described at Statements 152.7.3 to 152.7.7, the New Phoenix SL Intl Reinsurance Floating Charge is to be in substantively the same terms as those of the SL Intl Reinsurance Floating Charge.

152.8.2 In addition, the New Phoenix SL Intl Reinsurance Floating Charged Assets at the Transfer Date will not have less value than those secured by the SL Intl Reinsurance Floating Charge and may have a materially higher value.

152.9

152.9.1 The New Phoenix SL Intl Reinsurance Floating Charge is to be in conventional form for a floating charge which is governed by English law.

152.9.2 In particular, the New Phoenix SL Intl Reinsurance Floating Charge is not to include the provisions in the SL Intl Reinsurance Floating Charge for assets which are governed by Scots law.

152.10

152.10.1 A copy of the New Phoenix SL Intl Reinsurance Floating Charge, which has been executed by Phoenix and SL Intl is to be produced in this process and, if this Court makes an order giving its approval to the Proposed Brexit Scheme Variation, is to be referred to in the narrative of that order, along with the New SL Intl Undertaking.

152.10.2 A copy of the New Phoenix SL Intl Reinsurance Floating Charge is also to be an exhibit in the Phoenix Scheme Application.

152.11

152.11.1 The SL Intl Reinsurance Agreements are, notwithstanding the change in reinsurer, to continue to be taken into account in calculating SL Intl's Solvency Capital Requirement.

152.11.2 Similarly, the New Phoenix SL Intl Reinsurance Floating Charge is, like the SL Intl Reinsurance Floating Charge is also to be taken into account in that calculation.

152.12

152.12.1 As said at Statement 97.6, the Phoenix Scheme is, so far as possible, to be treated, for purposes of accounting and financial reporting, as having become effective on 30 September 2023.

152.12.2 It is sought that the Proposed SLAL Brexit Scheme Variation also be treated for those purposes as having become effective on that date.

152.12.3 That treatment of the Proposed SLAL Brexit Scheme Variation would be consistent with the Phoenix Scheme and remove any doubt over that treatment.

152.12.4 As with the provision of the Phoenix Scheme, that treatment of the Proposed SLAL Brexit Scheme Variation would not have any material adverse effect on any SLAL Policyholder or any SL Intl Policyholder.

152.12.5 It is sought that the order which approves the Proposed SLAL Brexit Scheme Variation expressly permits that treatment, as is described in the SLAL Brexit Scheme Variation Application.

152.13 As said at Statements 77.8 to 77.10, the Proposed SLAL Brexit Scheme Variation is to be supplemented by the Amended Deed Polls and the New SL Intl Undertaking.

152.14 For completeness, SL Intl is to adopt new WPOPs for the SL Intl HWPF, the SL Intl GWPF and the SL Intl GSMWPF (together, the "New WPOPs").

THE POWER TO VARY THE SLAL DEMUTUALISATION SCHEME, THE SLAL 2011 SCHEME AND THE SLAL BREXIT SCHEME

153 *The SLAL Demutualisation Scheme*

153.1 Paragraph 70.2(D) provides for the SLAL Demutualisation Scheme to be varied after its sanction.

153.2 More specifically, Paragraph 70.2(D) provides as follows:

“Subject to paragraph 70.3, SLAL may after the grant of the Court Order...

(D) apply to the Court for consent to vary the terms of this Scheme, provided that in any such case,

(i) the Regulator shall be notified of, and have the right to be heard at, any hearing of the Court at which the application is to be considered; and

(i) the application shall be accompanied by a certificate from an independent expert (such independent expert to be selected and appointed by the SLAL Board with the approval of the Regulator) to the effect that, in his opinion, the proposed variation will not materially and adversely affect the reasonable expectations of the holders of Transferred Policies”

153.3 Paragraph 1.1 of the SLAL Demutualisation Scheme defines the “Court” as the “Court of Session in Edinburgh” and the “Court Order” as *inter alia* “an order sanctioning this Scheme”.

153.4

153.4.1 In addition, that paragraph 1.1 defines the “Regulator” in the following sense:

the “Financial Services Authority or such other governmental, statutory or other authority as shall from time to time carry out functions in relation to Long-Term Business in the United Kingdom as are, at the Effective Time, carried out by the Financial Services Authority.”

153.4.2 Each of the Demutualisation Scheme Variations proceeded on the basis that the Regulator was the PRA.

153.4.3 This application also proceeds on that basis.

153.5 Paragraph 1.1 also defines the “Transferred Policyholders” as *inter alia*, and subject to exceptions which are immaterial in the context of this application:

“every policy written by SLAC under which any liability remains unsatisfied or outstanding at the Effective Time, or in respect of which a liability has been accepted by SLAC prior to the Effective Time.”

153.6

153.6.1 Paragraph 2.2(K) of the SLAL Demutualisation Scheme amplifies, for the purpose of *inter alia* Paragraph 70.2(D), the meaning of “variation”.

153.6.2 That paragraph provides as follows:

the “expression “variation” shall include any amendment, modification, variation, supplement, deletion, replacement or termination (as the context requires).”

154 *The SLAL 2011 Scheme*

154.1 Paragraph 19.2 (D) of the SLAL 2011 Scheme provides for it to be varied after its sanction, with the consent of this Court.

154.2 That paragraph is similar to that of Paragraph 70.2 (D), except that it does not require a certificate from an independent actuary.

154.3 As said at Statement 160.3, Mr Jenkins has in fact included a certificate in the Phoenix Scheme IE Report.

155 *The SLAL Brexit Scheme*

155.1 Paragraph 63.2 of the SLAL Brexit Scheme also provides for the SLAL Brexit Scheme to be varied after its sanction with the approval of this Court.

155.2 That paragraph is also similar to that of Paragraph 70.2 (D), subject to these differences.

155.3

155.3.1 The first difference is that, on a correct interpretation of that paragraph, the application for approval of a proposed amendment is to be made jointly by SLAL and SL Intl.

155.3.2 The second difference is that the application is to be notified to the CBI, as well as to the UK Regulators.

155.3.3 The third difference is that the appointment of the independent expert is to be made by the SL Intl Board, rather than the SLAL Board, and with the approval of the CBI, rather than that of either of the UK Regulators.

THE INDEPENDENT EXPERT AND HIS REPORTS

156 *The Independent Expert*

156.1 In accordance with section 109, John Jenkins, FIA, of Milliman LLP, has been appointed as the independent expert for the Phoenix Schemes.

156.2

- 156.2.1 The PRA is the “*appropriate regulator*” for the Phoenix Scheme for the purposes of section 109.
- 156.2.2 As such, the PRA must, under section 109, approve, after consultation with the FCA, the appointment of the independent expert and the form of their report.
- 156.2.3 The PRA’s consent to the appointment of Mr Jenkins was given in a letter to Phoenix and dated 6 June 2022.
- 156.2.4 Section 109 also provides that the PRA must approve the form of the report (the “**Phoenix Scheme IE Report**”) which Mr Jenkins has produced for the Phoenix Scheme.
- 156.2.5 In accordance with its present practice, the PRA is expected to include that approval in the first of the reports which it is to prepare on the Phoenix Scheme and which are described at Statement 167.
- 156.2.6 For completeness, Mr Jenkins disclosed to the UK Regulators that he holds a property-linked SLAL Policy, the whole investment element of which is managed by a fund manager outside the Phoenix Group.
- 156.2.7 In addition, Mr Jenkins disclosed to the UK Regulators that up to 2015 he carried out consultancy actuarial work for ReAssure before it became a Phoenix Group Company.

156.3

- 156.3.1 It is convenient for Mr Jenkins also to give the certificate (the “**Demutualisation Scheme Variation Certificate**”) which is required under Paragraph 70.2(D) for the Proposed Demutualisation Scheme Variation.
- 156.3.2 As said at Statement 153.4, Paragraph 70.2(D)(ii) provides that that independent expert is to be appointed by the SLAL Board with, on a correct interpretation of that provision, the approval of the PRA.
- 156.3.3 The PRA’s approval was given by a letter by email dated 6 June 2022.

156.4

- 156.4.1 In addition, it is convenient for Mr Jenkins to give the certificate (the “**SLAL Brexit Scheme Variation Certificate**”) which is required under paragraph 63.2 of the SLAL Brexit Scheme for the Proposed SLAL Brexit Scheme Variation.

- 156.4.2 The CBI's approval to the SL Intl Board's appointment of Mr Jenkins was given on 18 October by an email to SL Intl.
- 156.5 For completeness, the SLAL 2011 Scheme does not require an equivalent certificate for the Proposed SLAL 2011 Scheme Variation.
- 156.6 However, Mr Jenkins has taken the Proposed SLAL 2011 Scheme Variation into account in the Phoenix Scheme IE Report.
- 156.7 The Phoenix Scheme IE Report states that it was prepared in accordance with technical standards which apply to such a report and with the published guidance of each the UK Regulators for an insurance scheme.
- 157 *The Phoenix Scheme IE Report*
- 157.1 The Phoenix Scheme IE Report is a composite report, which also addresses the Proposed SLAL Schemes Variations.
- 157.2
- 157.2.1 In particular, the Phoenix Scheme IE Report also includes copies of the Demutualisation Scheme Variation Certificate and the SLAL Brexit Scheme Variation Certificate.
- 157.2.2 That follows the approach which was adopted by the different independent expert in relation to the SLAL Brexit Scheme and the Demutualisation Scheme Brexit Variation.
- 157.3 Mr Jenkins's overall conclusions on the Phoenix Scheme, including the Proposed SLAL Schemes Variations, are set out at paragraphs 16.1 to 16.3 of the Phoenix Scheme IE Report.
- 157.4
- 157.4.1 In particular paragraph 16.2 of the Phoenix Scheme IE Report is in these terms:
- “In my opinion, the implementation of the Scheme will not have any material adverse effect on any of the following:*
- *The reasonable benefit expectations of the policyholders of Phoenix, PLAL, SLAL and SLPF.*
 - *The security of the benefits of the policies of Phoenix, PLAL, SLAL and SLPF;*
 - *The levels of administration and customer service that apply to the policyholders of Phoenix, PLAL, SLAL and SLPF.”*

157.4.2 It is sufficiently clear from paragraph 8.5 of the Phoenix Scheme IE Report that Mr Jenkins is of the view that the treatment of the Phoenix Scheme, for purposes of accounting and financial reporting, would have no adverse effect.

157.4.3 For completeness, paragraph 11.20 of the Phoenix Scheme IE Report contains Mr Jenkins's conclusion that had the LIST 2022 tests been carried out on Phoenix after the Phoenix Scheme it was likely that the result would have been improved.

157.5

157.5.1 Paragraphs 10.85 and 10.88 contain Mr Jenkins's conclusions on those provisions of the Superseded Schemes which the Phoenix Scheme is to replicate, subject to the changes which have been described in this application.

157.5.2 Paragraph 10.85 is in *inter alia* these terms:

"...I am satisfied that there is a clear rationale for each of these changes. Moreover, I am satisfied that taken together these changes do not constitute any weakening of policyholder protection.... "

157.5.3 Paragraph 10.88 is in these terms:

"Overall I am satisfied that the implementation of the Scheme would not have any material adverse impact on the reasonable benefit expectations of any of the policyholders of the Companies."

157.6

157.6.1 Paragraph 11.72 of the Phoenix Scheme IE Report sets out Mr Jenkins' conclusion on the provision of the Phoenix Scheme which is described at Statement 143 and which is to permit the introduction of unit-matching in respect of the former Property-linked SLAL HWPF Policies.

157.6.2 That paragraph is in these terms;

" I can thus conclude that the changes in the Scheme to facilitate future unit matching in respect of the unit-linked business in the Heritage WPF do not give rise to any material adverse effect for the with-profits policyholders in this fund or in fact for any other policyholders."

157.7

157.7.1 Paragraph 10.64 of the Phoenix Scheme IE Report sets out Mr Jenkins's overall conclusion on the changes which the Phoenix Scheme is to make to the calculation of Recourse Cash Flows and which have been described at Statement 134.4.

157.7.2 Paragraph 10.64 of the Phoenix Scheme IE Report is in these terms:

“Overall, I am thus satisfied that the proposed changes to the RPTA and RCF would not have a material adverse impact on the reasonable benefit expectations of the with-profits policyholders in the Heritage WPF.”

157.8

157.8.1 Paragraphs 13.14 and 13.15 of the Phoenix Scheme IE Report set out Mr Jenkins’s overall conclusions on the effect of the Phoenix Scheme on the SL Intl Policyholders, including those who are not Former SLAL Euro Policyholders.

157.8.2 Paragraph 13.14 of the Phoenix Scheme IE Report is in these terms:

“My considerations and conclusions in this Report apply to the transferred policyholders of SL Intl in relation to their benefits which are reinsured back to SLAL (currently) and PLL (post scheme)”.

“PLL” is how Phoenix is defined in the Phoenix Scheme IE Report.

157.8.3 Paragraph 13.15 of the Phoenix Scheme IE Report is in these terms:

“I can also conclude that I see no material adverse effect on benefit expectations, benefit security or any other aspect in relation to the other SL Intl policyholders.”

157.8.4 For completeness, paragraph 13.16 refers to a copy of the SLAL Brexit Scheme Variation Certificate being included at Appendix C to the Phoenix Scheme IE Report.

157.9

157.9.1 Paragraph 16.5 of the Phoenix Scheme IE Report sets out Mr Jenkins’s overall conclusion on the SLAL Brexit Scheme Variation.

157.9.2 That paragraph is in inter alia these terms:

“In my opinion, the amendments to the SLAL Brexit Scheme will not have any material adverse effect on the reasonable benefit expectations or the security of the benefits of any of the policyholders of SL Intl....”

157.10

157.10.1 Paragraphs 14.36 to 14.39 of the Phoenix Scheme IE Report deal with the implications for the Phoenix Scheme of the Russia Sanctions Regulations.

157.10.2 Paragraph 14.37 confirms in effect that those provisions of the Phoenix Scheme do not affect any of Mr Jenkins's conclusions.

157.11 Paragraph 10.81 of the Phoenix Scheme IE Report addresses very briefly the implications of the transfer of the ALPL Transfer Business under the Phoenix Scheme before its intended transfer under the ALPL Scheme.

157.11.1 That paragraph is in *inter alia* these terms;

"I am thus of the view that it would be more certain, more operationally straightforward and thus generally beneficial for the abrdn Transfer Policies to transfer to Phoenix with the rest of the SLAL business under the Scheme."

Paragraph 10.79 of the Phoenix Scheme IE Report defines "the abrdn Transfer Policies" in effect as the abrdn Transfer Business.

157.11.2 For completeness, an independent expert would require to provide a report to the Companies Court on the ALPL Scheme.

157.11.3 In addition, the Companies Court would require, under section 111(3), to be satisfied that it was at that time appropriate to sanction the ALPL Scheme on its then terms.

157.12

157.12.1 In addition, the Phoenix Scheme IE Report also includes Mr Jenkins' comments on the sufficiency of the proposed steps to publicise the Phoenix Scheme.

157.12.2 Those comments are more conveniently addressed at Statement 178, as part of the description of the steps which the Phoenix Group proposes to take to give sufficient publicity to the Phoenix Scheme and the Proposed SLAL Schemes Variations.

157.13

157.13.1 Mr Jenkins has also produced a summary of the Phoenix Scheme IE Report (the "**Phoenix Scheme IE Report Summary**"), which is provided for in the COBTRA Regulations.

157.13.2 The Phoenix Scheme IE Report Summary is sufficient to indicate Mr Jenkins's opinion on the likely effects of the Phoenix Scheme on SLAL Policyholders, SLPF Policyholders, PLAL Policyholders and Phoenix Policyholders.

157.13.3 That summary is also a composite one, which also addresses the Proposed SLAL Schemes Variations.

157.13.4 For completeness, each of the versions of the explanatory guide to the Phoenix Scheme (the “**Guide**”), which are to be sent to among others the SLAL Policyholders and are described at Statement 172.5.1 is to include an abridged version of the Phoenix Scheme IE Report Summary, which is to be adapted for the recipients.

157.13.5 That approach was adopted in the Phoenix 2017 Scheme and the Phoenix 2018 Scheme, without objection from the FCA.

157.13.6 Each version of the Guide is to say that the Phoenix Scheme IE Report is available, on request, in hard copy and on the websites of SLAL, PLAL and Phoenix.

158 *The Supplementary Phoenix Scheme IE Report*

158.1 Mr Jenkins also intends, in accordance with practice in insurance schemes, to produce a supplementary report on the Phoenix Scheme (the “**Supplementary Phoenix Scheme IE Report**”).

158.2 It is expected that the Supplementary Phoenix Scheme IE Report will update Mr Jenkins’ analysis of the Phoenix Scheme with more recent financial and economic information, taking account of the potential for further volatility in financial markets.

158.3 In addition, it is expected that the Supplementary Phoenix Scheme IE Report will comment on whether there has been any material change in connection with the Phoenix Scheme and the Proposed SLAL Schemes Variations.

158.4 It is also expected that the Supplementary Phoenix Scheme IE Report will address any objections which have been received to the Phoenix Scheme and the Proposed SLAL Schemes Variations.

158.5 The Supplementary Phoenix Scheme IE Report is again to be a composite one, which will also address the Proposed SLAL Schemes Variations.

THE VARIATION CERTIFICATES

159 *The Demutualisation Scheme Variation Certificate*

159.1 The Demutualisation Scheme Variation Certificate states that, in Mr Jenkins’ opinion, the Proposed Demutualisation Scheme Variation will not materially and adversely affect the reasonable expectations of those SLAL Policyholders who were transferred from SLAC under the SLAL Demutualisation Scheme.

159.2 Accordingly, the Demutualisation Scheme Variation Certificate complies with Paragraph 70.2(D).

160 *The SLAL Brexit Scheme Variation Certificate*

160.1 The SLAL Brexit Scheme Variation Certificate states that, in Mr Jenkins' opinion, the Proposed SLAL Brexit Scheme Variation will not materially and adversely affect the interests (including the security or reasonable expectations) of the SL Intl Policyholders who had been transferred from SLAL under the SLAL Brexit Scheme or other SLAL Policyholders or SL Intl Policyholders.

160.2

160.2.1 Accordingly, the SLAL Brexit Scheme Variation Certificate complies with paragraph 63.2 of the SLAL Brexit Scheme.

160.2.2 The Phoenix Scheme IE Report also includes a copy of the SLAL Brexit Scheme Variation Certificate.

160.3

160.3.1 For completeness, Mr Jenkins has included in the Phoenix Scheme IE Report a certificate that, in his opinion, the Proposed SLAL 2011 Scheme Variation will not materially and adversely affect the reasonable expectations of those SLAL Policyholders who were transferred under the SLAL 2011 Scheme.

160.3.2 As said at Statement 154.2, that is not a requirement of the SLAL 2011 Scheme.

160.3.3 The Phoenix Scheme IE Report is also to include the confirmations which are required under the Previous PLAL Schemes and the Previous Phoenix Acquisition Schemes to enable them to be varied by the Phoenix Scheme.

THE SLAL, SLPF AND SL INTL ACTUARIES

161 *The SLAL CA and the SLPF CA*

161.1 Simon Thomlinson, FIA, who is both the SLAL CA and the SLPF CA, has in those two capacities produced a single, composite report (the "**SLAL CA Report**") on the Phoenix Scheme and the Proposed SLAL Schemes Variations.

161.2

161.2.1 Paragraph 2 of the SLAL CA Report sets out Mr Thomlinson's overall conclusion on the effect of the Phoenix Scheme on the SLAL Policyholders.

161.2.2 Paragraph 2 includes these terms:

“In my opinion as Chief Actuary, taking into account the advice and opinions set out in this report, no class of SLAL or SLPF policyholder will be materially adversely affected by the implementation of the Scheme or the Proposed Variations. In particular, I believe that the Scheme and the Proposed Variations should not have any material adverse impact on the security of benefits or the reasonable benefit expectations of the existing policyholders in SLAL or SLPF. I also believe that the Scheme and the Proposed Variations are consistent with the requirements of SLAL and SLPF to treat customers fairly and act to deliver good outcomes, and there should be no adverse effect on the levels of service provided to such policyholders.”

161.2.3 Paragraph 6.2 of the SLAL CA Report sets out the detailed analysis which supports Mr Thomlinson’s overall conclusion that the Phoenix Scheme would not have an adverse effect on the security of the benefits of the SLAL Policies.

161.2.4 In addition, paragraph 6.3 of SLAL CA Report sets out the detailed analysis which supports Mr Thomlinson’s overall conclusion that the Phoenix Scheme would not have an adverse effect on the benefit expectations of the SLAL Policyholders.

161.3

161.3.1 Paragraph 2 of SLAL CA report also includes Mr Thomlinson’s overall conclusion on the effect of the Phoenix Scheme on the SLPF Policyholders.

161.3.2 Paragraph 7.2 of SLAL CA Report sets out the detailed analysis which supports Mr Thomlinson’s overall conclusion that the Phoenix Scheme would not have an adverse effect on the security of the benefits of the SLPF Policies.

161.3.3 In addition, paragraph 7.3 of SLAL CA Report sets out the detailed analysis which supports Mr Thomlinson’s overall conclusion that the Phoenix Scheme would not have an adverse effect on the benefit expectations of the SLPF Policyholders.

161.4

161.4.1 Paragraph 6.7 of his report includes Mr Thomlinson’s conclusion on the SLAL Brexit Scheme.

161.4.2 Paragraph 6.7 includes these terms:

“The SLAL Brexit Scheme will not be superseded but will be amended to transfer SLAL's responsibilities to Phoenix, the existing floating charge over SLAL's assets will be replaced with an English Law charge over Phoenix's assets, and SL Intl will provide amended Deed Polls and Undertakings. The operation of the SLAL Brexit Scheme will be unchanged.”

161.5 The SLAL CA Report states that it was prepared in accordance with technical standards which apply to such a report.

161.6 In his two capacities, Mr Thomlinson will also produce a single composite supplementary report.

162 *The SLAL WPA*

162.1 The SLAL WPA, Catherine Stewart Roper, FFA, has also produced a composite report (the “**SLAL WPA Report**”) on the Phoenix Scheme and the Proposed SLAL Schemes Variations.

162.2

162.2.1 Section 2 of the SLAL WPA Report sets out her overall conclusions.

162.2.2 That section ends in these terms:

“In my opinion as With-Profits Actuary of the four with-profit funds within SLAL, the Scheme, if implemented will not materially adversely affect the interests and reasonable expectations of the affected SLAL with-profits customers. I am satisfied that the Scheme would have no material adverse effect on the security of with-profits customers’ benefits and that the Scheme is consistent with treating customers fairly”.

That conclusion is repeated at section 5 of the SLAL WPA Report.

162.3

162.3.1 More specifically, section 2 of the SLAL WPA Report includes the conclusion that permitting unit matching would not affect the SLAL HWPF Policyholders who hold property-linked SLAL Policies. The substance of that conclusion is repeated at section 4.2.

162.3.2 Section 2 of the SLAL WPA Report also includes the conclusion that the revision of the Reference Valuation Periods for the Recourse Cashflows, which are described at Statement 134.3, would have no material effect on the SLAL HWPF Policyholders. The substance of that conclusion is also repeated at section 4.2.

162.4

162.4.1 In addition, the SLAL WPA Report addresses the effect of the SLAL Brexit Scheme Variation on the SL Intl Policyholders who hold with-profits SL Reinsured Policies.

162.4.2 Section 4.2 of the SLAL WPA Report states expressly that throughout the interests of those SL Intl Policyholders are considered alongside those of the direct SLAL Policyholders who hold with-profits policies.

162.4.3 Section 3.5 of the report also states that Ms Stewart Roper believes that the substitution of Phoenix as transferor under the SLAL Brexit Scheme and the replacement of the SL Intl Reinsurance Floating Charge are appropriate.

162.5

162.5.1 As said at Statement 48.3, section 3.4 of the SLAL WPA Report includes the confirmation which the Demutualisation Scheme would require for a SLPF Scheme and which is referred to at Statement 48.

162.5.2 In outline, the SLAL WPA Report states that the Phoenix Scheme is not expected to affect, materially and adversely, the quantum of, or distributions from, the Residual Estate and the contractual rights, and reasonable expectations, of the SLAL HWPF Policyholders.

162.6

162.6.1 The SLAL WPA Report states that it was prepared in accordance with technical standards which apply to such a report.

162.6.2 Phoenix also intends, subject to the approval of the UK Regulators, to appoint Ms Stewart Roper as the with-profits actuary to the Phoenix SPI WP Fund.

162.7 Ms Stewart Roper is also to produce a composite supplementary report.

163 *The SL Intl HoAF*

163.1 The SL Intl HoAF, Mark Wharton, FSAI has also produced a report on the Proposed SLAL Brexit Scheme Variation (the “**SL Intl HoAF Report**”).

163.2

163.2.1 Section 4 of the SL Intl HoAF Report sets out Mr Wharton’s overall conclusions on the effect on SL Intl Policyholders of the Phoenix Scheme and the Proposed SLAL Brexit Scheme Variation.

163.2.2 Section 4 is in these terms:

“Subject to the conditions set out in section 3.5, I can confirm my opinion that the proposed transfer and the SLAL Brexit Scheme variations should meet the following criteria:

1 no material detriment to SL Intl policyholders;

2 ongoing compliance with the Domestic Actuarial Regime;

3 *ongoing adequacy of the reinsurance arrangements.”*

Overall, I see no reason for the Board of SL Intl to object to this transfer and the SLAL Brexit Scheme variations.”

163.2.3 Section 3.5 refers to inter alia the SLAL CA Report and the SLAL WPA Report each including a favourable opinion on the Phoenix Scheme.

163.2.4 In outline, the Domestic Actuarial Regime comprises Solvency II, as implemented in Ireland, and the WPOPs.

163.2.5 For completeness, the Executive Summary of the SL Intl HoAF Report includes the same overall conclusion as is set out at Statement 163.2.2.

163.3

163.3.1 Section 3.4 of the SL Intl HoAF Report sets out Mr Wharton’s overall conclusion on the effect on SL Intl’s solvency position of the Phoenix Scheme and the Proposed SLAL Brexit Scheme Variation, including the effect of the New Phoenix SL Intl Reinsurance Floating Charge.

163.3.2 Section 3.4 includes the following:

“...SL Intl is comfortable ...that the solvency position will continue to afford commensurate levels of security to all SL Intl policyholders.”

163.3.3 That conclusion takes account of the small increase which would be caused to SL Intl’s Solvency Capital Requirement by the change from SLAL to Phoenix.

163.4 The SL Intl HoAF Report states that it was prepared in accordance with technical standards which apply in Ireland to such a report.

163.5 Mr Wharton is also to produce a supplementary report.

THE PLAL AND PHOENIX ACTUARIES

164 *The PLAL Actuaries*

164.1 PLAL’s Chief Actuary and its With-Profits Actuary have each produced a report on the Phoenix Scheme.

164.2 Their reports include the overall conclusions that the Phoenix Scheme will not adversely affect the interests of PLAL Policyholders, particularly those holding with-profits PLAL Policies.

165 *The Phoenix Actuaries*

165.1 The Phoenix CA and the Phoenix WPAs have each produced a report on the Phoenix Scheme.

165.2 Their reports include the conclusions that the Phoenix Scheme will not adversely affect the interests of the Present PLAL Policyholders, particularly those holding with-profits PLAL Policies.

THE REGULATORS AND THE UK REGULATORS' REPORTS

166 *The UK Regulators*

166.1 It is reasonably believed that, in accordance with its practice, each of the UK Regulators will submit to the Companies Court two reports on the Phoenix Scheme.

166.2 The two reports by the PRA to the Companies Court are referred to as the **"PRA Scheme Reports"** and the two by it to this Court are referred to as the **"PRA Variations Reports"**.

166.3 The two reports by the FCA to the Companies Court are referred to as the **"FCA Scheme Reports"** and the two by it to this Court are referred to as the **"FCA Variations Reports"**.

167 *The PRA Scheme Reports and the PRA Variation Reports*

167.1 It is reasonably expected that the first PRA Scheme Report will be available to the Companies Court for the Phoenix Scheme Directions Hearing.

167.2

167.2.1 That PRA Scheme Report is expected to include, as required by Regulation 3(3)(a), the PRA's approval of the notice which is required by Regulation 3(3)(a) to be published for the Scheme.

167.2.2 That notice is referred to in this application as the **"Phoenix Scheme Notice"** and is described at Statement 171.

167.3

167.3.1 The first PRA Scheme Report is expected also to address the waivers which are also called *"dispensations"* and are to be sought, under Regulation 4(2), from the requirements of Regulations 3(2)(b) and 3(2)(c), in respect of the Phoenix Scheme.

167.3.2 Those waivers which are to be sought in respect of the Phoenix Scheme are referred to in this application as the **"Proposed Waivers"** and are described at Statements 173 to 176.

167.3.3 It is also expected that the first PRA Report will confirm that the PRA does not object to the Proposed Waivers and, more generally, that it is content with the Communications Exercise.

167.4

167.4.1 The subsequent PRA Scheme Report is reasonably expected to be available to the Companies Court for the Phoenix Scheme Sanction Hearing.

167.4.2 That PRA Scheme Report is expected to address the merits of the Phoenix Scheme and to confirm that the PRA does not object to it being sanctioned.

167.5 For completeness, the second PRA Scheme Report is expected to confirm that the ALPL Scheme does not affect its conclusion on the Phoenix Scheme.

167.6

167.6.1 It is reasonably expected that the first PRA Variations Report will be available to this Court shortly before the First Hearing.

167.6.2 It is also reasonably expected that the PRA Variations Report will be in substantively the same terms as the first PRA Scheme Report.

167.7

167.7.1 The second PRA Variations Report is reasonably expected to be available shortly before the Final Hearing.

167.7.2 Again, it is also reasonably expected that the second PRA Variations Report will be in substantively the same terms as the second PRA Scheme Report and that it will confirm that the PRA does not object to the Proposed SLAL Schemes Variations.

168 *The FCA Scheme Reports and the FCA Variations Reports*

168.1 It is reasonably expected that the first FCA Scheme Report will also be available for the Phoenix Scheme Directions Hearing.

168.2 That FCA Scheme Report is expected to address the Proposed Waivers and to confirm that the FCA does not object to them and, more generally, that it is content with the Communications Exercise.

168.3

168.3.1 The second FCA Scheme Report is expected to be available for the Phoenix Scheme Sanction Hearing.

168.3.2 That FCA Scheme Report is also expected to address the merits of the Phoenix Scheme and to confirm that the FCA does not object to it being sanctioned.

168.4

168.4.1 It is reasonably expected that the first FCA Variations Report will be available to this Court shortly before the First Hearing.

168.4.2 It is also expected that that FCA Variations Report will be in substantively the same as the first FCA Scheme Report.

168.5

168.5.1 The second FCA Variations Report is reasonably expected to be available shortly before the Final Hearing.

168.5.2 Again, it is also reasonably expected that the second FCA Variations Report will be in substantively the same as the second FCA Scheme Report and that it will confirm that the FCA does not object to the Proposed SLAL Schemes Variations.

169 *The CBI*

169.1 It is reasonably believed that the CBI will not produce a report for the Companies Court on the Phoenix Scheme nor a report for this Court on the Proposed SLAL Brexit Scheme Variation.

169.2 When the CBI does not object to a proposed Irish scheme, its practice differs from the present practice of the UK Regulators.

169.3 The CBI does not produce a report for the Irish Court on a proposed Irish scheme, but sometimes provides written confirmation to the transferor under a proposed Irish Scheme that it does not object.

169.4 If the CBI were to object to a proposed Irish scheme, it would instruct counsel to appear before the Irish Court.

169.5 The CBI has been provided with copies of documents relating to the Proposed SLAL Brexit Scheme Variation and has not indicated any objection.

169.6

169.6.1 If the CBI provides confirmation to SL Intl of its lack of objection to the Proposed SLAL Brexit Scheme variation, SL Intl will, in turn, make that confirmation available to this Court.

THE PHOENIX SCHEME COMMUNICATIONS EXERCISE AND THE ARRANGEMENTS FOR OBJECTIONS

170 *An Overview*

170.1

170.1.1 This Statement and Statements 171 to 178 set out the steps which the Transferors and Phoenix propose to take to give sufficient publicity to the Phoenix Scheme and the Proposed SLAL Schemes Variations.

170.1.2 Those steps are referred to in this application as the “**Communications Exercise**”.

170.2

170.2.1 In particular, the Communications Exercise is to give sufficient notice of the Phoenix Scheme *inter alia* to the SLAL Policyholders, the SLPF Policyholders and the PLAL Policyholders.

170.2.2 The SLAL Policyholders, SLPF Policyholders and PLAL Policyholders are together referred to in this Statement and in Statement 171 to 179 as the “**Transferring Policyholders**”.

170.2.3 The Communications Exercise is also to give sufficient notice of the Phoenix Scheme to present Phoenix Policyholders (“**Present Phoenix Policyholders**”).

170.3 In addition, the ALPL Scheme Policyholders and the Wrap SIPP Members are also to be informed that it is intended that the SLAL Policies within the abrdrn Transfer Business are subsequently transferred under the ALPL Scheme.

170.4 The Communications Exercise is also to give sufficient notice of the Phoenix Scheme to the SLAL Reinsurers, and the PLAL Reinsurers.

170.5 The Communications Exercise is also to give sufficient notice of the Phoenix Scheme to the SLAL Counterparties, the SLPF Counterparties and the PLAL Counterparties.

170.6

170.6.1 The Communications Exercise is to include steps which are to comply with the requirements of the COBTRA Regulations in respect of the Phoenix Scheme.

170.6.2 Those steps will be in accordance with the practice of the Companies Court, which is expected to be followed at the Phoenix Scheme Directions Hearing.

170.6.3 That practice differs in some respects from that of this Court but produces the same result.

- 170.7 In addition, the Communications Exercise is to include steps which are to comply with the guidance on insurance schemes, which appears in the FCA Handbook.
- 170.8 The Communications Exercise is also to include steps which are conventional for an insurance scheme of this size and complexity.
- 171 *The Phoenix Scheme Notice and the Websites*
- 171.1 One element in the Communications Exercise is the publication of the Phoenix Scheme Notice, in a form approved by the PRA, having consulted with the FCA.
- 171.2 The Phoenix Scheme Notice is to be published in the London, Edinburgh and Belfast Gazettes and in two “national newspapers” in the UK, namely, “*The Times*” and “*The Daily Telegraph*”.
- 171.3 That approval and that publication are to be in accordance with Regulations 3(2)(a)(i) and (ii).
- 171.4
- 171.4.1 In addition, the Phoenix Scheme Notice is to be published in most national newspapers which are published in the UK and take legal notices.
- 171.4.2 In addition, the Phoenix Notice is also to be published in “*The Irish Times*” in Ireland.
- 171.4.3 The Phoenix Scheme Notice is also to be published in a series of local newspapers which are published in parts of the UK and are to include “*The Courier*” and “*The Press and Journal*” and, in Northern Ireland, “*The Irish News*”.
- 171.5
- 171.5.1 The Phoenix Scheme Notice is also to include, in accordance with Regulation 3(3)(b), the address from which the documents mentioned in Regulation 3(4) must be given, free of charge, to any person who requests them.
- 171.5.2 Those documents are (i) a copy of the Phoenix Scheme IE Report and (ii) a statement setting out the terms of the Phoenix Scheme and containing a version of the abridged Phoenix Scheme IE Report Summary.
- 171.6
- 171.6.1 In addition, SLAL, PLAL and Phoenix are to place “news alerts” on their websites.
- 171.6.2 The SLAL website, which also covers SLPF, is to have a page that is dedicated to the Phoenix Scheme and the Proposed SLAL Schemes Variations.

171.6.3 The page is to include a copy of the following documents, namely:

- (i) the Phoenix Scheme;
- (ii) the Phoenix Scheme IE Report;
- (iii) the SLAL CA Report and the SLAL WPA Report;
- (iv) this application;
- (v) the other two Proposed SLAL Schemes Variations Applications;
- (vi) the composite notice of the Proposed SLAL Schemes Variations Applications (the “Variations Applications Notice”), which is described at Statement 185.2.1;
- (vii) the Phoenix Scheme Notice;
- (viii) a copy of each of the versions of the Guide for the SLAL Policyholders and the SLPF Policyholders and examples of the covering letters which are to be sent to them and, which are described at Statement 172.7; and
- (ix) a set of questions and answers, which is designed for the SLAL Policyholders and the SLPF Policyholders.

171.6.4 That page is also to be kept up to date by SLAL.

171.6.5 In particular, the page is also to include the supplementary report by Mr Jenkins and those by the SLAL CA and the SLAL WPA.

171.7 The communications which are to be made available to the SL Intl Policyholders on the SL Intl website are more conveniently addressed at Statement 185.8.

172 *The Proposed Individual Notification*

172.1 The second element in the Communications Exercise is sending the Phoenix Scheme Notice to the Transferring Policyholders and those Present Phoenix Policyholders who may be affected by the Phoenix Scheme (the “**Affected Phoenix Policyholders**”), in accordance with Regulation 3(2)(b).

172.2 Regulation 3(2)(b) is amplified by the Policyholder Order.

172.3

172.3.1 In addition, Regulation 3(2)(b) is amplified by the FCA’s guidance, which envisages that the policyholders also receive some form of explanatory document.

172.3.2 Accordingly, such a document is invariably prepared in an insurance scheme.

172.4

172.4.1 It is proposed that, subject to the Proposed Waivers, which are described at Statements 173 to 176, the Transferring Policyholders and the Affected Phoenix Policyholders receive a set of documents.

172.4.2 However, the Transferring Policyholders are not to include any who remain subject to the Russia Sanctions Regulations when the documents are to be posted.

172.4.3 As said at Statements 102.2 and 102.3, one SLAL Policyholder and two members of the SLAL SIPP Scheme who hold the Sanctioned Plans are subject to the Russia Sanctions Regulations.

172.5

172.5.1 As regards the Transferring Policyholders, the documents which are to be sent to them are to include, first of all, one of the versions of the Guide.

172.5.2 Each version of the Guide is to be detailed and is to include, the Phoenix Scheme Notice, and a version of the abridged Phoenix Scheme IE Report Summary.

172.5.3 The versions of the Guide for the SLAL Policyholder and the SLPF Policyholders are also to include a version of a set of questions and answers, which is designed for the SLAL Policyholders or the SLPF Policyholders and which is shorter than the set on the SLAL website.

172.6

172.6.1 The versions of the Guide for the SLAL Policyholders and the SLPF Policyholders are also to refer more fully to the Proposed SLAL Schemes Variations and the procedures of this Court for objecting, and are also to include a copy of the Variations Applications Notice, which is described at Statement 185.

172.6.2 The version of the Guide for the SLAL HWPF Policyholders is also to refer to the proposed closure to new business of the SLAL HWPF and to explain the consequential changes to the SLAL HWPF PPFM.

172.6.3 There are also to be separate versions of the Guide for, among others, the following further categories of Transferring Policyholders, namely;

- (i) SLAL Policyholders holding products which have the brand name "*Fidelity*";
- (ii) SLAL Policyholders holding Wrap Onshore Bonds;

- (iii) SLAL Policyholders holding SLAL TIP Policies;
- (iv) SLPF Policyholders; and
- (v) two categories of PLAL Policyholders.

172.7

- 172.7.1 In addition, the documents for the Transferring Policyholders are to include one of the versions of a covering letter, which is designed for that category of Transferring Policyholders.
- 172.7.2 The version of the covering letter for the SLAL HWPF Policyholders is also to refer to the proposed closure of the SLAL HWPF and the consequential changes to the SLAL PPFM.
- 172.7.3 The covering letters to the Third-Parties Insurers are to mention the importance of their informing their own policyholders of the Phoenix Scheme.
- 172.7.4 The holders of SLAL Guernsey Policies and of SLAL Jersey Policies are to receive versions of the covering letter.
- 172.7.5 For completeness, the holders of Wrap Onshore Bonds are also to receive a letter from SLSL, as owner of the Wrap Platform.
- 172.7.6 In addition, the SLPF Policyholders are to be sent their own version of the letter.

172.8

- 172.8.1 The versions of the Guide and of the covering letter for the categories of ALPL Scheme Policyholders are to inform them that their SLAL Policies are intended to be transferred under the separate ALPL Scheme.
- 172.8.2 The communications which the Transferring Wrap SIPP Members are to receive are more conveniently addressed separately at Statement 172.14.

172.9

- 172.9.1 The Affected Phoenix Policyholders are, subject to the Proposed Waivers, to be sent an explanatory letter.
- 172.9.2 That letter is to explain those aspects of the Phoenix Scheme which affect them and direct them to the further material on Phoenix's website.

172.10

172.10.1 The Transferring Policyholders and the Affected Phoenix Policyholders to whom communications are to be sent are to be identified as at “*the record date*” of 31 March 2023.

172.10.2 For completeness, the practice of the Companies Court is not to direct such a record date, in contrast with the practice of this Court

172.10.3 The communications are to be sent to the Transferring Policyholders, and the Affected Phoenix Policyholders, with addresses in the UK, by UK business class mail.

172.10.4 It is reasonably anticipated that the Communications will arrive within three working days after posting.

172.10.5 It is anticipated that the posting will begin on 10 May 2023 and be completed on, or before, 18 August of that year.

172.10.6 That timetable would give the Transferring Policyholders, and Affected Phoenix Policyholders, at least six weeks’ notice of the Phoenix Scheme Sanction Hearing.

172.11

172.11.1 The communications are to be sent to the Transferring Policyholders, and Affected Phoenix Policyholders, with addresses outside the UK, either by air mail or by courier and onward posting, using the local mail system.

172.11.2 The communications would normally arrive within six working days after despatch to addresses in Europe and within ten working days after despatch to addresses outside Europe.

172.12

172.12.1 Following indications of their preferences, email has become the established method by which approximately 489,000 SLAL Policyholders receive communications from SLAL.

172.12.2 Similarly, text messages have become the established method by which approximately 11,000 SLAL Policyholders receive communications from SLAL

172.12.3 Those SLAL Policyholders are to be sent by email, or text, a link to their digital document store in which they can find their versions of the Guide, and of the covering letter.

172.12.4 If the email, or text, cannot be delivered to any of those SLAL Policyholders, their communications are to be sent to the address which SLAL has for them on its computerised policyholder records.

172.12.5 If an email has not been opened by a SLAL Policyholders, a covering letter will be sent to the address which SLAL has for them on its computerised policyholder records.

172.12.6 That letter is to explain that full details of the Phoenix Scheme are available on the SLAL website and in their document store, including versions of the Guide for SLAL Policyholders.

172.12.7 The letter is also to refer to the helplines which are described at Statement 179.

172.13

172.13.1 It may not be possible, before the Phoenix Scheme Sanction Hearing, to post a version of the Guide and the covering letter to persons who become new policyholders of SLAL or Phoenix after the last date on which the communications are sent out, which is expected to be 18 August.

172.13.2 In that event, a new policyholder is, subject to the Proposed Waivers, to receive at least a leaflet.

172.13.3 That leaflet is briefly to mention the Phoenix Scheme and to inform them that full details of it are available on the websites of SLAL and PLAL.

172.13.4 PLAL and SLPF do not expect to have any new policyholders, as neither writes new business.

172.13.5 SLAL reasonably expects the number of new policyholders of SLAL in this period to be approximately 120,000.

172.14

172.14.1 Those Wrap SIPP Members who are to be transferred are to receive the same version of the Guide as those SLAL Policyholders who hold Wrap onshore Bonds and their version of a covering letter.

172.14.2 Those versions are to include a description of the transfer, under the Phoenix Scheme, of the Wrap SIPP Scheme.

172.14.3 Those versions are also to refer to the intended transfer of the New Wrap SIPP Scheme, after the Phoenix Scheme has become operative, under the arrangements which have been described at Statement 33.

173 *An Overview of the Proposed Waivers*

173.1 The Proposed Waivers are to be sought, in accordance with the practice of the Companies Court, at the Phoenix Scheme Directions Hearing.

173.2 That practice is to grant a complete waiver from a requirement of the COBTRA Regulations on the basis that certain steps are to be taken.

173.3 The different practice of this Court is to grant a waiver from a requirement only in specified respects.

173.4

173.4.1 However, the grounds on which a waiver is granted by either court are in effect the same.

173.4.2 In short, a waiver is appropriate when it is not reasonably practicable, or even possible, to comply with a requirement of the COBTRA Regulations or the disadvantages of complying with such a requirement, particularly the cost, clearly outweigh the advantages, if any, of compliance.

173.5 In fact, the different practices of the two Courts produce the same result.

173.6

173.6.1 The appropriateness of a waiver from the requirements of Regulation 3(2)(b) is often supported by the uncertain width of the definition in the Policyholder Order of “*a policyholder*”.

173.6.2 That definition includes not only the legal holder of a policy but also “any person to whom, under the policy, a sum is due, a periodic payment is payable or any other benefit is to be provided or to whom such a sum, payment or benefit is contingently due, payable or to be provided”.

174 *The Proposed Waivers - the Transferring Policyholders and the Present Phoenix Policyholders*

174.1 The first of the Proposed Waivers is to apply to the Transferring Policyholders and Present Phoenix Policyholders, including the SLAL Policyholders and the SLPF Policyholders.

174.2 That Proposed Waiver is sought, first of all, because there are some, familiar categories of Transferring Policyholders, and Present Phoenix Policyholders, to whom individual notification cannot be made.

174.3

- 174.3.1 The first category comprises those who are referred to as “*Goneaways*” and for whom a Transferor cannot reasonably obtain a full name or an up to date address on its computerised policyholder records.
- 174.3.2 As at 31 December 2022, SLAL estimates that *Goneaways* represented approximately 5 per cent of the then SLAL Policyholders on its computerised policyholder records.
- 174.3.3 As at that date, SLPF estimates there were no *Goneaways* among the then SLPF Policyholders on its computerised policyholder records.
- 174.3.4 The Transferors and Phoenix have implemented tracing processes to identify the addresses of *Goneaways* in an attempt to re-establish contact with them.
- 174.3.5 In relation to SLAL, a project to trace its historic *Goneaways* concluded during 2021.
- 174.3.6 Following that tracing exercise, SLAL carried out further activities to re-establish contact with *Goneaways* in early 2022.

174.4

- 174.4.1 The second category of Transferring Policyholders and of Present Phoenix Policyholders concerns those trustee investment policies, and other policies which are held by trustees of group pension schemes.
- 174.4.2 Communications are to be sent to those trustees for whom the Transferor has a name and address on its computerised policyholder records.
- 174.4.3 Those records often show the name of only the first-named trustee.
- 174.4.4 The Transferors and Phoenix are also proceeding on the conventionally cautious basis for an insurance scheme that the members of those pension schemes whose trustees hold the trustee investment policies, or other policies, are within the definition in the Policyholder Order.
- 174.4.5 Accordingly, the communications are to be sent to both trustees, and members, of the group pension schemes for whom the Transferor or Phoenix has details of members on its computerised policyholder records and has communicated directly with them.

174.5

174.5.1 The next category of Transferring Policyholders and of Present Phoenix Policyholders comprises trustees in bankruptcy or sequestration.

174.5.2 The Transferors and Phoenix propose to send the communications to the correspondence name and address on their computerised policyholder records.

174.6

174.6.1 The next category of Transferring Policyholders of SLAL and PLAL comprises those holding joint life policies.

174.6.2 The Transferors and Phoenix intend to send the communications to each name, and address, which it has on its computerised policyholder records.

174.6.3 Those records often show the address of only the first joint holder.

174.7

174.7.1 The next category of Transferring Policyholders of SLAL comprises executors and personal representatives.

174.7.2 The Transferors and Phoenix do not propose to send a communication to any executors or other personal representatives.

174.8

174.8.1 The next category of Transferring Policyholders comprises nominated beneficiaries and additional annuitant beneficiaries.

174.8.2 The Transferors are again proceeding on the conventionally cautious basis that those beneficiaries are within the definition in the Policyholder Order.

174.8.3 The computerised policyholder records often do not show the names of those beneficiaries.

174.9

174.9.1 The next category of Transferring Policyholders comprises assignees, including purchasers of "*traded endowments*".

174.9.2 Where a Transferor or Phoenix holds on its computerised policyholder records contact details of the current holder of the endowment, it will send a version of the Guide and of the covering letter to the current holder.

174.10

174.10.1 The final category of SLAL Policyholder for which a Proposed Waiver is sought comprises those who are subject to the Russia Sanctions Regulations.

174.10.2 As has been described at Statements 102.2 and 102.3, one SLAL Policyholder and two members of SLAL SIPP Scheme who hold the Sanctioned Plans are subject to them.

175 *The Present Phoenix Policyholders*

175.1 The second of the Proposed Waivers is to apply to those of the Present Phoenix Policyholders who are not Affected Phoenix Policyholders.

175.2 In outline, those Present Phoenix Policyholders hold non-profit annuities, whole life and term policies or property-linked Phoenix Policies which are subject to the Phoenix 2017 Scheme or the Phoenix 2018 Scheme.

175.3

175.3.1 Phoenix seeks that second Proposed Waiver primarily on the basis that the cost of individual notification would be disproportionate to any benefit to those Present Phoenix Policyholders and might be counter-productive.

175.3.2 That cost is reasonably estimated at approximately £2,300,000.

176 *The Reinsurers*

176.1 As required by regulation 3(2)(c), SLAL is to give notice of the Phoenix Scheme by letter to the SLAL Reinsurers and PLAL is to give notice of it to its reinsurers.

176.2 The letter to them is to refer to sections 112(2)(a) and 112A.

176.3 Given that proposed notification, a Proposed Waiver is sought also in respect of the requirements of regulation 3(2)(c).

177 *Notification of The Counterparties*

177.1 SLAL, SLPF and PLAL are to give notice of the Phoenix Scheme to “material” SLAL Counterparties, SLPF Counterparties and PLAL Counterparties.

177.2 The material SLAL Counterparties are those who are of particular commercial significance, including, in particular, those whose contracts require consent to their transfer.

178 *The Actuarial Reports and Notification*

178.1 At paragraph 15.67 of the Phoenix Scheme IE Report, Mr Jenkins considers the appropriateness of the Communications Exercise, particularly the individual notification, and the Proposed Waivers.

178.2 That paragraph is in these terms:

“Overall, I am satisfied that the proposed approach to communication with policyholders, including the application for the dispensations, and including the approach to vulnerable customers, is fair, clear and not misleading. I note specifically that this conclusion applies to the communications to the customers who are subject to the proposed future transfer to abrdn and to the parts of their communications which deal with that proposed future transfer.”

178.3

178.3.1 The SLAL CA Report, which is described at Statements 161 and 162, also considers the appropriateness of the Communications Exercise, particularly the individual notification to, and the Proposed Waivers in respect of, the SLAL Policyholders.

178.3.2 The SLAL CA also considers that appropriateness in respect of the SLPF Policyholders.

178.3.3 The SLAL WPA Report which is described at Statement 162 also considers that appropriateness in respect of the with-profits SLAL Policyholders.

178.3.4 Each of the SLAL CA Reports and the SLAL WPA Report concludes in substance that the appropriate version of the Guide, together with the appropriate version of the covering letter, will adequately describe the Phoenix Scheme to the various categories of the SLAL Policyholders and to the SLPF Policyholders.

179 *The Helplines and the Arrangements for Objections*

179.1 A further element of the Communications Exercise comprises the arrangements which the Phoenix Group is to put in place, by way of telephone helplines, to deal with objections to, or even representations and enquiries on the Phoenix Scheme, which are made by telephone, email or otherwise in writing.

179.2

179.2.1 Those arrangements are also to apply to objections to, or representations or enquiries on, any of the Proposed SLAL Schemes Variations.

179.2.2 It will also be possible for objections, or representations, to be made through a form which is to be available on SLAL’s website.

179.3 In particular, every person who individually makes what reasonably appears to be an objection to the Phoenix Scheme will be notified of the procedures for objecting to the Phoenix Scheme and, in this Court, to the Proposed SLAL Schemes Variations.

179.4 Those arrangements are expected to become operational on 10 May 2023.

179.5 Such arrangements are now conventional for insurance schemes, whether before the Companies Court or this Court.

THIS COURT'S APPROACH TO THE PROPOSED SLAL SCHEMES VARIATIONS

180 *The Approach to the Proposed Demutualisation Scheme Variation*

180.1 This Statement sets out the approach which this Court should adopt to the exercise of its discretion, under Paragraph 70.2(D), to consent to the Proposed Demutualisation Scheme Variation.

180.2

180.2.1 Sections 107(1), 3(b) and (4) of FSMA, correctly interpreted, provide that only the Companies Court has jurisdiction to sanction the Phoenix Scheme.

180.2.2 That is so because both one of the Transferors, PLAL, as well as the transferee, Phoenix, is registered in England and Wales.

180.3

180.3.1 In exercising its jurisdiction, under section 111(3), to sanction the Phoenix Scheme, the Companies Court must consider whether it is “*appropriate*” to sanction it.

180.3.2 This Court would have adopted the same statutory test, if it had had jurisdiction to sanction the Phoenix Scheme.

180.4

180.4.1 In particular, the Companies Court must consider *inter alia* whether it is appropriate in effect to replace the SLAL Demutualisation Scheme and the SLAL 2011 Scheme by the Phoenix Scheme.

180.4.2 That matter will necessarily be determined taking the Phoenix Scheme and the Proposed SLAL Schemes Variations as a composite transaction.

180.5 It follows that it would be inappropriate for this Court, in considering whether to consent to the Proposed Demutualisation Scheme Variation, to pronounce on the merits of the Phoenix Scheme.

180.6

180.6.1 Rather, the correct approach for this Court to adopt to its power to consent is to ensure that the Companies Court is fully informed of any aspect of the SLAL Demutualisation Scheme, including the Demutualisation Scheme Variations, of which the Companies Court might otherwise be unaware and of which it might wish to be informed, before deciding whether it is appropriate to sanction the Phoenix Scheme.

180.6.2 Such matters would include any provisions of the SLAL Demutualisation Scheme, including the Demutualisation Scheme Variations, which concerned substantive matters of Scots law.

180.6.3 In addition, they would include any matters of procedure before this Court, in particular any undertaking which had been given in connection with the SLAL Demutualisation Scheme, including the Demutualisation Scheme Variations.

180.6.4 Such matters would also include the way in which the SLAL Demutualisation Scheme had been presented to this Court, including any such presentation by the reporter, which might affect the correct interpretation of the SLAL Demutualisation Scheme.

180.6.5 It is implicit in the approach that, subject to it being disclosed to the Companies Court, no matter of Scots law could preclude this Court from giving its consent to the Proposed Demutualisation Scheme Variation. The only, and most improbable, exception might be an undertaking not to propose an insurance scheme within some period.

180.7 That approach has been adopted by this Court in a series of previous applications of this kind.

180.8

180.8.1 The first set of those applications was made by Alba Life for the variation of three insurance schemes which, in outline, this Court had sanctioned by orders dated 15 December 1994 and 16 November 1989 and which were to be replaced by the Phoenix 2006 Scheme.

180.8.2 In those applications, this Court made orders which were dated 15th November 2006 and released Alba Life from those previous insurance schemes.

180.9

180.9.1 The second of those applications was made jointly by SPL and SMA for the variation of two insurance schemes which this Court had sanctioned by orders dated 13 July 2001 and 12 December 1991.

180.9.2 Each of those insurance schemes was to be replaced by two insurance schemes, one of which was the Phoenix 2009 Scheme.

180.9.3 In that application, this Court made two sets of orders releasing SPL and SMA from those previous insurance schemes.

180.9.4 The first set was dated 6 December 2008 and the second was dated 29 January 2009.

180.10

180.10.1 The third application was made jointly by Scottish Widows PLC and Scottish Widows Annuities Ltd for the variation of an insurance scheme which this Court had sanctioned by an order dated 28 February 2000.

180.10.2 In that application, this Court made an order which was dated 25 January 2015 and which released those insurance companies from that previous insurance scheme.

180.11

180.11.1 The fourth application, which was in effect an adjunct to the third, was again made jointly by Scottish Widows PLC and Scottish Widows Annuities Ltd for the variation of an insurance scheme which this Court had sanctioned by an order dated 1 December 2004 and became effective on the 31st of that month.

180.11.2 In that application, this Court made an order which was also dated 25 January 2015 and which released those insurance companies from that previous insurance scheme.

180.11.3 Those applications by Scottish Widows PLC and Scottish Widows Annuities Ltd are together referred to in this application as the “**Scottish Widows Applications**”.

180.12

180.12.1 The approach which is set out at Statement 180.6 also applies to Court’s exercise of its power to consent to the Proposed SLAL 2011 Scheme Variation.

180.12.2 However, the approach which this Court is to adopt to the Proposed SLAL Brexit Scheme Variation should be different, as set out at Statement 182.

181 *The Application of that Approach*

181.1

181.1.1 Applying that approach which is set out at Statement 180.6, there are three matters which concern the SLAL Demutualisation Scheme and the SLAL 2011 Scheme and of which the Companies Court requires to be made aware.

181.1.2 There are first of all two matters of substantive Scots law and in addition one matter of this Court's practice on insurance schemes.

181.2

181.2.1 The first matter of substantive Scots Law is in respect of the SLAL Demutualisation Scheme and concerns the Mortgage Endowment Promise.

181.2.2 The Mortgage Endowment Promise has always constituted a unilateral obligation which is directly enforceable by those SLAL Policyholders to whom it is addressed against SLAL, as a matter of Scots private law as well as under the Demutualisation Scheme, despite having been given without consideration and not given as a deed.

181.3

181.3.1 The second matter of substantive Scots law is in respect of the SLAL 2011 Scheme and concerns the Property-Linked Floating Charge.

181.3.2 The Property-Linked Floating Charge is a statutory mechanism, which is governed by the provisions of the Companies Act 1985 and which could, therefore, have been granted only by a Scottish-registered company, such as SLAL, and not by an English-registered company, such as Phoenix.

181.3.3 In particular, the Property-Linked Floating Charge can be enforced only in accordance with those provisions and in the insolvency processes which the Companies Act 1985 provides for Scottish registered companies.

181.3.4 For completeness, those propositions apply also to the SL Intl Reinsurance Floating Charge, although it provides that it is governed by English law, subject to an exclusion for assets which are governed by Scots law.

181.3.5 A related matter is that the Property-Linked Floating Charge was granted under, and so forms part of, the SLAL 2011 Scheme, in addition to being a right in security as a matter of private law.

181.3.6 Similarly, the SL Intl Reinsurance Floating Charge was granted under, and so forms part of, the SLAL Brexit Scheme, in addition to being a right in security as a matter of private law.

181.3.7 For completeness, section 464 of the Companies Act 1985 permits a floating charge granted by a Scottish registered company to include a provision prohibiting, or restricting, the creation by the company of any fixed security or other floating charge having priority over, or ranking *pari passu* with the floating charge or regulating the order in which the floating charge is to rank with *inter alia* any future floating charge or fixed security.

181.3.8 The Property-Linked Floating Charge includes such a statutory “*negative pledge*” only in respect of a fixed security, or floating charge, which is not granted in the ordinary course of SLAL’s business. Accordingly, that negative pledge is of limited practical effect.

181.4

181.4.1 The third matter of which the Companies Court requires to be informed concerns the provisions of Paragraph 70.2 for the variation of the SLAL Demutualisation Scheme without the requirement for this Court’s consent.

181.4.2 The practice of this Court is to require a transferee under an insurance scheme to give notice of such a proposed variation to the reporter who was appointed to that insurance scheme in order for the latter to be satisfied that the proposed variation did not in fact require this Court’s consent.

181.4.3 The application of that requirement to the SLAL Brexit Scheme was noted in the Minute of Proceedings for the application to sanction the SLAL Brexit Scheme.

181.5

181.5.1 All the matters which have been mentioned in this Statement are to be drawn by counsel to the attention of the Companies Court at the Phoenix Scheme Sanction Hearing.

181.5.2 Subject to being disclosed to the Companies Court, none of those matters could preclude this Court from giving its consent to the Proposed Demutualisation Scheme Variation or the Proposed SLAL 2011 Scheme Variation.

181.6 For completeness, the way in which the SLAL Demutualisation Scheme, or any of the Demutualisation Scheme Variations, was presented to this Court would not affect the interpretation of the SLAL Demutualisation Scheme and did not include any implied undertaking as to its operation.

181.7

181.7.1 By contrast, the SLAL Brexit Scheme was, before being sanctioned, amended to provide expressly that a Former SLAL Euro Policyholder may enforce its terms to the extent that they are bound by them.

181.7.2 That amendment was also noted, it is believed uniquely in an insurance scheme in this Court, in the Minute of Proceedings.

181.7.3 However, the SLAL Brexit Scheme goes on to provide expressly that that right of a Former SLAL Euro Policyholder is not to prevent SLAL and SL Intl from varying its terms.

181.7.4 For completeness, it was also explained to this Court that the SL Intl Reinsurance Floating Charge formed part of the SLAL Brexit Scheme.

181.8

181.8.1 In addition, the Companies Court also requires to be informed of the three aspects of the SLAL Brexit Schemes which involve Scots law.

181.8.2 That is so, although this Court, and not the Companies Court, is to decide on the merits of the Proposed SLAL Brexit Scheme Variation, as set out at Statement 182.

181.8.3 The Proposed SLAL Brexit Scheme Variation and the Phoenix Scheme form, in commercial terms, part of a composite transaction.

181.8.4 Accordingly, the Companies Court requires in order to determine whether to sanction the Phoenix Scheme, to be sufficiently informed of the Proposed SLAL Brexit Scheme Variation and also of the SLAL Brexit Scheme, including the aspects which involve Scots law.

181.9

181.9.1 The first of those aspect of the SLAL Brexit Scheme is the SL Intl Undertaking, which, with the Deed Polls, supplements the SLAL Brexit Scheme, as set out at Statement 77.

181.9.2 The second of those aspects is that the Proposed SLAL Brexit Scheme Variation is to be supplemented by the New SL Intl Undertaking, as well as by the Amended Deed Polls, as set out at Statement 77.10.

181.9.3 The third of those aspects is that the SL Intl Reinsured Liabilities are secured *inter alia* by the SL Intl Reinsurance Floating Charge.

181.9.4 The points which are set out at Statement 181.3 on a floating charge which has been granted by a Scottish-registered company apply equally to the SL Intl Reinsurance Floating Charge.

182 *The Approach to the SLAL Brexit Scheme Variation*

182.1 The approach to the exercise of this Court's discretion as to whether to approve the Proposed SLAL Brexit Scheme Variation should be different from that which is to be adopted to the two earlier Proposed SLAL Schemes Variations.

182.2 That is so because the Phoenix Scheme is not to replace the SLAL Brexit Scheme, which is to continue, after having been varied.

182.3 Accordingly, this Court does require, in exercising its power, to consider fully the merits of the Proposed SLAL Brexit Scheme Variation.

182.4

182.4.1 The approach which the Court is to apply is whether in all the circumstances it is appropriate to approve the Proposed SLAL Brexit Scheme Variation.

182.4.2 In particular, this Court will have to consider whether it is appropriate that the SLAL Brexit Scheme be varied in order to enable the Phoenix Scheme to take effect, if the Companies Court determines that it is otherwise appropriate to sanction the Phoenix Scheme.

182.4.3 In applying that approach, this Court will also necessarily consider the Phoenix Scheme and the Proposed SLAL Schemes Variations, in economic terms, as a composite transaction.

182.5 That approach to a power to vary an insurance scheme which is to continue in force was applied by this Court in giving its consent to the Previous SLAL Schemes Variations.

182.6

182.6.1 It is understood that the same approach was adopted in substance to the only other application to this Court for consent to vary an insurance scheme.

182.6.2 That was the application in 2020 by The Prudential Insurance Company Limited to vary, and in effect to permit the termination of, the insurance scheme which implemented the demutualisation of the Scottish Amicable Life Assurance Society and was sanctioned by order dated 24 September 1997.

182.6.3 This Court's consent to the variation of that insurance scheme was given by an order dated 5 November 2020.

182.7

182.7.1 It does not matter to the approach to be adopted, that those previous variations of continuing insurance schemes were different from the Proposed SLAL Brexit Scheme Variation.

182.7.2 None of those previous variations involved the replacement of a transferor (or indeed a transferee) under a continuing insurance scheme, as the Proposed SLAL Brexit Scheme Variation is to do.

182.7.3 In particular, none of those previous variations involved the replacement of a transferor, whose business was to be transferred under a new insurance scheme.

183 *The Application of that Approach*

183.1 Applying that approach, it will be appropriate for this Court to approve the Proposed SLAL Brexit Scheme Variation.

183.2 In particular, it is reasonably expected that the Proposed SLAL Brexit Scheme Variation will not adversely affect the interests of the SL Intl Policyholders and, in particular, the SL Intl HWPF Policyholders and those SL Intl Policyholders who benefit from the SL Intl EFL Agreement.

183.3

183.3.1 As described at Statements 144, 146 and 147, the Phoenix Scheme is in substance to replicate those protections for the SL Intl Policyholders which are in the SLAL Brexit Scheme, including the SL Intl Reinsurance Arrangements.

183.3.2 As described at Statement 152, the Proposed SLAL Brexit Scheme Variation is to vary those protections only to the extent necessary to replace SLAL by Phoenix and not otherwise.

183.3.3 In addition, the SL Intl Reinsurance Agreements are to be allocated to the Phoenix Heritage WP Fund, the Phoenix German WP Fund and the Phoenix German SMWP Fund, none of which will have less protections, under the Phoenix Scheme, than each of the SLAL HWPF, the SLAL GWPF and the SLAL GSMWPF has under the SLAL Demutualisation Scheme.

183.3.4 More generally, the replacement of SLAL by Phoenix is still to retain the SL Intl Reinsurance Arrangements within the Phoenix Group.

183.3.5 In addition, the New Phoenix SL Intl Reinsurance Floating Charge, taken as a whole, is to give SL Intl and the SL Intl Policyholders equivalent protection to that which they have under the SL Intl Reinsurance Floating Charge.

- 183.3.6 In particular, the difference which is described at Statements 152.7.3 to 152.7.7 is not substantive and is not likely in practice to reduce their protection.
- 183.3.7 Finally, the treatment of the Proposed SLAL Brexit Scheme Variation, for purposes of accounting and financial reporting, is to affect only the parties and not any third party, including, in particular, any SLAL Policyholder or any SL Intl Policyholder.
- 183.4 The Phoenix Scheme IE Report confirms that the Proposed SLAL Brexit Scheme Variation will not adversely affect the interests of the SL Intl Policyholders.
- 183.5 The SL Intl Policyholders will also have been sufficiently informed of the Proposed SLAL Brexit Scheme Variation.
- 183.6 In addition, the CBI has not indicated that it objects to the Proposed SLAL Brexit Scheme Variation and may so confirm to SL Intl.
- 183.7 As said at Statement 108.1, this Court's approval of the Proposed SLAL Brexit Scheme Variation is technically sought in the SLAL Brexit Scheme Variation Application.

184 **THE CONSENT ORDER**

- 184.1 It is sought that the Consent Order is subject to four conditions, the second and third being alternatives.
- 184.2
- 184.2.1 The first condition is that this Court gives its consent to the variation of the SLAL 2011 Scheme Variation and its approval to the SLAL Brexit Scheme Variation.
- 184.2.2 The second condition is that the Phoenix Scheme, in its proposed terms at the date of the Consent Order, is sanctioned, without modification, by the Companies Court at the Phoenix Scheme Sanction Hearing.
- 184.2.3 The third condition is that, if those terms of the Phoenix Scheme are modified before it is so sanctioned, this Court makes a further order confirming that the Consent Order is still to come into effect, despite that modification.
- 184.2.4 The fourth condition is that the Phoenix Scheme becomes effective in accordance with its then terms.
- 184.3 In addition, the Consent Order is to permit the treatment of the Proposed Demutualisation Scheme Variation, for purposes of accounting and financial reporting, as is described at Statement 152.12.
- 184.4 In addition, that Consent Order is to require SLAL to report to this Court if the Phoenix Scheme is modified before being sanctioned at the Phoenix Scheme Sanction Hearing.

184.5 The order which is sought in the SLAL 2011 Scheme Variation is to be in the same substantive terms and is to be subject to four equivalent conditions.

184.6

184.6.1 The final order which is sought in the SLAL Brexit Scheme Variation Application is to be broadly similar and is also to be subject to four equivalent conditions.

184.6.2 In addition, that order is expressly to permit the treatment of the Proposed SLAL Brexit Scheme Variation, for purposes of accounting and financial reporting.

184.6.3 The narrative of that order is also to refer to the New SL Intl Undertaking, the Phoenix Undertaking and the New Phoenix SL Intl Reinsurance Floating Charge.

184.7 Subject to permitting the treatment for purposes of accounting and financial reporting, the proposed form of the Consent Order, particularly its being conditional, follows the overall form of order which was made in the Scottish Widows Applications and the other applications of this kind that have been described at Statements 180.8 to 180.11.

185 **THE NOTIFICATION OF THIS APPLICATION**

185.1 In view of the extent of the Phoenix Scheme Communications Exercise, it is sufficient and appropriate to give notice of this application as set out in this Statement.

185.2

185.2.1 The Variations Applications Notice is to be published in *The Edinburgh Gazette*, *The London Gazette* and *The Belfast Gazette* and in *The Scotsman*, and "*The Daily Record*", as well as in *The Times* and *The Daily Telegraph*, four of the newspapers in which the Phoenix Scheme Notice is to be published.

185.2.2 The Variations Applications Notice is to refer to the SLAL website, the three SL Intl websites, which are referred to at Statement 185.8, and, for completeness, the Phoenix website.

185.2.3 Each website is to include copies of the documents set out at Statement 171.6.3.

185.3

185.3.1 It is more convenient for the Variations Applications Notice to be a composite one, which covered the three Proposed SLAL Schemes Variations Applications.

185.3.2 Such a composite notice was published for *inter alia* the application for sanction of the SLAL Brexit Scheme and those for consent to the Demutualisation Scheme Brexit Variation and the SLAL 2011 Scheme Brexit Variation.

185.3.3 However, the Variations Applications Notice is to be distinct from the Phoenix Scheme Notice, since the latter is to relate to the application to the Companies Court.

185.4

185.4.1 As the Variations Applications Notice is also to refer to the SLAL Brexit Scheme Variation Application, it is appropriate that it is also published in the official *Irish Gazette*, *The Irish Times* and *The Irish Independent*, in which the notice of the SLAL Brexit Scheme was published.

185.4.2 The Variations Applications Notice is to notify the Former SLAL Euro Policyholders in Ireland of this application and the Proposed SLAL Brexit Scheme Variation Application.

185.4.3 However, the Variations Applications Notice is not to include the required notice of the proposed amendments to the Deed Polls, but only a reference to them.

185.4.4 SL Inl has been advised that the required notice does not require to include the whole text of those amendments or that of the Amended Deed Polls.

185.4.5 For completeness, it is anticipated that the notice would be published, at the same time as the Variations Applications Notice, in the Irish Gazette, as provided for in the Deed Polls.

185.4.6 Similarly, the notice would be published, in Germany, the “*Frankfurter Allgemeine Zeitung*” and, in Austria, in “*Amtsblatt zur Wiener Zeitung*”, in both cases in German.

185.5

185.5.1 Similarly, it is appropriate that a German translation of the Variations Applications Notice is also published in the two daily newspapers in Germany namely *Handelsblatt* and *Süddeutsche Zeitung*, in which the notice of the SLAL Brexit Scheme was published.

185.5.2 That publication of the Variations Applications Notice is to notify the Former SLAL Euro Policyholders in Germany of this application and the SLAL Brexit Scheme Variation Application.

185.6

185.6.1 It is also appropriate that a German translation of the Variations Applications Notice is published in the two daily newspapers in Austria, namely *Die Presse* and *Der Standard*, in which the notice of the SLAL Brexit Scheme was published.

185.6.2 That publication of the Variations Applications Notice is to notify the Former SLAL Euro Policyholders in Austria of this application and the SLAL Brexit Scheme Variation Application.

185.7

185.7.1 In addition, the Variations Applications Notice is not to be published for some weeks after the order for service and advertisement of this application.

185.7.2 That is in order to co-ordinate its publication with the posting of the communications to the Transferring Policyholders and the Affected Policyholders.

185.8

185.8.1 SL Intl has an Irish website, a German website and an Austrian website (together **“the SL Intl Websites”**)

185.8.2 SL Intl is to have a page on each of the SL Intl Websites, which is to be dedicated to the Proposed SLAL Brexit Scheme Variation and the Phoenix Scheme.

185.8.3 Each page is to include a copy of the following documents:

- (a) the SLAL Brexit Scheme as it is to be amended;
- (b) the New Phoenix SL Intl Reinsurance Floating Charge;
- (c) the Phoenix Scheme IE Report, which is, as said at Statement 160.2.2, to include the SLAL Brexit Scheme Variation Certificate;
- (d) the SL Intl HoAF Report;
- (e) the SLAL CA Report and the SLAL WPA Report;
- (f) this application;
- (g) the other two Proposed SLAL Schemes Variations Applications;
- (h) the Variations Applications Notice;
- (i) the Phoenix Undertaking;
- (j) the Deed Polls and the Amended Deed Polls;
- (k) the New SL Intl Undertaking;
- (l) the New WPOPs; and

- (m) a copy of the question and answer guide (the “SL Intl QA Guide”) for SL Intl Policyholders to the Proposed SLAL Brexit Scheme Variation and the Phoenix Scheme.

185.8.4 The pages on the SL Intl Websites are to be available for at least 12 months after the Proposed SLAL Brexit Scheme Variation becomes legally effective.

185.8.5 The pages on the SL Intl Websites are to become accessible after the page of the SLAL website because of the time which it will take to translate into German the documents which are referred to at Statement 185.10 and are also to be available on the German/Austrian website.

185.8.6 In addition, the pages are also to be kept up to date by SL Intl, particularly by including the supplementary report by Mr Jenkins and those reports by the SL Intl HoAF, the SLAL CA and the SLAL WPA.

185.8.7 The Variations Applications Notice is to refer the Proposed SLAL Schemes Variations and the Phoenix Scheme Application being available on the SL Intl website and the SLAL website.

185.9

185.9.1 The SL Intl QA Guide is mainly to include a set of questions, and answers, on the Proposed SLAL Brexit Scheme Variation, in the context of the Phoenix Scheme.

185.9.2 In addition, the SL Intl QA Guide is to address the Amended Deed Polls.

185.9.3 The SL Intl QA Guide is also to describe the formal, and informal, procedures for objecting in this Court to the Proposed SLAL Brexit Scheme Variation.

185.10

185.10.1 Finally, certain of the documents are also to be available, in German, on the SL Intl German website and the SL Intl Austrian website.

185.10.2 The translated documents are to include the SLAL Brexit Scheme, as it is to be varied by the Proposed SLAL Brexit Scheme Variation, the Amended Deed Polls, the SL Intl QA Guide, the Phoenix Scheme IE Report and the Variations Applications Notice.

185.11

185.11.1 Individual notification of this application to the SLAL Policyholders, in addition to the communications which they are to receive on the Phoenix Scheme, would not be appropriate.

185.11.2 As said at Statement 172.6.1, the versions of the Guide for SLAL Policyholders and, for completeness, those for the SLPF Policyholders are to refer to the Proposed SLAL Schemes Variations and include the procedures of this Court for objecting.

185.11.3 Individual notification of this application would cause very significant additional cost. The direct cost of printing, and posting, a document is reasonably estimated at approximately £2.5 million.

185.11.4 Such notification would in the circumstances also serve no useful purpose in informing the SLAL Policyholders and might serve only to confuse them.

185.12

185.12.1 In addition, it would not be appropriate to give individual notification to the SL Intl Policyholders of this application or that for the Proposed SLAL Brexit Scheme Variation.

185.12.2 Such notification would cause very significant additional cost. The direct cost of printing, and posting, a document is reasonably estimated at approximately £600,000.

185.12.3 In addition, the Proposed SLAL Brexit Scheme Variation, when considered in the whole context of the Phoenix Scheme, the Proposed Demutualisation Scheme and, for completeness the Proposed SLAL 2011 Scheme Variation, will not adversely affect the interests of the SL Intl Policyholders and, in particular, those who benefit from the SL Intl Reinsurance Arrangements.

185.12.4 Any individual notification of the Proposed SLAL Brexit Scheme Variation might serve only to confuse the SL Intl Policyholders. Any notification would require to refer to policies being transferred under the Phoenix Scheme, when no SL Intl Policy is to be transferred.

185.12.5 Sections 3.1 and 3.4 of the SL Intl HoAF Report confirm, in substance, that the proposed notification for the SL Intl Policyholders is appropriate and that individual notification to them is unnecessary and inappropriate.

185.12.6 Paragraph 13.13 of the Phoenix Scheme IE Report contains in effect the same conclusion.

185.12.7 It is reasonably believed, by SL Intl, after its discussions with that body, that the CBI does not require individual notification to the SL Intl Policyholders and accepts that the proposed notification of the Proposed SLAL Brexit Scheme Variation is appropriate.

185.12.8 For completeness, the New WPOPs do not in the circumstances require that the Proposed SLAL Brexit Scheme Variation be notified individually to any of the SL Intl Policyholders.

185.13 In addition, it is not appropriate to give the SLAL Reinsurers any notification of this application and the other Proposed SLAL Schemes Variations Applications, which is additional to the notification of the Phoenix Scheme that is described at Statement 176.

185.14 Similarly, it is not appropriate to give the SLAL Counterparties or the SLPF Counterparties, any notification of this application and the other Proposed SLAL Schemes Variations Applications, which is additional to the notification of the Phoenix Scheme that is described at Statement 177.

185.15

185.15.1 This Court has never required individual notification of an application to vary an insurance scheme.

185.15.2 That was so for the applications to vary insurance schemes which were to continue, namely the Demutualisation Scheme Variations, the SLAL 2011 Scheme Variations, the SLAL Brexit Scheme Variation and the insurance scheme which is referred to at Statement 180.4.

185.15.3 In addition, that was also so for applications to vary insurance schemes which were to be replaced.

185.15.4 Those applications comprise the Scottish Widows Applications and the others which are referred to at Statements 180.7 to 180.11.

185.16

185.16.1 For completeness, this application, along with the SLAL 2011 Scheme Variation Application and the SLAL Brexit Scheme Variation Application will also be formally served on the UK Regulators, which have already seen drafts of them.

185.16.2 The SLAL Brexit Scheme Variation Application will also be formally served on the CBI, which has already seen drafts of both it and this application.

185.16.3 In addition, the CBI is to be sent a copy of this application and the first order which this Court makes in it.

185.17

185.17.1 The proposed notification of this application and the form of the proposed first order are in substance broadly the same as those for the Scottish Widows Applications, subject to two differences.

185.17.2 The first is the additional publication of the Applications Notice in Ireland, Germany and Austria.

185.17.3 The second difference is that advertisement is not sought in any edition of the Financial Times but is to be sought in the Daily Record.

186 **THE PERIOD FOR ANSWERS**

186.1 It is sought to extend the period for Answers to one of 42 days.

186.2 That period, which is to run from the publication of the Applications Notice and not the earlier service of this application, is to be broadly consistent with the period of notice of the Phoenix Scheme Sanction Hearing.

186.3 Such an extension is conventional in applications to sanction, or vary, insurance schemes.

186.4 That extension is sought (i) under Rules of Court 14.4 (6)(b) and 14.6(2), which are applied to this form of application by Rules 15.2(3) and (ii) in accordance with paragraph (v) of the Prayer.

187 **THE REPORTER**

187.1 The appointment is sought of T.W. Swan, Solicitor, Edinburgh, as Reporter to this process, in accordance with paragraph (vi) of the Prayer.

187.2 Mr Swan's appointment is also sought to each of other the Proposed SLAL Schemes Variations Applications.

187.3

187.3.1 Mr Swan has experience of applications under Part VII, including insurance schemes.

187.3.2 Accordingly, his appointment would assist the Court in considering the Proposed SLAL Schemes Variations Applications.

187.4

187.4.1 Mr Swan is willing to act, on terms acceptable to SLAL and Phoenix.

187.4.2 In addition, Mr Swan has, through his firm, the resources which will be required to undertake this appointment.

187.5 This Court has indicated that it is minded to appoint Mr Swan.

187.6

187.6.1 It is expected that Mr Swan will produce a composite report on all the Proposed SLAL Schemes Variations.

187.6.2 That would be the approach which was adopted in *inter alia* the applications for the SLAL Brexit Scheme, the Demutualisation Scheme Brexit Variation and the SLAL 2011 Scheme Variation.

188 **GENERAL**

188.1 This application is made under (i) section 112(1) (d); (ii) paragraph 13 of the order sanctioning the SLAL Demutualisation Scheme; and (iii) this Court's petition procedure.

188.2 It is also made under Rules of Court 14.4 (6)(b) and 14.6(2), which are applied to this form of application by Rule 15.2(3).

MAY IT THEREFORE please your Lordships:

- (i) to order intimation on the Walls in common form of this Note by Standard Life Assurance Limited ("**SLAL**") for consent to the proposed variation (the "**Proposed Variation**") to the insurance business transfer scheme (the "**Demutualisation Scheme**"), which is under Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000 ("**FSMA**") and under which substantially all of the long-term insurance business of The Standard Life Assurance Company was transferred to SLAL;
- (ii) to order SLAL to advertise this Note (a) once in The Edinburgh Gazette, The London Gazette and The Belfast Gazette and (b) once in the following newspapers, namely "*The Scotsman*", "*the Daily Record*", "*The Times*" (United Kingdom and Scottish editions); and "*The Daily Telegraph*" (United Kingdom and Scottish editions)];
- (iii) to order that the advertisements which are referred to at paragraph (ii) of this Prayer is to form part of a composite advertisement, which is also to give notice of the following two related applications that were made to this Court on the same day as this Note, namely:
 - (a) the Note by SLAL for consent to the variation of the insurance business transfer scheme (the "**SLAL 2011 Scheme**"), which is also under FSMA and under which all of the long-term insurance business of Standard Life Investments Funds Limited was transferred to SLAL; and
 - (b) the Note by SLAL and Standard Life International DAC for approval of the variation of the insurance business transfer scheme (the "**SLAL Brexit Scheme**"), which is also under FSMA and under which part of the long-term insurance business of SLAL was transferred to Standard Life International DAC;

- (iv) to order that this Note be served on the Prudential Regulation Authority and the Financial Conduct Authority, each of which is designed in Schedule 1 to this Note;
- (v) to allow any party that service claiming an interest in this Note to lodge Answers to it within 42 days of the latest of that intimation, that service and those advertisements;
- (vi) to appoint Thomas W. Swan, solicitor, of 1 Exchange Crescent, Conference Square, Edinburgh, as reporter to this process; and to remit to that reporter to report on the facts and circumstances set out in the Note and on the regularity of the proceedings;

and on resuming consideration of this Note, with or without Answers;

- (vii) to approve the report of the reporter;
- (viii) to make, under section 112(1)(d) of FSMA, an order (the “**Consent Order**”) giving consent, in accordance with paragraph 70.2(D) of the Demutualisation Scheme, to the Proposed Variation that will result from the transfer to Phoenix Life Limited (“**Phoenix**”) of the long-term insurance business of SLAL, which transfer is to be effected by an insurance business transfer scheme (the “**Phoenix Scheme**”) which is also to be under FSMA and is to be between among others SLAL and Phoenix;
- (ix) to release SLAL from the continuing obligations which are imposed on it by the Demutualisation Scheme in respect of the long-term insurance business which is to be transferred by the Phoenix Scheme;
- (x) to order that the Proposed Variation may, so far as possible, be treated by SLAL and Phoenix, for purposes of accounting and financial reporting, as having become effective on 30 September 2023;
- (xi) to order that that the paragraphs of the Consent Order which are to be in accordance with paragraphs (viii) to (x) and paragraphs (xiii) to (xv) of this prayer are to come into effect only on the following conditions being satisfied:
 - (a) this Court giving its consent to the variation of the SLAL 2011 Scheme and giving its approval to the variation of the SLAL Brexit Scheme;
 - (b) the Phoenix Scheme (in its proposed form at the date of the Consent Order) being sanctioned by the Companies Court of the Business and Property Court of the High Court of England and Wales, without modification; or
 - (c) if the Phoenix Scheme is modified before being so sanctioned, this Court making a further order confirming that the Consent Order is still to come into effect, despite the modification to the Phoenix Scheme; and
 - (d) whichever of the conditions in (b) and (c) is satisfied, on the Phoenix Scheme becoming operative;

- (xii) to order SLAL to report to the Court as soon as is reasonably practicable, if the Phoenix Scheme is modified before being sanctioned;
- (xiii) to order that two certified copies of the Consent Order be deposited with the Prudential Regulation Authority within 10 days of the date of that order;
- (xiv) to order SLAL to advertise the Consent Order (a) once in The Edinburgh Gazette, The London Gazette and The Belfast Gazette and (b) once in the following newspapers, namely the “*The Scotsman*”; “*the Daily Record*”; “*The Times*” (United Kingdom and Scottish editions); and “*The Daily Telegraph*” (United Kingdom and Scottish editions);
- (xv) to order that each of the advertisements which are referred to at paragraph (xiii) of this Prayer is to form part of a composite advertisement, which is also to give notice of the order that has been made in the application in connection with the SLAL 2011 Scheme and the order that has been made in the application in connection with the SLAL Brexit Scheme;
- (xvi) to decern; or to do further, or otherwise, in the premises, as your Lordships may consider appropriate.

ACCORDING TO JUSTICE, ETC

SCHEDULE 1

SCHEDULE FOR SERVICE

Service in common form is sought upon:

- 1 Prudential Regulation Authority,
20 Moorgate,
London
EC2R 6DA

- 2 Financial Conduct Authority,
12 Endeavour Square,
London
E20 1JN

SCHEDULE 2

GLOSSARY OF DEFINED TERMS

In this Note each of the following words and expressions shall have the following meanings:

abrdn	has the meaning given in Statement 1.4.1;
abrdn Group	has the meaning given in Statement 1.4.2;
abrdn Group Companies	has the meaning given in Statement 1.4.2;
abrdn Transfer Business	has the meaning given in Statement 8.3;
Affected Phoenix Policyholders	has the meaning given in Statement 172.1;
Alba Life	has the meaning given in Statement 18.2(vi);
ALPL	has the meaning given in Statement 8.2.1;
Amended Deed Polls	has the meaning given in Statement 77.8.3;
ALPL Scheme	has the meaning given in Statement 8.2.1;
ALPL Scheme Policyholders	has the meaning given in Statement 32.4;
Assets	has the meaning given in Statement 98.4.1;
AWL	has the meaning given in Statement 18.2(ii);
Back-Book Premium	has the meaning given in Statement 68.5.1;
BULA	has the meaning given in Statement 18.2(iv);
Capital Event	has the meaning given in Statement 42.4.1;
CBI	has the meaning given in Statement 5.4.4;
Closure Uplift	has the meaning given in Statement 129.3;
COBS Rules	has the meaning given in Statement 40.13.1;
COBTRA Regulations	has the meaning given in Statement 11.1.2;
Communications Exercise	has the meaning given in Statement 170.1.2;

Companies Court			has the meaning given in Statement 4.1;
Consent Order			has the meaning given in Statement 4.4.1;
Contingent Financing Arrangement			has the meaning given in Statement 49.1;
Contingent RCF Loan			has the meaning given in Statement 46.1;
Core Principles			has the meaning given in Statement 42.1;
CR Amount			has the meaning given in Statement 103.5.1;
Deed Polls			has the meaning given in Statement 77.1;
Defined Blocks			has the meaning given in Statement 44.2.2;
Demutualisation Variation	Scheme	2011	has the meaning given in Statement 6.2.1;
Demutualisation Variation	Scheme	2016	has the meaning given in Statement 6.3.1;
Demutualisation Variation	Scheme	Brexit	has the meaning given in Statement 6.4.1;
Demutualisation Certificate	Scheme	Variation	has the meaning given in Statement 156.3.1;
Demutualisation Scheme Variations			has the meaning given in Statement 6.1;
EEA			has the meaning given in Statement 2.2;
Effective Date			has the meaning given in Statement 97.6.2;
Events of Default			has the meaning given in Statement 70.2.1;
Excluded Assets			has the meaning given in Statement 100.7;
Excluded Liabilities			has the meaning given in Statement 101.7;
Excluded Policies			has the meaning given in Statement 99.4;
Excluded Policies Transfer Date			has the meaning given in Statement 102.2.4;
FCA			has the meaning given in Statement 11.4;

FCA Scheme Reports	has the meaning given in Statement 166.3;
FCA Variations Reports	has the meaning given in Statement 166.3;
Final Hearing	has the meaning given in Statement 5.7;
First Hearing	has the meaning given in Statement 5.7;
Former SLAL Austrian HWPF Policies	has the meaning given in Statement 28.3.2;
Former SLAL Austrian PBF Policies	has the meaning given in Statement 28.4.2;
Former SLAL Euro Business	has the meaning given in Statement 5.4.2;
Former SLAL Euro HWPF Policies	has the meaning given in Statement 28.3.1;
Former SLAL Euro PBF Policies	Has the meaning given in Statement 28.4.1;
Former SLAL Euro Policies	has the meaning given in Statement 14.5.2;
Former SLAL Euro Policyholders	has the meaning given in Statement 14.5.2;
Former SLAL German HWPF Policies	has the meaning given in Statement 28.3.2;
Former SLAL German PBF Policies	has the meaning given in Statement 28.4.2;
Former SLAL Irish HWPF Policies	has the meaning given in Statement 28.3.2;
Former SLAL Irish PBF Policies	has the meaning given in Statement 28.4.2;
Former SLAL Euro PBF Policies	has the meaning given in Statement 28.4.1;
FSMA	has the meaning given in Statement 1.2.1;
Further Capital Support Account	has the meaning given in Statement 46.4;
GFRP	has the meaning given in Statement 102.3.1;
Group Reinsurance Arrangements	has the meaning given in Statement 127.1;
Guernsey Scheme	has the meaning given in Statement 20.4;
Guernsey Transfer Date	has the meaning given in Statement 96.2.1;

Guide	has the meaning given in Statement 172.5.1;
HWPF Reinsurance Agreement	has the meaning given in Statement 111.2.2;
Independent Member	has the meaning given in Statement 130.3.1;
Indirect Phoenix Schemes	has the meaning given in Statement 92.1;
insurance business	has the meaning given in Statement 11.3.2;
insurance company	has the meaning given in Statement 11.3.2;
insurance scheme	has the meaning given in Statement 11.3.1;
Ireland	has the meaning given in Statement 5.4.3;
Irish Court	has the meaning given in Statement 9.4;
Irish Regulations	has the meaning given in Statement 5.4.4;
Irish scheme	has the meaning given in Statement 11.3.3;
Jersey Scheme	has the meaning given in Statement 20.4;
Jersey Transfer Date	has the meaning given in Statement 96.4.1;
Law Debenture	has the meaning given in Statement 25.4.1
liabilities	has the meaning given in Statement 98.4.2;
LIST 2022	has the meaning given in Statement 40.11.1;
Mis-selling Liabilities	has the meaning given in Statement 101.6.1;
Mortgage Endowment Promise	has the meaning given in Statement 54.1;
New Phoenix Linked-Fund	has the meaning given in Statement 113.1;
New Phoenix Property-Linked Floating Charge	has the meaning given in Statement 25.8.3;
New Phoenix SL Intl Reinsurance Charged Assets	has the meaning given in Statement 75.6.3;

New Phoenix SL Intl Reinsurance Floating Charge	has the meaning given in Statement 75.6.1;
New Phoenix With-Profits Funds	has the meaning given in Statement 109.1;
New Security Trust Agreement	has the meaning given in Statement 25.9.1;
New SL Intl Funds	has the meaning given in Statement 64.1;
New SL Intl Undertaking	has the meaning given in Statement 77.10;
New WPOPs	has the meaning given in Statement 152.14;
New Wrap SIPP Scheme	has the meaning given in Statement 33.2.1;
Non-Executive Members	has the meaning given in Statement 130.2;
Notional Company	has the meaning given in Statement 43.3.1;
NPLL	has the meaning given in Statement 18.2(iii);
PALAL	has the meaning given in Statement 18.2(i);
Paragraph 70.2	has the meaning given in Statement 2.4;
PCP	has the meaning given in Statement 120.1;
PGH	has the meaning given in Statement 1.3.1;
Phoenix	has the meaning given in Statement 3.2;
Phoenix 100% WP Fund	has the meaning given in Statement 89.4.2(i);
Phoenix 2006 Scheme	has the meaning given in Statement 90.5.1;
Phoenix 2009 Scheme	has the meaning given in Statement 90.1.1;
Phoenix 2011 Scheme	has the meaning given in Statement 90.1.4;
Phoenix 2012 Scheme	has the meaning given in Statement 90.2.1;
Phoenix 2017 Scheme	has the meaning given in Statement 90.3.1;
Phoenix 2018 Scheme	has the meaning given in Statement 90.4.1;

Phoenix 90% WP Fund	has the meaning given in Statement 89.4.2(ii);
Phoenix Alba WP Fund	has the meaning given in Statement 89.4.2(iii);
Phoenix BIB WP Fund	has the meaning given in Statement 89.4.2(iv);
Phoenix Board	has the meaning given in Statement 17.6.1;
Phoenix Brexit Scheme	has the meaning given in Statement 9.1;
Phoenix Britannic WP Fund	has the meaning given in Statement 89.4.2(v);
Phoenix Business	has the meaning given in Statement 17.2.2;
Phoenix CA	has the meaning given in Statement 17.6.2;
Phoenix Funds	has the meaning given in Statement 109.3.1;
Phoenix German SMWP Fund	has the meaning given in Statement 109.2(iv);
Phoenix German WP Fund	has the meaning given in Statement 109.2(iii);
Phoenix Group	has the meaning given in Statement 1.3.2;
Phoenix Group Companies	has the meaning given in Statement 1.3.2;
Phoenix GSMWPF PPFM	has the meaning given in Statement 115.3.3;
Phoenix GSMWPF Schedule	has the meaning given in Statement 114.6.3;
Phoenix GWPF PPFM	has the meaning given in Statement 115.3.3;
Phoenix GWPF Schedule	has the meaning given in Statement 114.6.2;
Phoenix Heritage WP Fund	has the meaning given in Statement 95.6.2;
Phoenix HWPF Policies	has the meaning given in Statement 110.2.2;
Phoenix HWPF Policyholders	has the meaning given in Statement 110.2.2;
Phoenix HWPF PPFM	has the meaning given in Statement 115.3.2;
Phoenix HWPF Schedule	has the meaning given in Statement 114.6.1;
Phoenix HWPF Scheme Principles	has the meaning given in Statement 115.2.1;

Phoenix Linked Fund	has the meaning given in Statement 113.3.1;
Phoenix LL WP Fund	has the meaning given in Statement 109.2(v);
Phoenix Non-Profit Fund	has the meaning given in Statement 89.4.2(xi);
Phoenix NPI WP Fund	has the meaning given in Statement 89.4.2(x);
Phoenix NPL WP Fund	has the meaning given in Statement 109.2(vi);
Phoenix Pearl WP Fund	has the meaning given in Statement 109.2(vii);
Phoenix PPFM	has the meaning given in Statement 115.3.1;
Phoenix Policies	has the meaning given in Statement 17.5;
Phoenix Policyholders	has the meaning given in Statement 17.5;
Phoenix Property-Linked Charged Assets	has the meaning given in Statement 25.8.5;
Phoenix SAL WP Fund	has the meaning given in Statement 89.4.2(vii);
Phoenix Scheme	has the meaning given in Statement 2.6.1;
Phoenix Scheme Application	has the meaning given in Statement 4.1;
Phoenix Scheme Directions Hearing	has the meaning given in Statement 4.3.3;
Phoenix Scheme IE Report	has the meaning given in Statement 156.2.4;
Phoenix Scheme IE Report Summary	has the meaning given in Statement 157.13.1;
Phoenix Scheme Notice	has the meaning given in Statement 167.2.2;
Phoenix Scheme Sanction Hearing	has the meaning given in Statement 4.3.1;
Phoenix SERP Fund	has the meaning given in Statement 109.2(viii);
Phoenix Shareholders' Fund	has the meaning given in Statement 89.3;
Phoenix SMA WP Fund	has the meaning given in Statement 89.4.2(viii);
Phoenix SPI WP Fund	has the meaning given in Statement 89.4.2(ix);

Phoenix UKSM WP Fund	has the meaning given in Statement 109.2(ii);
Phoenix UKSMWP PPFM	has the meaning given in Statement 115.3.5;
Phoenix UKSMWP Schedule	has the meaning given in Statement 114.6.4;
Phoenix Undertaking	has the meaning given in Statement 152.4.1;
Phoenix With-Profits Committee	has the meaning given in Statement 58.5;
Phoenix With-Profits Funds	has the meaning given in Statement 109.3.2;
Phoenix WP Fund	has the meaning given in Statement 89.4.2(vi);
Phoenix WP Policyholders	has the meaning given in Statement 109.3.3;
Phoenix WPAs	has the meaning given in Statement 17.6.2;
PLAE	has the meaning given in Statement 9.2.1;
PLAL	has the meaning given in Statement 3.5;
PLAL 2012 Scheme	has the meaning given in Statement 87.2.1;
PLAL 2015 Scheme	has the meaning given in Statement 87.3.1;
PLAL Business	has the meaning given in Statement 3.5;
PLAL Counterparties	has the meaning given in Statement 85.5.1;
PLAL Funds	has the meaning given in Statement 86.2;
PLAL Guernsey Policies	has the meaning given in Statement 85.3.1;
PLAL Jersey Policies	has the meaning given in Statement 85.3.2;
PLAL LL WP Fund	has the meaning given in Statement 86.3.1(i);
PLAL Long-Term Fund	has the meaning given in Statement 86.1;
PLAL Non-Profit Fund	has the meaning given in Statement 86.3.1(v);
PLAL NPL WP Fund	has the meaning given in Statement 86.3.1(ii);
PLAL Pearl WP Fund	has the meaning given in Statement 86.3.1(iii);

PLAL Policies	has the meaning given in Statement 16.4;
PLAL Policyholders	has the meaning given in Statement 16.4;
PLAL SERP Fund	has the meaning given in Statement 86.3.1(iv);
PLAL Shareholder Fund	has the meaning given in Statement 86.1;
PLP	has the meaning given in Statement 18.2(v);
Policyholder Order	has the meaning given in Statement 11.9.2;
PPFM	Has the meaning given in Statement 40.13.3;
PRA	has the meaning given in Statement 1.2.2;
PRA Scheme Reports	has the meaning given in Statement 166.2;
PRA Variations Reports	has the meaning given in Statement 166.2;
Present Phoenix Funds	has the meaning given in Statement 89.4.1;
Present Phoenix Linked Funds	has the meaning given in Statement 89.5;
Present Phoenix Policyholders	has the meaning given in Statement 170.2.3;
Previous Phoenix Acquisition Schemes	has the meaning given in Statement 17.4.2;
Previous Phoenix Disposal Schemes	has the meaning given in Statement 17.4.3;
Previous PLAL Schemes	has the meaning given in Statement 16.5.2;
Previous SLAL Schemes Variations	has the meaning given in Statement 7.3;
PRIN 6	has the meaning given in Statement 40.13.4;
Property-Linked Floating Charge	has the meaning given in Statement 25.4.1;
Property-linked SLAL HWPF Policies	has the meaning given in Statement 19.4.5;
Proposed Demutualisation Scheme Variation	has the meaning given in Statement 2.5;
Proposed SLAL 2011 Scheme Variation	has the meaning given in Statement 5.3.1;

Proposed SLAL Brexit Scheme Variation	has the meaning given in Statement 5.5.1;
Proposed SLAL Schemes Variations	has the meaning given in Statement 5.6.1;
Proposed SLAL Schemes Variations Applications	has the meaning given in Statement 5.6.2;
Proposed Waivers	has the meaning given in Statement 167.3.2;
RAO	has the meaning given in Statement 1.2.3;
ReAssure	has the meaning given in Statement 12.5.2;
Recourse Cashflows	has the meaning given in Statement 44.2.2;
Reference Period Transfer Amount	has the meaning given in Statement 44.9.1;
Reference Valuation Date	has the meaning given in Statement 44.7.1;
Reference Valuation Period	has the meaning given in Statement 44.7.1;
Regulators	has the meaning given in Statement 11.5;
Relevant Liabilities	has the meaning given in Statement 74.4.1;
Residual Assets	has the meaning given in Statement 100.7;
Residual Estate	has the meaning given in Statement 43.4.3;
Residual Liabilities	has the meaning given in Statement 101.7;
Russia Sanctions Regulations	has the meaning given in Statement 95.3.2;
Sanctioned Plans	has the meaning given in Statement 102.3.2;
Scheme Principles	has the meaning given in Statement 115.1;
Scottish Widows Applications	has the meaning given in Statement 180.11.3;
Security Trust Agreement	has the meaning given in Statement 25.7.1;
Shareholder	has the meaning given in Statement 42.2;
SL Intl	has the meaning given in Statement 5.4.1;

SL Intl Board	has the meaning given in Statement 14.7.2;
SL Intl Business	has the meaning given in Statement 14.4.1;
SL Intl EFL Agreement	has the meaning given in Statement 63.5;
SL Intl Euro PBF	has the meaning given in Statement 64.5;
SL Intl GSMWPF	has the meaning given in Statement 64.4;
SL Intl GSMWPF Reinsurance Agreement	has the meaning given in Statement 68.4.1;
SL Intl GSMWPF Reinsured Policies	has the meaning given in Statement 68.4.1;
SL Intl GWPF	has the meaning given in Statement 64.3;
SL Intl GWPF Reinsurance Agreement	has the meaning given in Statement 68.3.1;
SL Intl GWPF Reinsured Policies	has the meaning given in Statement 68.3.1;
SL Intl HoAF	has the meaning given in Statement 14.7.1;
SL Intl HoAF Report	has the meaning given in Statement 163.1;
SL Intl HWPF	has the meaning given in Statement 64.2.1;
SL Intl HWPF Policies	has the meaning given in Statement 64.2.2;
SL Intl HWPF Policyholders	has the meaning given in Statement 64.2.2;
SL Intl HWPF Reinsurance Agreement	has the meaning given in Statement 68.2.1;
SL Intl HWPF Reinsured Policies	has the meaning given in Statement 68.2.1;
SL Intl Internal PPFM	has the meaning given in Statement 66.1;
SL Intl Linked Funds	has the meaning given in Statement 64.6.1;
SL Intl Policies	has the meaning given in Statement 14.5.1;
SL Intl Policyholders	has the meaning given in Statement 14.5.1;

SL Intl QA Guide	has the meaning given in Statement 185.8.3(m);
SL Intl Reinsurance Agreements	has the meaning given in Statement 28.5.2;
SL Intl Reinsurance Arrangements	has the meaning given in Statement 28.5.1;
SL Intl Reinsurance Fixed Charge	has the meaning given in Statement 28.5.4;
SL Intl Reinsurance Fixed Charged Assets	has the meaning given in Statement 74.1;
SL Intl Reinsurance Floating Charge	has the meaning given in Statement 28.5.4;
SL Intl Reinsured Liabilities	has the meaning given in Statement 63.3.4;
SL Intl Reinsured Policies	has the meaning given in Statement 63.3.3;
SL Intl Undertaking	has the meaning given in Statement 77.7;
SL Intl Websites	has the meaning given in Statement 185.8.1;
SLAC	has the meaning given in Statement 2.1;
SLAESL	has the meaning given in Statement 13.6.2;
SLAL	has the meaning given in Statement 1.1;
SLAL 2011 Scheme	has the meaning given in Statement 5.2.1;
SLAL 2011 Scheme Internal Reinsurance Arrangements	has the meaning given in Statement 26.5.3;
SLAL 2011 Scheme Variation	has the meaning given in Statement 7.1;
SLAL 2011 Scheme Variation Application	has the meaning given in Statement 5.3.5;
SLAL Board	has the meaning given in Statement 13.11.2;
SLAL Brexit Scheme	has the meaning given in Statement 5.4.1;
SLAL Brexit Scheme Variation Application	has the meaning given in Statement 5.5.2;

SLAL Brexit Scheme Variation Certificate	has the meaning given in Statement 156.4.1;
SLAL Business	has the meaning given in Statement 3.2;
SLAL CA	has the meaning given in Statement 13.11.1;
SLAL CA Report	has the meaning given in Statement 161.1;
SLAL Contracts	has the meaning given in Statement 30.4;
SLAL Counterparties	has the meaning given in Statement 30.5.2;
SLAL Demutualisation Scheme	has the meaning given in Statement 2.1;
SLAL Funds	has the meaning given in Statement 34.1;
SLAL GSMWPF	has the meaning given in Statement 34.4(v);
SLAL GSMWPF Internal PPFM	has the meaning given in Statement 66.5.2;
SLAL Guernsey Policies	has the meaning given in Statement 20.1.2;
SLAL GWPF	has the meaning given in Statement 34.4(iv);
SLAL GWPF Internal PPFM	has the meaning given in Statement 66.5.1;
SLAL HWPF	has the meaning given in Statement 19.4.1;
SLAL HWPF Policies	has the meaning given in Statement 19.4.2;
SLAL HWPF Policyholders	has the meaning given in Statement 19.4.2;
SLAL HWPF PPFM	has the meaning given in Statement 42.3.1;
SLAL Outward Reinsurance Agreements	has the meaning given in Statement 29.1;
SLAL Jersey Policies	has the meaning given in Statement 20.2.2;
SLAL Linked Funds	has the meaning given in Statement 19.3.1;
SLAL Long-Term Fund	has the meaning given in Statement 34.2.1;
SLAL PBF	has the meaning given in Statement 19.3.3;

SLAL PBF Policies	has the meaning given in Statement 19.3.5;
SLAL PBF Policyholders	has the meaning given in Statement 19.3.5;
SLAL Policies	has the meaning given in Statement 13.9;
SLAL Policyholders	has the meaning given in Statement 13.9;
SLAL Pre-2006 Immediate Annuities	has the meaning given in Statement 26.1.1;
SLAL Reinsurers	has the meaning given in Statement 29.1;
SLAL Shareholder Fund	has the meaning given in Statement 34.2.2;
SLAL SIPP Scheme	has the meaning given in Statement 8.4.2;
SLAL Sub-Funds	has the meaning given in Statement 34.3;
SLAL TIP Policies	has the meaning given in Statement 24.1;
SLAL Transaction	has the meaning given in Statement 27.1;
SLAL UKSMWPF	has the meaning given in Statement 34.4(iii);
SLAL With-Profits Committee	has the meaning given in Statement 58.1;
SLAL With-Profits HWPF Policies	has the meaning given in Statement 35.2.2;
SLAL WPA	has the meaning given in Statement 13.11.1;
SLAL WPA Report	has the meaning given in Statement 162.1;
SLIF	has the meaning given in Statement 5.2.1;
SLIF Reinsurance Agreements	has the meaning given in Statement 25.2;
SLIF-SLAL Annuity Reinsurance Agreements	has the meaning given in Statement 26.1.2;
SLIF-SLAL PL Reinsurance Agreements	has the meaning given in Statement 25.3.2;
SLIF-SLPF PL Reinsurance Agreements	has the meaning given in Statement 25.3.3;

SLPF	has the meaning given in Statement 3.4.1;
SLIP Policy	has the meaning given in Statement 102.3.1;
SLPF Business	has the meaning given in Statement 3.4.1;
SLPF CA	has the meaning given in Statement 15.8;
SLPF Counterparties	has the meaning given in Statement 83.9.2;
SLPF Deferred Annuities	has the meaning given in Statement 15.7.2;
SLPF Policies	has the meaning given in Statement 15.7.1;
SLPF Policyholders	has the meaning given in Statement 15.7.1;
SLPF Post-2006 Immediate Annuities	has the meaning given in Statement 15.7.4;
SLPF Pre-2006 Immediate Annuities	has the meaning given in Statement 15.7.3;
SLPF Scheme	has the meaning given in Statement 15.10.1;
SLSL	has the meaning given in Statement 21.2;
SMA	has the meaning given in Statement 18.2(viii);
Solvency Capital Requirement	has the meaning given in Statement 40.5.1;
Solvency II	has the meaning given in Statement 11.6;
Solvency II Firm	has the meaning given in Statement 40.3;
SPL	has the meaning given in Statement 18.2(vii);
Subsequent Transfer Date	has the meaning given in Statement 105.1;
Superseded Schemes	has the meaning given in Statement 95.4.2;
Supplementary Phoenix Scheme IE Report	has the meaning given in Statement 158.1;
Surplus Support Account	has the meaning given in Statement 44.11.2;
Tax Notional Company	has the meaning given in Statement 53.1;

Terms of Reference	has the meaning given in Statement 130.5;
Third-Parties Insurers	has the meaning given in Statement 25.3.4;
Third-Parties Reinsurance Agreements	has the meaning given in Statement 25.3.5;
Transfer Date	has the meaning given in Statement 97.3.1;
Transferable Amount	has the meaning given in Statement 44.10.1;
Transferors	has the meaning given in Statement 97.2;
Transferred Assets	has the meaning given in Statement 98.2;
Transferred Business	has the meaning given in Statement 98.1;
Transferred Liabilities	has the meaning given in Statement 98.2;
Transferred Policies	has the meaning given in Statement 98.2;
Transferred Policyholders	has the meaning given in Statement 99.5;
Transferring Wrap SIPP Scheme	has the meaning given in Statement 23.7.2;
Transferred Subsidiaries	has the meaning given in Statement 100.10.1;
Transferring Policyholders	has the meaning given in Statement 170.2.2;
UK	has the meaning given in Statement 1.2.2;
UK Regulators	has the meaning given in Statement 11.4;
Unitised Pensions (UK) Block	has the meaning given in Statement 44.3.2;
the Variations Applications Notice	has the meaning given in Statement 171.6.3(vi);
With-Profits Policy Liabilities	has the meaning given in Statement 55.2.1;
WPOPs	has the meaning given in Statement 66.6;
Wrap Onshore Bonds	has the meaning given in Statement 22.2;
Wrap Platform	has the meaning given in Statement 21.1;

Wrap SIPP Members

has the meaning given in Statement 23.6.3;

Wrap SIPP Policy

has the meaning given in Statement 23.6.2;

Wrap SIPP Scheme

has the meaning given in Statement 23.6.1;

SCHEDULE 3

THE APPLICABLE STATUTORY PROVISIONS

SCHEDULE 3

THE APPLICABLE STATUTORY PROVISIONS

FINANCIAL SERVICES AND MARKETS ACT 2000

2B The PRA's general objective

...

(5) In this Act “PRA-authorised person” means an authorised person who has permission—

- (a) given under Part 4A, or
- (b) resulting from any other provision of this Act,

to carry on regulated activities that consist of or include one or more PRA-regulated activities (see section 22A).

...

103A Meaning of “the appropriate regulator”

(1) In this Part “the appropriate regulator” means—

- (a) in relation to a ring-fencing transfer scheme or a scheme (other than a ring-fencing transfer scheme) in respect of which the transferor concerned is a PRA authorised person, the PRA;
- (b) in any other case, the FCA.

...

105 Insurance business transfer schemes.

(1) A scheme is an insurance business transfer scheme if it—

- (a) satisfies one of the conditions set out in subsection (2);
- (b) results in the business transferred being carried on from an establishment of the transferee in the United Kingdom or Gibraltar; and
- (c) is not an excluded scheme.

(2) The condition is that the whole or part of the business carried on in the United Kingdom by an authorised person who has permission to effect or carry out contracts of insurance (“the transferor concerned”) is to be transferred to another body (“the transferee”).

(3) A scheme is an excluded scheme for the purposes of this section if it falls within any of the following cases:

CASE 1 Where the transferor concerned is a friendly society.

CASE 3 Where—

- (a) the transferor concerned is a UK authorised person;
- (b) the business to be transferred under the scheme is carried on in one or more countries or territories (outside the United Kingdom) and does not include policies of insurance against risks arising in the United Kingdom; and
- (c) the scheme has been approved by a court in a country or territory outside the United Kingdom by the authority responsible for the supervision of that business in a country or territory in which it is carried on.

CASE 4 Where—

- (a) the business to be transferred under the scheme is the whole of the business of the transferor concerned;
- (b) all the policyholders are controllers of the firm or of firms within the same group as the firm which is the transferee, and
- (c) all of the policyholders who will be affected by the transfer have consented to it.

CASE 5 Where—

- (a) the business of the transferor concerned consists solely of the effecting or carrying out of contracts of reinsurance;
 - (b) the business to be transferred is the whole or part of that business;
 - (c) the scheme does not fall within Case 4;
 - (d) all of the policyholders who will be affected by the transfer have consented to it;
- and
- (e) a certificate has been obtained under paragraph 2 of Schedule 12 in relation to the proposed transfer.

...

107 Application for order sanctioning transfer scheme.

- (1) An application may be made to the court for an order sanctioning an insurance business transfer scheme, a banking business transfer scheme, a reclaim fund business transfer scheme or a ring-fencing transfer scheme.
- (2) An application may be made by—
 - (a) the transferor concerned;
 - (b) the transferee; or
 - (c) both.

...

- (2B) In deciding whether to give consent, the PRA must have regard to the scheme report prepared under section 109A in relation to the ring-fencing transfer scheme.
- (3) The application must be made—
 - (a) if the transferor concerned and the transferee are registered or have their head offices in the same jurisdiction, to the court in that jurisdiction;
 - (b) if the transferor concerned and the transferee are registered or have their head offices in different jurisdictions, to the court in either jurisdiction;
 - (c) if the transferee is not registered in the United Kingdom and does not have his head office there, to the court which has jurisdiction in relation to the transferor concerned.
- (4) “Court” means—
 - (a) the High Court; or
 - (b) in Scotland, the Court of Session.

109 Scheme reports: insurance business transfer schemes.

- (1) An application under section 107 in respect of an insurance business transfer scheme must be accompanied by a report on the terms of the scheme (“a scheme report”).
- (2) A scheme report may be made only by a person—

- (a) appearing to the appropriate regulator to have the skills necessary to enable him to make a proper report; and
 - (b) nominated or approved for the purpose by the appropriate regulator.
- (3) A scheme report must be made in a form approved by the appropriate regulator.
- (4) Where the appropriate regulator is the PRA, it must consult the FCA before—
 - (a) nominating or approving a person under subsection (2)(b), or
 - (b) approving a form under subsection (3).
- (5) Subsection (6) applies where the appropriate regulator is the FCA and either—
 - (a) the transferee is a PRA-authorised person, or
 - (b) the authorised person concerned or the transferee has as a member of its immediate group a PRA-authorised person.
- (6) The FCA must consult the PRA before—
 - (a) nominating or approving a person under subsection (2)(b), or
 - (b) approving a form under subsection (3).

111 Sanction of the court for business transfer schemes.

- (1) This section sets out the conditions which must be satisfied before the court may make an order under this section sanctioning an insurance business transfer scheme, a banking business transfer scheme, a reclaim fund business transfer scheme or a ring-fencing transfer scheme.
- (2) The court must be satisfied that—
 - (a) in the case of an insurance business transfer scheme or a banking business transfer scheme, the appropriate certificates have been obtained (as to which see Parts I and II of Schedule 12);
 - (aa) in the case of a reclaim fund business transfer scheme, the appropriate certificate has been obtained (as to which see Part 2A of that Schedule);
 - (ab) in the case of a ring-fencing transfer scheme, the appropriate certificates have been obtained (as to which see Part 2B of that Schedule);

- (b) the transferee has the authorisation required (if any) to enable the business, or part, which is to be transferred to be carried on in the place to which it is to be transferred (or will have it before the scheme takes effect).
- (3) The court must consider that, in all the circumstances of the case, it is appropriate to sanction the scheme.

112 Effect of order sanctioning business transfer scheme.

- (1) If the court makes an order under section 111(1), it may by that or any subsequent order make such provision (if any) as it thinks fit—
 - (a) for the transfer to the transferee of the whole or any part of the undertaking concerned and of any property or liabilities of the transferor concerned;
 - (b) for the allotment or appropriation by the transferee of any shares, debentures, policies or other similar interests in the transferee which under the scheme are to be allotted or appropriated to or for any other person;
 - (c) for the continuation by (or against) the transferee of any pending legal proceedings by (or against) the transferor concerned;
 - (d) with respect to such incidental, consequential and supplementary matters as are, in its opinion, necessary to secure that the scheme is fully and effectively carried out.
- (2) An order under subsection (1)(a) may—
 - (a) transfer property or liabilities whether or not the transferor concerned otherwise has the capacity to effect the transfer in question;
 - (b) make provision in relation to property which was held by the transferor concerned as trustee;
 - (c) make provision as to future or contingent rights or liabilities of the transferor concerned, including provision as to the construction of instruments (including wills) under which such rights or liabilities may arise;
 - (d) make provision as to the consequences of the transfer in relation to any occupational pension scheme (within the meaning of section 150(5) of the Finance Act 2004) operated by or on behalf of the transferor concerned.
- (2A) Subsection (2)(a) is to be taken to include power to make provision in an order—
 - (a) for the transfer of property or liabilities which would not otherwise be capable of being transferred or assigned;

(b) for a transfer of property or liabilities to take effect as if there were—

(i) no such requirement to obtain a person's consent or concurrence, and

(ii) no such contravention, liability or interference with any interest or right,

as there would otherwise be (in the case of a transfer apart from this section) by reason of any provision falling within subsection (2B).

(2B) A provision falls within this subsection to the extent that it has effect (whether under an enactment or agreement or otherwise) in relation to the terms on which the transferor concerned is entitled to the property or subject to the liabilities in question.

(2C) Nothing in subsection (2A) or (2B) is to be read as limiting the scope of subsection (1).

...

(10) The transferee must, if an insurance or banking business transfer scheme or ring-fencing transfer scheme is sanctioned by the court, deposit two office copies of the order made under subsection (1) with the appropriate regulator within 10 days of the making of the order.

...

112A Rights to terminate etc.

(1) Subsection (2) applies where (apart from that subsection) a person would be entitled, in consequence of anything done or likely to be done by or under this Part in connection with an insurance business transfer scheme, a banking business transfer scheme or a ring-fencing transfer scheme —

(a) to terminate, modify, acquire or claim an interest or right; or

(b) to treat an interest or right as terminated or modified.

(2) The entitlement—

(a) is not enforceable in relation to that interest or right until after an order has been made under section 112(1) in relation to the scheme; and

(b) is then enforceable in relation to that interest or right only insofar as the order contains provision to that effect.

(3) Nothing in subsection (1) or (2) is to be read as limiting the scope of section 112(1).

Schedule 12 Transfer schemes: certificates

Part I

Insurance business transfer schemes

1.

- (1) For the purposes of section 111(2) the appropriate certificates, in relation to an insurance business transfer scheme, under paragraph 2.

Certificates as to margin of solvency

2.

- (1) A certificate under this paragraph is to be given—
- (a) by the relevant authority; or
 - (b) in a case in which there is no relevant authority, by the appropriate regulator.
- (2) A certificate given under sub-paragraph (1)(a) is one certifying that, taking the proposed transfer into account—
- (a) the transferee possesses, or will possess before the scheme takes effect, the necessary margin of solvency; or
 - (b) there is no necessary margin of solvency applicable to the transferee.
- (3) A certificate under sub-paragraph (1)(b) is one certifying that appropriate regulator has received from the authority which it considers to be the authority responsible for supervising persons who effect or carry out contracts of insurance in the place to which the business is to be transferred certification that, taking the proposed transfer into account—
- (a) the transferee possesses or will possess before the scheme takes effect the margin of solvency required under the law applicable in that place; or
 - (b) there is no such margin of solvency applicable to the transferee.
- (4) “Necessary margin of solvency” means the margin of solvency required in relation to the transferee, taking the proposed transfer into account, under the law which it is the responsibility of the relevant authority to apply.
- (5) “Margin of solvency” means the excess of the value of the assets of the transferee over the amount of its liabilities.

- (6) “Relevant authority” means—
- (b) if the transferee is a Swiss general insurer, the authority responsible in Switzerland for supervising persons who effect or carry out contracts of insurance;
 - (c) if the transferee is an authorised person not falling within paragraph (b)—
 - (i) the PRA, if the transferee is a PRA-authorised person with a Part 4A permission or with permission under Schedule 4;
 - (ii) the FCA, if the transferee is a person with a Part 4A permission or with permission under Schedule 4 but is not a PRA-authorised person.
- (7) In sub-paragraph (6), any reference to a transferee of a particular description includes a reference to a transferee who will be of that description if the proposed scheme takes effect.
- (8) “Swiss general insurer” means a body—
- (a) whose head office is in Switzerland;
 - (b) which has permission to carry on regulated activities consisting of the effecting and carrying out of contracts of general insurance; and
 - (c) whose permission is not restricted to the effecting or carrying out of contracts of reinsurance.

FINANCIAL SERVICES AND MARKETS ACT 2000 (CONTROL OF BUSINESS TRANSFERS) (REQUIREMENTS ON APPLICANTS) REGULATION 2001/3625

...

3.—

- (1) An applicant under section 107 of the Act for an order sanctioning an insurance business transfer scheme (“the scheme”) must comply with the following requirements.
- (2) A notice stating that the application has been made must be—
- (a) published—
 - (i) in the London, Edinburgh and Belfast Gazettes;

- (ii) in two national newspapers in the United Kingdom;
- (b) sent to every policyholder of the parties; and
- (c) sent—
 - (i) to every reinsurer of the authorised person concerned (within the meaning of section 105(2) of the Act) any of whose contracts of reinsurance (in whole or part) are to be transferred by the scheme; or
 - (ii) in a case where such a contract has been placed with or through a person authorised to act on behalf of the reinsurer, then to that person; or
 - (iii) in a case where such a contract has been placed with more than one reinsurer, then to the person or persons authorised to act on behalf of those reinsurers or groups of reinsurers.

(3) The notices mentioned in paragraph (2) must—

- (a) be approved by the appropriate regulator prior to publication (or, as the case may be, being sent); and
- (b) contain the address from which the documents mentioned in paragraph (4) may be obtained.

(4) A copy of the report and a statement setting out the terms of the scheme and containing a summary of the report must be given free of charge to any person who requests them.

(5) A copy of the application, the report and the statement mentioned in paragraph (4) must be given free of charge to the appropriate regulator and, if the FCA is not the appropriate regulator, the FCA.

4.—

(1) Subject to paragraph (2) or (3), the court may not determine an application under section 107 for an order sanctioning an insurance business transfer scheme—

- (a) where the applicant has failed to comply with the requirements in regulation 3(2), (3) or (6); and
- (b) until a period of not less than twenty-one days has elapsed since the appropriate regulator was given the documents mentioned in regulation 3(5).

(2) The requirements in regulation 3(2)(a)(ii), (b) and (c) may be waived by the court in such circumstances and subject to such conditions as the court considers appropriate....

FINANCIAL SERVICES AND MARKETS ACT 2000 (MEANING OF “POLICY” AND “POLICYHOLDER”) ORDER 2000.

Article 1

Citation, commencement and interpretation

- (2) In this Order, “contract of insurance” has the meaning given by article 3 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

Article 2

Meaning of “policy”

For the purposes of section 424(2) of the Act, “policy” means, as the context requires,

- (a) a contract of insurance, including one under which an existing liability has already accrued, or
- (b) any instrument evidencing such a contract.

Article 3

Meaning of “policyholder”

For the purposes of section 424(2) of the Act, “policyholder” means the person who for the time being is the legal holder of the policy, and includes any person to whom, under the policy, a sum is due, a periodic payment is payable or any other benefit is to be provided or to whom such a sum, payment or benefit is contingently due, payable or to be provided.

...

RULES OF THE COURT OF SESSION

Form of petitions

14.4

...

- (6) Where it is sought in a petition-
- (a) to dispense with intimation, service or advertisement, or

- (b) to shorten or extend the period of notice, the appropriate order shall be craved in the prayer, and the grounds on which the order is sought shall be set out in the statement of facts.

...

Period of notice for lodging answers

14.6

...

- (2) An application may be made by motion to shorten or extend the period of notice.

...

Application by note

15.2

- (3) The following provisions of Chapter 14 (petitions) shall, with the necessary modifications and the modification mentioned below, apply to a note under this rule as they apply to a petition:-

rule 14.5 (first order in petitions),

rule 14.6 (period of notice for lodging answers),

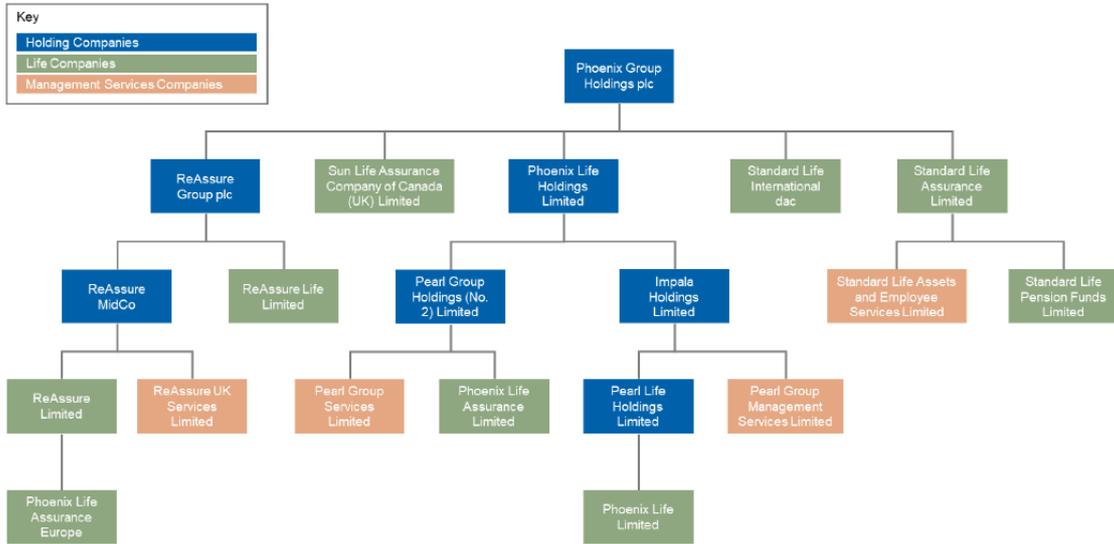
rule 14.7 (intimation and service of petitions) with the substitution in paragraph (2) of that

rule of the words "a notice in Form 15.2" for the words a "a citation in form 14.7".

...

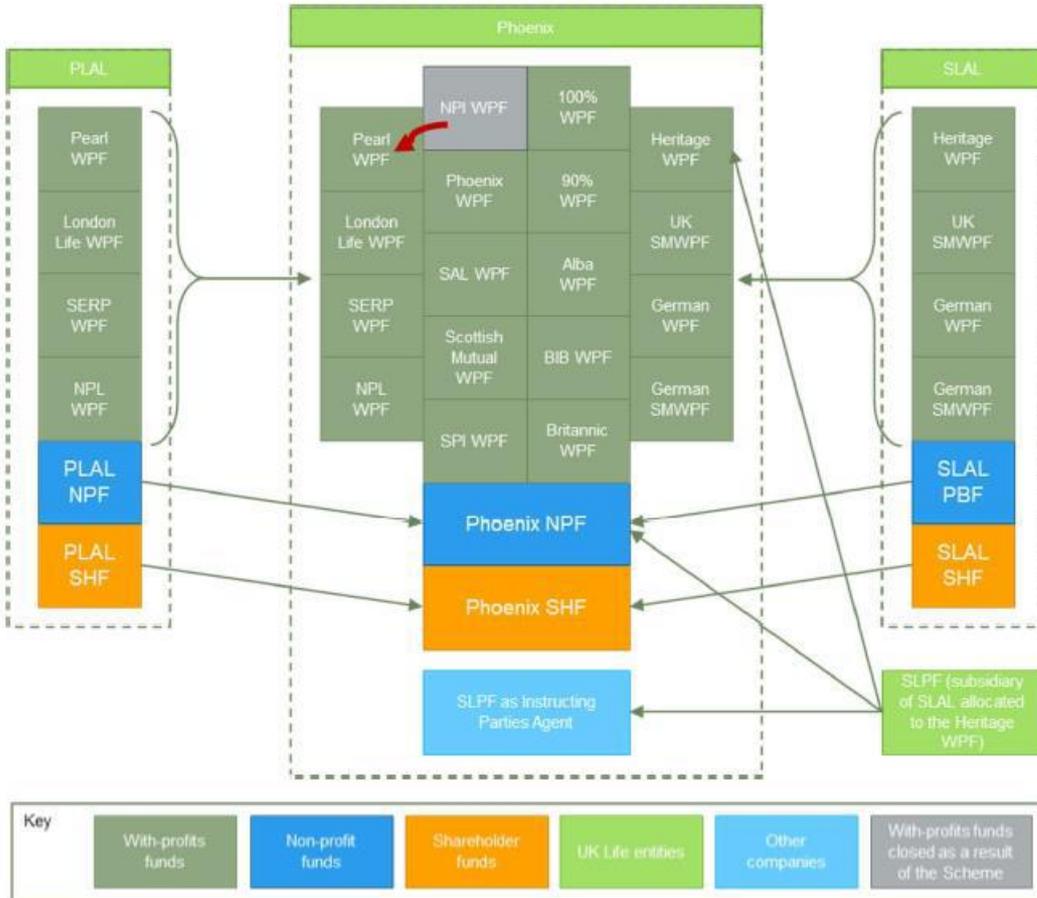
SCHEDULE 4

THE PHOENIX GROUP'S PRESENT CORPORATE STRUCTURE SIMPLIFIED



SCHEDULE 5

THE PRESENT AND PROPOSED FUND STRUCTURES OF SLAL, PLAL AND PHOENIX



SCHEDULE 6

TABLE OF DERIVATIONS SHOWING THE PROVISION OF THE SLAL DEMUTUALISATION SCHEME FROM WHICH EACH PROVISION OF THE PHOENIX HWPF SCHEDULE, THE PHOENIX GERMAN WPF SCHEDULE AND THE PHOENIX GERMAN SMWPF SCHEDULE IS DERIVED

The table also includes some provisions in the main body of the Phoenix Scheme

Subject	Existing reference within the Demutualisation Scheme	New reference within the proposed Phoenix Scheme
HWPF		
Allocation of assets and liabilities	Paragraphs 16 and 17	Paragraph 1, Part 2 of Schedule 11
Fund maintenance	Paragraph 21.1(A)	Part E, paragraphs 20.1, 20.2
Reinsurance arrangements: Unitised With-Profits Policies	Paragraph 23	Part E, paragraph 21.2 and paragraph 3 of Part 10 of Schedule 11
Reinsurance Arrangements: New Investment Funds	Paragraph 24	Part E, paragraph 21.3 and paragraph 4 of Part 10 of Schedule 11
Cessation of the With-Profits Fund	Paragraph 25.1	Part E, paragraph 23.1 and paragraph 6 of Part 1 of Schedule 11
Principles and Practices of Financial Management	Paragraph 27.1(A)	Paragraph 29, definition of Scheme Principles of Financial Management and Schedule 11, Part 1, paragraphs 1 to 5
	Paragraphs 27.1(B) to (D)	Schedule 1, paragraphs 1 and 4
	Paragraph 27.2 and 27.3	Paragraph 5 of Part 1 of Schedule 11
New business	Paragraph 28.1-28.3	Schedule 11, Part 10, paragraph 1
Annuity benefits	Paragraph 29	Schedule 11, Part 10, paragraph 2
Allocation of surplus arising in the with-profits fund; transfers out of the with-profits fund and termination of HWPF reinsurance agreement	Paragraph 30	Schedule 11, Part 7, paragraph 1
Further Capital Support Account	Paragraph 31.5	Schedule 11, Part 1, paragraph 7; Schedule 11, Part 11
Shareholder support mechanism	Paragraph 32.1	Schedule 1, paragraph 5.1
	Paragraphs 32.2 and 32.3	Paragraph 6 of Schedule 1
With-Profits fund costs	Paragraph 34	Schedule 11, Part 4
Transactions in the With-Profits funds	Paragraph 35	Schedule 11, Part 9, paragraph 1

Contingent Financing Arrangements	Paragraph 37	Schedule 11, Part 9, paragraph 2
Taxation	Paragraphs 39.1 to 39.7	Schedule 11, Part 6
Credits to the With-Profits fund	Paragraph 40	Part E, paragraph 26, paragraph 31.2 and Schedule 11, Part 3, Paragraph 2
Debits from the With-Profits fund	Paragraph 41	Part E, paragraph 25 and Schedule 11, Part 3, paragraph 1
Miscellaneous operation provisions	Paragraph 42	Part E, paragraphs 29.7 and 31, paragraph 2 of Part 3 of Schedule 11, paragraph 1 of Part 3 of Schedule 11
Variations	Paragraph 70	Part F, paragraph 39.5 and Paragraph 4, Part 2 of Schedule 11
Termination	Paragraphs 39.5 and 70.5	Paragraph 4, Part 2 of Schedule 11
Core Principles	Schedule 1	Schedule 11, Part 1, paragraphs 1 to 4
Additional expenses	Schedule 2	Schedule 11, Part 5
Reference period transfer amount	Schedule 3	Schedule 11, Part 7, paragraph 2
Defined blocks	Appendix to Schedule 3	Schedule 11, Part 7, paragraph 3
Mortgage Endowment Promise	Schedule 4	Schedule 11, Part 8, paragraph 1
Eligible MEP Policies	Appendix 2 to Schedule 4	Schedule 11, Part 8, paragraph 2
Eligibility Criteria	Appendix 3 to Schedule 4	Schedule 11, Part 8, paragraph 3
GWPF		
Fund maintenance	Paragraph 21.1(B)	Part E, paragraphs 20.1, 20.2
Internal Principles and Practices of Financial Management	Paragraph 74	Paragraph 1 of Part 1 of Schedule 10
	Paragraph 74.2	Paragraph 3 of Part 1 of Schedule 10
	Paragraph 74.3	Paragraph 2 of Part 1 of Schedule 10
Reinsurance arrangements: allocation of assets and liabilities to the GWPF	Paragraph 16.6 and 17.7	Paragraph 1, Part 2 of Schedule 10
Reinsurance arrangements: GWPF reinsurance agreement	Paragraphs 72.1 to 72.7	Paragraph 2, Part 2 of Schedule 10
Termination of the GWPF Reinsurance agreement	Paragraph 70.6	Paragraph 3, Part 2 of Schedule 10
GSMWPF		

Fund maintenance	Paragraph 21.1(B), Paragraph 21.2	Part E, paragraphs 20.1, 20.2 and Schedule 9
Internal Principles and Practices of Financial Management	Paragraph 75.1	Paragraph 1 of Part 1 of Schedule 9
	Paragraph 75.2	Paragraph 3 of Part 1 of Schedule 9
	Paragraph 75.3	Paragraph 2 of Part 1 of Schedule 9
Reinsurance arrangements: allocation of assets and liabilities to the German SM WP Fund	Paragraph 16.6 and 17.7	Paragraph 1, Part 2 of Schedule 9
Reinsurance arrangements: GSMWPF reinsurance agreement	Paragraph 73.1 to 73.7	Paragraph 2, Part 2 of Schedule 9
Termination of the GSMWPF reinsurance agreement	Paragraph 70.7	Paragraph 3, Part 2 of Schedule 9