

**IN THE ROYAL COURT OF GUERNSEY**

**(Ordinary Division)**

**IN THE MATTER OF PEARL ASSURANCE (UNIT FUNDS) LIMITED**

**-and-**

**IN THE MATTER OF LONDON LIFE LINKED ASSURANCES LIMITED**

**-and-**

**IN THE MATTER OF NPI LIMITED**

**-and-**

**IN THE MATTER OF THE INSURANCE BUSINESS (BAILIWICK OF  
GUERNSEY) LAW 2002**

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**SCHEME**

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## **PART A – INTERPRETATION**

### **1. DEFINITIONS**

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

*Act* means the Financial Services and Markets Act 2000;

*Court* means the Royal Court of Guernsey;

*Effective Date* means the time and date on which this Scheme shall become effective in accordance with paragraph 14.1;

*Encumbrance* means any mortgage, charge, pledge, security assignment, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, other encumbrance or security interest of any kind or any other type of preferential arrangement (including any title transfer and retention agreement) having a similar effect;

*establishment* shall be interpreted in accordance with section 105(9) of the Act;

*Existing NPIL Policies* means all Policies written by NPIL which were effected or carried out as part of insurance business which was written under Guernsey law or issued to a person resident in the Bailiwick of Guernsey on or before the Effective Date under which any liability remains unsatisfied or outstanding at the Effective Date;

*FSA* means the Financial Services Authority or such other governmental, statutory or other authority as shall from time to time carry out such functions in relation to supervision of insurance business carried on in the United Kingdom as are on the date of this Scheme carried out by the FSA;

*Guernsey Policy* means a Policy of PAUF or LLLA which was written under Guernsey law or issued to a person resident in the Bailiwick of Guernsey and in respect of which any liability remains unsatisfied or outstanding at the Effective Date and which the Royal Court of Guernsey has jurisdiction to transfer pursuant to the Law;

*Guernsey Residual Assets* means:

- (a) any property of any Transferor relating to the Guernsey Policies (including any right, benefit, power or claim under any Guernsey Policy):
  - (i) the transfer of which to NPIL pursuant to this Scheme requires, as at the Effective Date, either
    - (A) the consent of any person (other than any of the Transferors, NPIL or the Court); or

(B) the waiver by any person (other than any of the Transferors, NPIL or the Court) of any right, being a right which directly or indirectly arises or is exercisable as a consequence of such transfer being proposed or taking effect,

but only to the extent of that part of the interest of the relevant Transferor in such property, the transfer of which requires such consent or waiver; and

(ii) in respect of which the Court either does not have jurisdiction to transfer pursuant to the Law (at all or free of such right as is mentioned in paragraph (a)(i) of this definition) or which (despite having jurisdiction) the Court determines, notwithstanding the Law, not so to transfer;

(b) any other property relating to the Guernsey Policies to be transferred pursuant to this Scheme whose transfer the relevant Transferor and NPIL agree in writing prior to the Effective Date should be delayed;

(c) any other interest of any Transferor in any property or agreement relating to the Guernsey Policies which the relevant Transferor and NPIL shall agree in writing prior to the Effective Date is more conveniently to be transferred pursuant to this Scheme in conjunction with any property referred to in paragraph (a) or (b) of this definition; and

(d) any proceeds of sale or income or other accrual or return whatsoever, whether or not in the form of cash, earned or received in respect of any property (or any interest therein) referred to in paragraphs (a) to (c) of this definition by any Transferor from time to time after the Effective Date but prior to any relevant Subsequent Effective Date;

***Guernsey Residual Liability*** means any liability whatsoever of any Transferor:

(a) which is attributable to or connected with a Guernsey Residual Asset and arises at any time before the Subsequent Effective Date applicable to that Guernsey Residual Asset;

(b) which relates to the Guernsey Policies and the transfer of which to NPIL pursuant to this Scheme requires, as at the Effective Date, either:

(i) the consent of any person (other than any of the Transferors, NPIL or the Court); or

(ii) the waiver by any person (other than any of the Transferors, NPIL or the Court), of any right, being a right which directly or indirectly arises or is exercisable as a consequence of such transfer being proposed or taking effect,

but only to the extent of that part of the interest of the relevant Transferor in such property, the transfer of which requires such consent or waiver,

and in respect of which the Court either does not have jurisdiction to transfer pursuant to the Law (at all or free of such right as is mentioned in paragraph (b)(i) or (b)(ii) of this definition) or which (despite having jurisdiction) the Court determines, notwithstanding the Law, not so to transfer;

***Guernsey Transferring Assets*** means all of the rights, benefits, powers, claims, assets and property of each Transferor relating to the Guernsey Policies, including, without limitation:

- (a) the Long Term Business Fund Assets of each Transferor which relate to the Guernsey Policies; and
- (b) the Policy Records;

but excluding:

- (c) the Guernsey Transferring Rights; and
- (d) the Guernsey Residual Assets;

***Guernsey Transferring Liabilities*** means all liabilities of the Transferors relating to the Guernsey Policies which remain unsatisfied or outstanding at the Effective Date (including, without limitation, any such liabilities under or relating to the Guernsey Policies and all liabilities to tax attributable to any Transferor or otherwise arising as a consequence of the provisions or implementation of this Scheme), other than Guernsey Residual Liabilities;

***Guernsey Transferring Rights*** means:

- (a) the rights, benefits and powers of the Transferors under or by virtue of the Guernsey Policies; and
- (b) all rights and claims (present or future, actual or contingent) against any third party so far as they relate to the Guernsey Policies;

but excluding the Guernsey Residual Assets and the benefit of the Transferring Reassurances;

***GFSC*** means the Guernsey Financial Services Commission;

***Independent Expert*** means Mr Michael Arnold, the person appointed to report on the terms of this Scheme pursuant to Section 45(2)(a) of the Law or any successor appointed to report on the same or in connection with paragraph 13 or 17 of this Scheme;

***Law*** means the Insurance Business (Bailiwick of Guernsey) Law 2002 as amended;

***LLLA*** means London Life Linked Assurances Limited, a company incorporated in England and Wales with registered number 01396188, whose registered office is at The Pearl Centre, Lynch Wood, Peterborough, PE2 6FY, United Kingdom;

**NPIL** means NPI Limited, a company incorporated in England and Wales with registered number 03725037, whose registered office is at The Pearl Centre, Lynch Wood, Peterborough, PE2 6FY, United Kingdom;

**NPIL Actuarial Function Holder** means the person appointed by NPIL to perform the actuarial function in respect of its Long Term Business from time to time pursuant to the rules made by the FSA under section 340 of the Act;

**NPIL Board** means the Board of Directors of NPIL from time to time;

**Order** means an order made by the Court sanctioning this Scheme pursuant to Section 44 of the Law;

**PAUF** means Pearl Assurance (Unit Funds) Limited, a company incorporated in England and Wales with registered number 01027138, whose registered office is at The Pearl Centre, Lynch Wood, Peterborough, PE2 6FY, United Kingdom;

**Pearl Assurance** means Pearl Assurance plc;

**Policy** has the meaning set out in the Financial Services and Markets Act 2000 (Meaning of “Policy” and “Policyholder”) Order 2001 (SI 2001/2361) and includes, without limitation, any contract of insurance under which an existing liability has already accrued;

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

**Policy Records** means all books, records and data relating to Guernsey Policies of the Transferors in force at the Effective Date and all equivalent books, records and data relating to any Guernsey Policies formerly comprised within the relevant insurance business;

**Scheme** means this Scheme in its original form or with or subject to any modification, addition, provision or condition made in accordance with paragraph 17.1;

**Shareholders’ Fund** means in relation to a Transferor or NPIL the assets of such Transferor or NPIL (as the case may be) other than the Long Term Business Fund Assets of such Transferor or NPIL (as the case may be);

**Subsequent Effective Date** means in relation to any Guernsey Residual Asset or Guernsey Residual Liability, the date on or after the Effective Date on which such Guernsey Residual Asset or Guernsey Residual Liability is to be transferred to NPIL namely:

- (a) in respect of any Guernsey Residual Asset falling within paragraph (a) of the definition thereof, and of any Guernsey Residual Liability which is attributable to or connected with that Guernsey Residual Asset or which falls within paragraph (b) of the definition of Guernsey Residual Liability, the date on which the requisite consent or waiver to enable the same to be transferred to

NPIL upon the terms of this Scheme is obtained, no longer required or dispensed with by an Order;

- (b) in respect of any Guernsey Residual Asset falling within paragraph (b) or (c) of the definition thereof and of any Guernsey Residual Liability which is attributable to or connected with that Guernsey Residual Asset, the Subsequent Effective Date agreed by the Transferors and NPIL; and
- (c) in the case of any Guernsey Residual Asset falling within paragraph (d) of the definition thereof, the date on which such Guernsey Residual Asset is received or earned by any Transferor;

**Switch** means any transaction effected by the holder of any Linked Policy pursuant to which (a) the value of the Linked Policy ceases to be determined (or becomes determined to a lesser degree) by reference to units in any particular Linked Fund available in relation to such Linked Policy and becomes determined (or determined to a greater degree) by reference to units in a different Linked Fund, and/or (b) premiums payable in the future under such Linked Policy cease to be allocated to (or become allocated to a lesser degree to) units in any particular Linked Fund available in relation to such Linked Policy and become allocated (or allocated to a greater degree to) units in a different Linked Fund; and to **Switch** shall be construed accordingly;

**tax** means (a) taxes on income, profits and gains and (b) all other taxes, levies, duties, imposts, charges and withholdings of any nature, including any excise, property, VAT, sales, stamp, transfer, licence, franchise and payroll taxes, or any other like assessment or charge, and any national insurance or social security contributions, together with any interest, charge or penalty on, or in addition to, any of the foregoing or to any late or incorrect return with respect to any of them, imposed by any local, municipal, state, federal or other governmental body in any part of the world;

**Transferring Reassurances** means that part or all of any contracts of reinsurance, reinsurance or retrocession together with any security arrangements or letter of credit facilities relating to such contracts of reinsurance, reinsurance or retrocession to which the Transferors are party, which covers any part or all of the Guernsey Policies;

**Transferor Linked Fund** means a Linked Fund maintained by any Transferor prior to the Effective Date;

**Transferors** means LLLA and PAUF and **Transferor** means any one of them;

**UK Authorised Person** has the meaning given to that term for the purposes of section 105 of the Act;

**UK Effective Date** has the meaning given to that term in the UK Scheme;

**UK Transferring Assets** has the meaning given to “Transferring Assets” in the UK Scheme;

**UK Transferring Liabilities** has the meaning given to “Transferring Liabilities” in the UK Scheme;

**UK Transferring Policies** has the meaning given to “Transferring Policies” in the UK Scheme;

**UK Transferring Rights** has the meaning given to “UK Transferring Rights” in the UK Scheme; and

**UK Scheme** means the insurance business transfer scheme pursuant to Part VII of the Act proposed to the High Court of Justice in England and Wales, a copy of which is attached as Schedule 4 hereto, as may be modified in accordance with the terms thereof.

1.2 In this Scheme:

- (a) **property** and **asset** includes (without limitation) property, assets, rights, benefits, powers and claims of every description (whether present or future, actual or contingent) and includes property held on trust and securities, benefits, powers of any description and any interest whatsoever in any of the foregoing;
- (b) **liabilities** includes (without limitation) duties and obligations of every description (whether present or future, actual or contingent);
- (c) **transfer** includes (as the context may require) “assign” or “assignation” or “assignment”, “dispose” or “disposal”, “convey” or “conveyance”;
- (d) any reference to the singular shall include a reference to the plural and vice versa and any reference to the masculine shall include a reference to the feminine;
- (e) any reference to an enactment, a statutory provision or any subordinate legislation shall be deemed to include a reference to that enactment, statutory provision or subordinate legislation as amended, replaced or re-enacted from time to time and to any instrument or order made from time to time under such enactment, statutory provision or subordinate legislation;
- (f) unless the context otherwise requires expressions used which are defined in the Act shall bear those meanings;
- (g) any reference to **this Scheme** shall include any Schedule to it and (unless inconsistent with the subject or context) references to paragraphs, Parts or Schedules are to paragraphs of, Parts of or Schedules to this Scheme;
- (h) any reference to writing shall include any mode of reproducing words in a legible and non-transitory form;
- (i) any reference to a document in the form agreed is to the form of the relevant document agreed between the relevant persons in accordance with this Scheme

and initialled by or on behalf of each of them for the purpose of identification prior to the date on which the Court sanctions this Scheme;

- (j) if a period of time is specified from a given day or date or from the day or date of any act or event, it shall be calculated exclusive of that day or date; and
- (k) any reference to “include”, “including” or “includes” shall be deemed to be followed by the words “without limitation”.

1.3 Terms not defined in this Scheme shall have the meaning given to such terms in the UK Scheme.

## **PART B – INTRODUCTION**

### **2. INTRODUCTION**

2.1 Each of the Transferors and NPIL is a UK Authorised Person with permission to effect and carry out in the United Kingdom contracts of insurance in those classes set against its name in Schedule 1.

2.2 Each of the Transferors will, on the Effective Date, be a wholly-owned subsidiary (as defined in the Companies Act 1985) of NPIL.

2.3 It is proposed that the UK Transferring Rights, the UK Transferring Assets, the UK Transferring Policies and the UK Transferring Liabilities shall, in accordance with the UK Scheme, be transferred to NPIL on the Effective Date by an order under section 111 of the Act in accordance with Part VII of the Act.

2.4 It is proposed that the Guernsey Policies shall be transferred to NPIL on the Effective Date by Order of the Court in accordance with Section 44 of the Law and be dealt with in accordance with this Scheme.

2.5 It is further proposed that the transfer of the Guernsey Policies to NPIL by this Scheme shall only take place to the extent that the UK Scheme has been sanctioned by the High Court of Justice in England and Wales and has become effective and that if the Effective Date has not fallen on or before the UK Effective Date, then the Guernsey Policies shall be reassured to NPIL during the period from the UK Effective Date until the Effective Date on the terms set out in paragraph 9 of the UK Scheme.

2.6 Each of the Transferors and NPIL have agreed to appear by Ogier at the hearing of the application to sanction this Scheme, to undertake to be bound thereby and to execute all such documents and to do all such acts and things as may be necessary or expedient to be executed or done by it for the purposes of giving effect to this Scheme.

## **PART C – TRANSFER**

### **3. TRANSFER OF GUERNSEY ASSETS**

Subject to paragraph 12, on and with effect from the Effective Date, the Guernsey Transferring Assets, the Guernsey Transferring Rights and the Guernsey Policies and

all the estate and interest of the Transferors therein, shall, by the Order and without any further act or instrument, be transferred to and be vested in NPIL subject to all Encumbrances (if any) affecting any such Guernsey Transferring Assets, the Guernsey Transferring Rights or Guernsey Policies.

#### **4. TRANSFER OF GUERNSEY LIABILITIES**

On and with effect from the Effective Date, the Guernsey Transferring Liabilities shall, by the Order and without any further act or instrument, be transferred to and become liabilities of NPIL and shall cease to be liabilities of the Transferors.

#### **5. GUERNSEY RESIDUAL ASSETS AND GUERNSEY RESIDUAL LIABILITIES**

5.1 Subject to paragraph 12, on and with effect from each Subsequent Effective Date, each Guernsey Residual Asset to which such Subsequent Effective Date applies and all the estate and interest of the relevant Transferor in it shall, by the Order and without any further act or instrument, be transferred to and be vested in NPIL subject to all Encumbrances (if any) affecting such Guernsey Residual Asset.

5.2 On and with effect from each Subsequent Effective Date, each Guernsey Residual Liability to which such Subsequent Effective Date applies shall, by the Order and without any further act or instrument, be transferred to and become a liability of NPIL and shall cease to be a liability of the relevant Transferor.

#### **6. TITLE AND FURTHER ASSURANCE**

6.1 NPIL shall accept without investigation or requisition such title as the relevant Transferor shall have at the Effective Date to the Guernsey Transferring Assets, the Guernsey Transferring Rights and the Guernsey Policies and, at each Subsequent Effective Date, to the Guernsey Residual Assets then transferred.

6.2 Each of the Transferors and NPIL shall execute such documents as may be reasonably required of it and perform such other reasonable acts as may be required to effect or perfect the transfer to and vesting in NPIL of any Guernsey Transferring Asset, Guernsey Transferring Right, Guernsey Policy or Guernsey Residual Asset in accordance with the terms of this Scheme.

6.3 Each of the Transferors and NPIL shall execute such documents as may reasonably be required of it and perform such other reasonable acts as may be required to effect or perfect the transfer to NPIL of any Guernsey Transferring Liability or Guernsey Residual Liability in accordance with the terms of this Scheme.

#### **7. RIGHTS AND OBLIGATIONS UNDER GUERNSEY POLICIES**

On and with effect from the Effective Date:

- (a) every holder of a Guernsey Policy shall become entitled, in substitution for any rights available to him under that policy against the relevant Transferor, to the same rights against NPIL and the obligations of every such holder under a

Guernsey Policy shall become enforceable (so far as still subsisting) by NPIL;  
and

- (b) NPIL shall be entitled to any and all defences, claims, counterclaims and rights of set-off under or in relation to the Guernsey Policies that would have been available to the relevant Transferor.

## **8. CONTINUITY OF PROCEEDINGS**

If any judicial, quasi-judicial, disciplinary, administrative, arbitration or other legal proceedings are pending by or against any of the Transferors in relation to the Guernsey Transferring Assets, the Guernsey Transferring Rights, the Guernsey Policies or the Guernsey Transferring Liabilities on the Effective Date (or, in connection with a Guernsey Residual Asset or Guernsey Residual Liability, on the Subsequent Effective Date applicable to it):

- (a) the same shall be continued by or against NPIL with effect from the Effective Date (or, in the case of a Guernsey Residual Asset or Guernsey Residual Liability, with effect from the Subsequent Effective Date applicable to it); and
- (b) NPIL shall be entitled to any and all defences, claims, counterclaims and rights of set-off that would have been available to the relevant Transferor in respect of any such proceedings.

## **9. PREMIUMS, MANDATES AND OTHER INSTRUCTIONS**

9.1 Subject to paragraph 9.2, any premiums attributable or referable to the Guernsey Policies shall, on and from the Effective Date, be payable to NPIL and shall be receivable and received by NPIL.

9.2 Any premiums attributable or referable to any of the Guernsey Policies shall, on and from the Effective Date, be payable to Pearl Assurance as agent for NPIL and shall be receivable and received by Pearl Assurance as agent for NPIL, provided that if, at any time after the Effective Date, NPIL and Pearl Assurance so agree in writing pursuant to paragraph 10.2 of the UK Scheme, any such premiums shall, on and from the date specified in such agreement, be payable to NPIL and shall be receivable and received by NPIL.

9.3 Any mandate or other instruction in force on the Effective Date (including, without limitation, any instruction given to a bank by its customer in the form of a direct debit or standing order) and providing for the payment by a banker or other intermediary of premiums payable under or in respect of any of the Guernsey Policies to LLLA shall, on and from the Effective Date, take effect as if it had provided for and authorised such payment to NPIL.

9.4 Any mandate or other instruction in force on the Effective Date (including, without limitation, any instruction given to a bank by its customer in the form of a direct debit or standing order) and providing for the payment by a banker or other intermediary of premiums payable under or in respect of any of the Guernsey Policies to Pearl Assurance as agent for PAUF shall, on and from the Effective Date, take

effect as if it had provided for and authorised such payment to Pearl Assurance as agent for NPIL, provided that if, at any time after the Effective Date, NPIL and Pearl Assurance so agree in writing pursuant to paragraph 10.4 of the UK Scheme, any such mandate shall, on and from the date specified in such agreement, take effect as if it had provided for and authorised such payment to NPIL.

9.5 Any mandate or other instruction in force on the Effective Date as to the manner of payment of any sum payable by LLLA under any of the Guernsey Policies shall, on and from the Effective Date, take effect as if it had provided for and authorised such payment by NPIL.

9.6 Any mandate or other instruction in force on the Effective Date as to the manner of payment of any sum payable by Pearl Assurance as agent for PAUF under any of the Guernsey Policies shall, on and from the Effective Date, take effect as if it had provided for and authorised such payment by Pearl Assurance as agent for NPIL, provided that if, at any time after the Effective Date, NPIL and Pearl Assurance so agree in writing pursuant to paragraph 10.6 of the UK Scheme, any such mandate shall, on and from the date specified in such agreement, take effect as if it had provided for and authorised such payment by NPIL.

## **10. CONSTRUCTION OF GUERNSEY POLICIES AND NPIL POLICIES**

10.1 Where the benefits of any Guernsey Policy are held under the terms of a trust, such terms (together with the terms of any rules applicable to any pension scheme in the case of any pension scheme under which benefits are referable to a Guernsey Policy) shall operate and be construed on and from the Effective Date on a basis which is consistent with the transfer of such Guernsey Policy in accordance with the provisions of this Scheme. In particular and without prejudice to the generality of the foregoing, all powers, duties, rights and consents under any such terms conferred on, vested in or required of any of the Transferors shall instead be construed as conferred on, vested in or required of NPIL.

10.2 The Guernsey Policies shall be construed on and from the Effective Date in accordance with Schedule 2.

10.3 The Existing NPIL Policies shall be construed on and from the Effective Date in accordance with Schedule 3.

## **11. DECLARATION OF TRUST BY THE TRANSFERORS**

11.1 If:

- (a) any property of any of the Transferors is not, or is not capable of being, immediately transferred on the Effective Date by the Order by reason of:
  - (i) such property being a Guernsey Residual Asset;
  - (ii) such property being outside the jurisdiction of the Court; or
  - (iii) for any other reason;

- (b) any Guernsey Residual Asset is not, or is not capable of being, transferred to and vested in NPIL by the Order on the applicable Subsequent Effective Date;
- (c) the transfer of any property of any of the Transferors outside the jurisdiction of the Court, is not recognised by the laws of the jurisdiction in which such property is situated; or
- (d) in any circumstances the relevant Transferor and NPIL shall agree in writing that it is expedient not to effect a transfer of any property of the relevant Transferor,

the relevant Transferor shall, on and from the Effective Date (but save to the extent that giving effect to such trust would have the effect of transferring any interest falling within paragraph (a) of the definition of Guernsey Residual Asset) hold such property as trustee for NPIL absolutely.

11.2 The Transferors shall in any event be subject to the direction of NPIL in respect of any property referred to in paragraphs 11.1(a) to 11.1(d) until the relevant property is transferred to or otherwise vested in NPIL or is disposed of (whereupon the relevant Transferor shall account to NPIL for the proceeds of disposal thereof), and NPIL shall have authority to act as the attorney of the relevant Transferor in respect of such property for all such purposes.

11.3 In the event of any payment being made to, property being received by or right being conferred upon the Transferors on or after the Effective Date in respect of any Guernsey Transferring Asset, Guernsey Policy or Guernsey Residual Asset, the relevant Transferor shall as soon as is reasonably practicable after its receipt pay over the full amount of such payment or (to the extent to which it is able to do so) transfer such property or right to or in accordance with the reasonable instructions of NPIL and NPIL shall indemnify the relevant Transferor against any costs incurred by the Transferor in making any such payment or transfer.

## **12. UNDERTAKINGS AND INDEMNITIES IN FAVOUR OF THE TRANSFERORS**

12.1 On and with effect from the Effective Date, until the relevant liability is transferred to or becomes a liability of NPIL, NPIL shall discharge on behalf of the relevant Transferor, or failing that, shall indemnify the relevant Transferor against, all Guernsey Transferring Liabilities and Guernsey Residual Liabilities (if any) and any other loss or expense incurred by or demand made against the relevant Transferor that is attributable to the Guernsey Transferring Assets, the Guernsey Transferring Rights, the Guernsey Policies or the Guernsey Transferring Liabilities.

12.2 NPIL shall procure that the liabilities incurred in indemnifying the Transferors in accordance with paragraph 12.1 shall be allocated to and discharged out of its Long Term Business Fund Assets or its Shareholders' Fund to the extent that the relevant Guernsey Residual Liabilities would have been allocated to and discharged out of the relevant Fund pursuant to the provisions of this Scheme had such Guernsey Residual Liabilities been Guernsey Transferring Liabilities.

12.3 Where the Transferors are entitled to receive an amount pursuant to the indemnity contained in paragraph 12.1, they shall be entitled to receive such amount as, after payment of or provision for any liability to taxation in respect of the amount receivable, will result in the receipt of an amount equal to the liability indemnified against.

## **PART D – MISCELLANEOUS**

### **13. CONDITIONS**

This Scheme shall not become effective unless:

- (a) the Order shall have been made; and
- (b) the UK Scheme shall have become effective in accordance with its terms (subject to any modification, addition, further condition or provision of, to or affecting the UK Scheme pursuant to paragraph 21.1 thereto).

### **14. EFFECTIVE DATE**

14.1 Subject to paragraph 13, this Scheme shall become effective at:

- (a) 00.01 British Summer Time on 1 October 2006; or
- (b) such other time and date as may be specified in the Order.

14.2 At any time prior to the Effective Date, the Transferors and NPIL shall be at liberty to apply to the Court for a further order, specifying an alternative time and date as the Effective Date for the purposes of this Scheme and, if such order is made, the time and date so specified shall then become the Effective Date for the purposes of this Scheme and this Scheme shall then become effective (subject to paragraph 13) on and from the time and date so specified, and provided further that in any such case:

- (a) the GFSC shall be notified of and have the right to be heard at any hearing of the Court at which such application is considered; and
- (b) such application shall be accompanied by a certificate from the Independent Expert to the effect that in his opinion the proposed amendment will not materially adversely affect the security of any relevant holders of Guernsey Policies.

14.3 Unless this Scheme shall become effective on or before 1 October 2006 or such later date as the Court may allow upon the application of the Transferors and NPIL, it shall lapse.

### **15. AMENDMENT TO THE LAW, REGULATIONS OR OTHER LEGISLATION**

If, at any time after the date of the Order, the Law or any regulations made thereunder or any tax legislation shall be amended or re-enacted, and the NPIL Board having taken such advice as it considers appropriate from the NPIL Actuarial Function Holder is of the opinion that the effect of such amendment, modification or re

enactment causes or will or might cause the provisions of this Scheme to operate materially differently from the manner in which they would have continued to operate without such amendment or re-enactment, such modification or addition to this Scheme may be made, without the approval of the Court, as the Transferors and NPIL may propose and the GFSC may approve as being appropriate to limit the extent to which the provisions of this Scheme would or might operate in such materially different manner.

## **16. COSTS**

The Transferors and NPIL shall bear all legal and other professional costs of or incidental to the preparation and carrying into effect of this Scheme in such proportions as are agreed between them and each of them shall allocate any such costs borne by it to its Shareholders' Fund.

## **17. MODIFICATIONS OR ADDITIONS**

17.1 The Transferors and NPIL may, at any time before the Order is made, agree on behalf of themselves and all other persons concerned to any modification of or addition to this Scheme or to any further condition or provision affecting this Scheme that the Court may approve or impose.

17.2 At any time after the Order has been made, NPIL may at any time apply to the Court for consent to amend the terms of this Scheme, provided that in any such case:

- (a) the GFSC and NPIL shall be notified of and have the right to be heard at any hearing of the Court at which such application is considered; and
- (b) such application shall be accompanied by a certificate from the Independent Expert (or another person approved by the FSA for such purpose) to the effect that in his opinion the proposed amendment will not materially adversely affect the security of any relevant Policyholder.

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

## **18. GOVERNING LAW**

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

Dated this 12<sup>th</sup> day of June 2006

## SCHEDULE 1

**Classes of business in Schedule 1, Part I to the Financial Services and Markets  
Act 2000 (Regulated Activities) Order 2001  
for which the Transferors and NPIL hold authorisation**

NPI Limited	I (Life and annuity) III (Linked long-term) IV(Permanent health)
Pearl Assurance (Unit Funds) Limited	I (Life and annuity) II (Marriage and birth) III (Linked long-term) IV(Permanent health) VI (Capital redemption contracts) VII (Pension fund management)
London Life Linked Assurances Limited	I (Life and annuity) II (Marriage and birth) III (Linked long-term) IV(Permanent health) VI (Capital redemption contracts) VII (Pension fund management)

## SCHEDULE 2

### CONSTRUCTION OF GUERNSEY POLICIES

1. All references in the Guernsey Policies to:
  - (a) PAUF or LLLA;
  - (b) the Board of Directors of PAUF or LLLA;
  - (c) the person appointed by PAUF or LLLA to perform the actuarial function in respect of its Long Term Business; or
  - (d) any other officer or employee of PAUF or LLLA,

shall from and after the Effective Date be read as references to NPIL, the NPIL Board, or the NPIL Actuarial Function Holder or other officer or employee of NPIL (as the case may be). In particular but without limitation, all rights and/or duties exercisable or expressed to be exercisable or responsibilities to be performed by:

- (e) PAUF or LLLA;
- (f) the Board of Directors of PAUF or LLLA;
- (g) the person appointed by PAUF or LLLA to perform the actuarial function in respect of its Long Term Business; or
- (h) any other officer or employee of PAUF or LLLA,

in relation to the Guernsey Policies shall, from the Effective Date, be exercisable or required to be performed respectively by NPIL, the NPIL Board, the NPIL Actuarial Function Holder or other officer or employee of NPIL (as the case may be).

2. All references in the Guernsey Policies to:
  - (a) the Long Term Business Fund of PAUF or LLLA shall from and after the Effective Date be read as references to the Long Term Business Fund of NPIL; and
  - (b) any Linked Fund established and maintained by PAUF or LLLA for the purposes of calculating benefits payable under any Guernsey Policy shall from and after the Effective Date be read as references to the corresponding New Linked Fund established by NPIL in accordance with paragraph 16.1(a) of the UK Scheme.
3. The terms of any Guernsey Policy that is a Linked Policy which entitle the holder of such Guernsey Policy to Switch shall be construed so as to entitle the holder of such Guernsey Policy to Switch only to or between the New Linked Funds which correspond to the Linked Funds of the relevant Transferor that such holder was entitled to Switch to or between immediately prior to this Scheme becoming effective

and, for the avoidance of doubt, so as not to entitle the holder of such Guernsey Policy to Switch to or between any other New Linked Funds or any other Linked Funds maintained by NPIL.

4. The transfer of any Guernsey Policy pursuant to this Scheme shall not contravene any restriction on assigning or otherwise dealing with the same.

5. In the event of any inconsistency between the provisions of any Guernsey Policy and the provisions of this Scheme, the provisions of this Scheme shall prevail.

### **SCHEDULE 3**

#### **CONSTRUCTION OF EXISTING NPIL POLICIES**

1. The terms of any Existing NPIL Policy that is a Linked Policy which entitle the holder of such Existing NPIL Policy to Switch shall be construed so as to entitle the holder of such Existing NPIL Policy to Switch only to or between the Linked Funds maintained by NPIL that such holder was entitled to Switch to or between immediately prior to this Scheme becoming effective and, for the avoidance of doubt, so as not to entitle the holder of such Existing NPIL Policy to Switch to or between any New Linked Funds.

2. In the event of any inconsistency between the provisions of any Existing NPIL Policy and the provisions of this Scheme, the provisions of this Scheme shall prevail.

**SCHEDULE 4**

**UK SCHEME**

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