

Summary of changes to the 2006 Scheme

Introduction

SLAC transferred substantially all of its business to SLAL at the time of the demutualisation of Standard Life in July 2006. That transaction was set out in the 2006 Scheme.

The 2006 Scheme was subsequently amended in December 2011 to transfer the insurance business of SLIF to SLAL and twice in 2016 as a result of the implementation of the Solvency II regulatory regime.

Several changes are now proposed to the 2006 Scheme to ensure that it allows for the Brexit Scheme and the related reinsurance agreements.

A key change reflects the fact that SL Intl HWPF Policies will be transferred to SL Intl under the Brexit Scheme and then reinsured by SLAL pursuant to the terms of the HWPF Reinsurance Agreement. The amendments reflecting this will often make reference in the 2006 Scheme to the HWPF Reinsurance Agreement where prior to the change to the 2006 Scheme would have referred, indirectly, to the HWPF policies which are proposed to be transferred under the Brexit Scheme. There are also specific provisions dealing with how the HWPF Reinsurance Agreement operates where a reinsured policy vests and the benefit is a non profit immediate annuity or has a guaranteed or a cash amount.

Other changes to the 2006 Scheme deal with the continuing comfort that is given to transferring policyholders in respect of the MEP, the allocation of the new reinsurance agreements to particular SLAL funds and the assets which can be paid out on termination of, and assets which can be used as collateral in respect of certain of, the reinsurance agreements.

The 2006 Scheme also provides that the GWPF and GSMWPF will be managed in accordance with Internal PPFMs.

Additionally, the 2006 Scheme sets out amendments to be made to it if the reinsurance agreements terminate.

Changes to the 2006 Scheme

Definitions: Certain provisions in the 2006 Scheme refer to the “With Profits Fund”, “With Profits Policies”, “WPF Policies” and “WPF With Profits Policies”. Where appropriate these are now altered to have regard to the rights and obligations of SLAL under the HWPF Reinsurance Agreement where previously they would have had regard to HWPF Policies which subsequently transferred under the Brexit Scheme. These changes seek to ensure, for example, that SL Intl HWPF Reinsured Policies are entitled to participate in the established surplus (including the inherited estate) and bonuses of the HWPF through the operation of the HWPF Reinsurance Agreement.

German Additional Expenses: The HWPF Reinsurance Agreement to the extent it relates to SL Intl HWPF Reinsured Policies is treated as German Additional Expense Policies for the purposes of the expenses provisions of Schedule 2 of the 2006 Scheme.

Reference Period Transfer Amount : The HWPF Reinsurance Agreement is to the extent attributable to CNP Life (Net Fund) (Ireland) Block; CNP Life (Gross Roll-Up Fund) (Ireland) Block; CNP Pensions (Ireland) Block; Unitised Pensions (Ireland) Block, Unitised Life (Net Fund) (Ireland) Block and Unitised Life (Gross Roll-Up Fund) Ireland Block treated as a policy and therefore part of the Reference Period Transfer Amount for the purposes of Schedule 3 of the 2006 Scheme.

Mortgage Endowment Promise MEP: The provisions of the main scheme and Schedule 4 have been amended to make clear that SL Intl HWPF Policies which had the benefit of the MEP will continue to have the benefit of that promise after the Brexit Scheme is effective.

German With Profit Funds: Under the 2006 Scheme, SLAL undertakes to maintain the SLAL GWPF and SLAL GSMWPF as separate funds.

Allocation of reinsurance agreements: The 2006 Scheme allocates the HWPF Reinsurance Agreement and Property-Linked Funds Retrocession Agreement to the HWPF, the GWPF Reinsurance Agreement to the SLAL GWPF and Non Profit Fund and the GSMWPF Reinsurance Agreement to the SLAL GSMWPF and Non Profit Fund.

Vesting of annuities: The provisions of the 2006 Scheme in relation to vesting annuities will be amended to allow for the transfer of the value of a SL Intl annuity which vests to SL Intl under the reinsurance agreements unless the SLAL With Profits Actuary or SLAL board require it to be retained in SLAL in which event the annuity will continue to be reinsured by SLAL under the reinsurance agreements.

Interaction with the reinsurance arrangements

The 2006 Scheme:

- (A) sets out the restrictions on the payment out of the HWPF of the termination amount due on termination of the HWPF Reinsurance Agreement. Certain elements of the termination amount may not be paid out of the HWPF and payment of any part of the termination amount from the HWPF is subject to conditions which seek to preserve the financial position of the HWPF;
- (B) details the assets from the HWPF which can be posted as collateral under the HWPF Reinsurance Agreement;
- (C) contains provisions dealing with the amendments which will be made to the 2006 Scheme if the HWPF Reinsurance Agreement, GWPF Reinsurance Agreement and/or GSMWPF Reinsurance Agreement terminate;
- (D) contains provisions for investing the investment element under the GWPF Reinsurance Agreement and GSMWPF Reinsurance Agreement from the Non Profit Fund to the SLAL GWPF and SLAL GSMWPF respectively and vice versa on cancellation of that investment; and

- (E) determines which assets can be posted as collateral under the GWPF Reinsurance Agreement and GSMWPF Reinsurance Agreement, and which must be paid out by the GWPF, GSMWPF and SLAL shareholders' fund, on termination of the GWPF Reinsurance Agreement or GSMWPF Reinsurance Agreement.

The SLAL GWPF and SLAL GSMWPF must each be managed in accordance with an Internal PPFM until the termination of the GWPF Reinsurance Agreement and GSMWPF Reinsurance Agreement respectively.

Summary of key changes to the 2011 Scheme

The 2006 Scheme was amended by the 2011 Scheme in December 2011. The 2011 Scheme gave effect to the transfer of the insurance business of SLIF to SLAL.

The following are the main changes to the 2011 Scheme.

The key change to the 2011 Scheme reflects the fact that the SL Intl HWPF Policies were transferred to SL Intl under the Brexit Scheme and are now reinsured pursuant to the terms of the HWPF Reinsurance Agreement.

The 2011 Scheme provided that the Non Profit Fund bears the longevity risk (the risk of policyholders living longer than expected) of certain non-profit annuities which were allocated to the HWPF and were in payment or had vested prior to the 2006 Scheme becoming effective. Some of these policies and reinsurances were transferred to SL Intl under the Brexit Scheme (**SL Intl Indirectly Covered Policies**) and reinsured under the HWPF Reinsurance Agreement.

The 2011 Scheme will be amended to reflect the fact that the Non Profit Fund now reinsures the HWPF's obligations under the HWPF Reinsurance Agreement to the extent they relate to the SL Intl Indirectly Covered Policies.

The 2011 Scheme also makes provision for the consequence of termination of the HWPF Reinsurance Agreement.

In addition, the amendments document the premiums to be paid in respect of the liabilities covered by the Non Profit Fund.

The 2011 Scheme also sets out the form of the Property-Linked Floating Charge. The purpose of the Property-Linked Floating Charge is to ensure, so far as is reasonably practicable, that the beneficiaries of the Property-Linked Floating Charge are in the same position as direct policyholders of SLAL.

Some of the assets of SLAL subject to the Property-Linked Floating Charge (in particular, assets relating to SLAL's Irish euro-denominated business) will be transferred to SL Intl under the Brexit Scheme and the policies backed by these assets will be reinsured under the HWPF Reinsurance Agreement. The form of Property-Linked Floating Charge will be amended to restrict the charge to policies denominated in sterling and assets backing those liabilities. SL Intl does not require any security from SLAL for Irish euro-denominated property-linked business as SL Intl holds the assets backing that business.

In addition, the way in which rights under derivative contracts are treated under the terms of the Property-Linked Funds Retrocession Agreement, will be clarified to explain the way they link to the other reinsurance agreements.

Definitions:

“2006 Scheme”	means the Scottish scheme of transfer between The Standard Life Assurance Company, SLAL and Standard Life PLC;
“2011 Scheme”	means the Scottish scheme of transfer between SLIF and SLAL;
“Brexit Scheme”	means the Scottish scheme of transfer between SLAL and SL Intl as sanctioned by the Court of Session;
“GSMWPF Reinsurance Agreement”	means the agreement entitled “Reinsurance Agreement: GSMWPF” between SLAL and SL Intl entered into in accordance with the Brexit Scheme;
“GWPF Reinsurance Agreement”	means the agreement entitled “Reinsurance Agreement: GWPF” between SLAL and SL Intl entered into in accordance with the Brexit Scheme;
“HWPF”	means the with profits fund established and maintained by SLAL pursuant to the 2006 Scheme;
“HWPF Reinsurance Agreement”	means the agreement entitled “Reinsurance Agreement: HWPF” between SLAL and SL Intl entered into in accordance with the Brexit Scheme;
“Internal PPFM”	means a document setting out the principles and practices of financial management for a fund;
“MEP”	means mortgage endowment promise;
“Non Profit Fund”	means the separate fund established and maintained by SLAL pursuant to the 2006 Scheme;
“Property-Linked Floating Charge”	means the property-linked floating charge in relation to unit-linked liabilities between SLAL as chargor and The Law Debenture Trust Corporation p.l.c. as chargee in its capacity as security trustee for the Property-Linked Beneficiaries (as such term is defined therein) originally dated 12 October 2006 as amended and restated;
“Property-Linked Funds Retrocession Agreement”	means the agreement entitled “Reinsurance Agreement: Euro Denominated Property-Linked Funds” between SLAL and SL Intl entered into in accordance with the Brexit

	Scheme;
“SL Intl”	means Standard Life International DAC, a designated activity company incorporated in the Republic of Ireland with registered number 408507;
“SL Intl Euro PBF”	means the SL Intl Euro PBF established and maintained by SL Intl in accordance with the Brexit Scheme;
“SL Intl HWPF”	means the SL Intl HWPF established and maintained by SL Intl in accordance with the Brexit Scheme;
“SL Intl HWPF Policy”	means a policy transferred from SLAL to SL Intl pursuant to the Brexit Scheme and (i) allocated to the SL Intl HWPF or (ii) allocated to the SL Intl Euro PBF and invested in the SL Intl HWPF;
“SL Intl HWPF Reinsured Policy”	means any SL Intl HWPF Policy (or other policy of SL Intl from time to time) that is reinsured to SLAL pursuant to the HWPF Reinsurance Agreement;
“SLAC”	means The Standard Life Assurance Company;
“SLAL”	means Standard Life Assurance Limited (registered in Scotland number SC286833);
“SLAL GSMWPF”	means the “German Smoothed Managed With Profits Fund” established and maintained by SLAL under the 2006 Scheme;
“SLAL GWPF”	means the “German With Profits Fund” established and maintained by SLAL under the 2006 Scheme; and
“SLIF”	means Standard Life Investment Funds Limited.