

NPI

Restructuring Our Business Scheme Guide

Transfer of National Provident Life Limited With-Profits
Self Employed Retirement Plans (SERPs) to Pearl Assurance plc



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1. Introduction

This Guide summarises our proposal to transfer National Provident Life Limited (**NPLL**) With-Profits Self Employed Retirement Plans (SERPs) to Pearl Assurance plc (**Pearl**), as set out in section 2 (The proposed changes). These proposals are referred to as 'the **Scheme**'.

The proposals described in this Guide replace those which were proposed in 2008 under the **2008 Scheme**. The **2008 Scheme**, which we wrote to you about in September 2008, did not proceed.

NPLL was established as a new company in 1999 as part of the demutualisation of National Provident Institution (NPI). **NPLL** took over the existing NPI business and was then closed to new business, other than for increments. **NPLL** and **Pearl** are members of the **Pearl group of companies**.

The aim of the **Scheme** is to enhance policyholders' security and to improve the flexibility we have in managing the investments in the **NPLL** with-profits fund.

In this Guide you will find:

- key information about the **Scheme** and how it affects you as a policyholder of **NPLL**;
- details on how to raise any concerns you may have about the **Scheme** (section 6);
- a summary of a report by an **Independent Expert** to consider how your interests as a policyholder may be affected by the **Scheme** and the proposed changes to the **Demutualisation Scheme** (section 12); and
- a copy of the formal Legal Notice of the **Scheme** (Appendix 1) that will be published in the *Guardian*, *Independent*, *Daily Telegraph*, *Financial Times* (European edition) and the *London*, *Edinburgh* and *Belfast Gazettes* on or around 25 November 2009. A similar notice will also be placed in appropriate publications in Jersey and Guernsey.

If the **High Court** gives its approval (see section 5), we expect the changes to take place on 15 February 2010. This date is known as the **Transfer Date**. However, in order to simplify the accounting treatment, the **Scheme** contains terms which have the effect that both **Pearl** and **NPLL** will be in the same financial position as if the changes had taken place on 4 January 2010 (the '**Effective Date**').

Please take time to read this Guide as it is important that you understand how the changes may affect you.

Throughout this document, you will notice words that are highlighted in **bold**. These words are explained in section 14 – Definitions.

2. The proposed changes

The letter enclosed with this Guide will tell you which policy(ies) you hold and what will happen to them if the Court approves the **Scheme**. Letters and Scheme Guides are being sent out in November, so if you hold additional **NPLL** policies that are not covered by this letter, you should receive another letter shortly. If you are not sure if you have received the right information, please call our Scheme Helpline on 0845 602 9296.

On the **Transfer Date**, **NPLL** With-Profits Self Employed Retirement Plans (SERPs), including Deferred Annuities for the Self Employed, will transfer to **Pearl**. Note that **NPLL** Unit-Linked SERPs, also known as Personal Pension Investment Plans, and any term assurances associated with SERPs will not transfer.

Please be aware that there are other companies within the **Pearl group of companies** and that you may well also hold a policy with one of these other companies, which the **Scheme** will not affect. The **Scheme** is only relevant to the policies you hold with **NPLL**.

3. How this will affect you

3.1 NPLL With-Profits SERPs transferring to Pearl

Your policy will be transferring to a new fund within **Pearl**, the '**Pearl SERP fund**'. Your policy number, features and benefits (including **guaranteed benefits**) will stay the same. When you call us, you will speak to the same team of people on the same telephone number as before and the level of service you receive will be unaffected.

Some differences you will see from the **Transfer Date** are explained below.

- Your policy provider will change to **Pearl**.
- When we write to you, the **Pearl** logo and name will be on your letter.
- Payments to you will be made by **Pearl**, Direct Debit payments will automatically become payable to **Pearl** and the **Pearl** name may appear on your bank statements. See section 4 (The impact on your payments) for more detailed information on this.
- You will be offered a **Pearl** annuity when you come to take your benefits rather than an annuity from **NPLL**. There will be no financial disadvantage to you as a result of this change and you will still be able to use the **Open Market Option**.

- Information relating to your policies that is currently available through the NPI website will instead be available through the **Pearl** website, www.pearl.co.uk.
- Responsibility for the management of the **Pearl SERP fund** will rest with the Board of Pearl Assurance plc, supported by the **Pearl With-Profits Committee**, rather than the National Provident Life Fund Supervisory Board.
- **Pearl** will have the right to close the **Pearl SERP fund** in the event that its value falls below a certain size. Further details of the process we would follow, and its impact on you, are set out in section 11.3 of this Guide.
- From the **Transfer Date**, With-Profits SERPs will be covered by a new Principles and Practices of Financial Management (PPFM) document, which explains how we manage our with-profits funds and we are also producing a new summary of the PPFM entitled '*A guide to how we manage the Pearl SERP fund*'. Draft copies of both these documents are available on the NPI and **Pearl** websites, www.npi.co.uk and www.pearl.co.uk. You will receive a paper copy of '*A guide to how we manage the Pearl SERP fund*' with your next annual statement following the **Transfer Date**. If you would like a paper copy of either draft document, please call our Scheme Helpline on 0845 602 9296.

Please note the following.

- This section does not apply to **NPLL** Unit-Linked SERPs, also known as Personal Pension Investment Plans, or to any term assurances associated with SERPs. These will not transfer (see section 3.3).
- You will not be investing in **Pearl's** main with-profits fund and will therefore not be entitled to a share of the **Pearl Estate**. In addition, your right to potentially share in the distribution of the **NPLL Estate** will be removed. However, you should note that **NPLL** has had no distributable estate in recent years, nor is there likely to be any for the foreseeable future.
- As explained in the PPFM, because a large part of the assets of the **Pearl SERP fund** are being provided by **Pearl** shareholders, you will not have any entitlement to share in any assets of the **Pearl SERP fund** which are not needed to meet **asset shares** and **guaranteed benefits** of **NPLL** With-Profits SERP policyholders. **Pearl** shareholders will

be entitled to any such assets and will also be responsible for providing any further assets which need to be transferred to the **Pearl SERP fund** to enable the higher of **asset shares** or **guaranteed benefits** to be paid.

3.2 NPLL with-profits policies remaining with NPLL

If your policy is one of those listed in 3.2.1 or 3.2.2, then your policy will not be transferring and will remain in **NPLL**. Except as noted in this section (3.2) and in section 11.4, your policy will not be affected by the **Scheme**.

The **Scheme** will strengthen **NPLL** and you will benefit from an increased level of security for your policy. This is because, as a result of transferring the SERPs out of **NPLL**, the 'free asset ratio', i.e. the amount of money in the fund that is over and above what is needed to meet our liabilities, as a percentage of the fund's liabilities, will be increased.

The **Scheme** and the changes to the **Demutualisation Scheme** will also give us flexibility to adopt an investment policy that is appropriate for different groups of policies in **NPLL**. This will mean that in future we may be able to invest, for certain groups of policies, a proportion of the fund in equity-type investments that have the potential to give higher returns in the longer term, thereby potentially improving your investment outlook. As with all equity-based investments, there is a risk that the value of your investment could go down as well as up. However, we will only change our investment approach when we believe the time is right, with full regard to market conditions, if we believe it will preserve the fair treatment of policyholders within the **NPLL** fund and following advice from the **NPLL With-Profits Actuary** and the consent of the Supervisory Board.

A draft revised **NPLL** Principles and Practices of Financial Management (PPFM) document, which explains how we manage the **NPLL** with-profits fund, is available on the NPI and **Pearl** websites at www.npi.co.uk and www.pearl.co.uk, taking into account the effect of the **Scheme** and the changes to the **Demutualisation Scheme**. This revised PPFM will not take effect before 1 March 2010. You will receive an updated summary of the **NPLL** PPFM entitled '*A guide to how we manage our with-profits fund*' with your next annual statement following the **Transfer Date**. A draft copy of this summary booklet is also available on the NPI and **Pearl** websites at www.npi.co.uk and www.pearl.co.uk. If you would like a paper copy of either draft document, please call our Scheme Helpline on 0845 602 9296.

3.2.1 NPLL with-profits life policies

These consist of the following:

- all With-Profits Endowment Assurances, With-Profits Whole Life Assurances, Flexible Mortgage Plans, Low Cost Mortgage Plans, With-Profits Bonds; and
- any Capital Investment Bonds or Balanced Bonds which include investment in the unitised with-profits fund.

The with-profits element of the Portfolio Bond is unaffected as this is currently and will remain **reinsured** to **Pearl's** with-profits fund.

3.2.2 NPLL with-profits pension policies

Policies with investments in Unitised With-Profits or Profit Sharing Account under any version of any of the following:

Directors Select Portfolio, Executive Pension Plans, Flexible Income Plans, Free Standing AVCs, Group Investment Accounts, Group Money Purchase, Group Personal Pensions, Group Additional Pension Plans, Penfund, Personal Pension Plans, Phased Retirement Accounts, Pension Transfer Plans, Trustee Transfer Plans, Trustee With-Profits Bonds. This includes, where applicable, reissued versions and 'New Approach' versions of these contracts.

In addition, most of the with-profits pension plans listed above can also invest in Capital Account.

Capital Pension Plans, Cash Accumulation Plans, Plan 32, Spectrum 32 and Visible Growth Fund are all Deposit Administration contracts. This includes, where applicable, reissued versions of these contracts.

The rates of return declared on Capital Account and the Deposit Accounts under Deposit Administration contracts are based on the returns of a notional portfolio of approximately 75% fixed interest and 25% equity-type assets. This will not be changed by the **Scheme**.

3.3 Other policies

If you have an **NPLL** policy or annuity that is not referred to elsewhere in section 3, your policy or annuity will not be affected in any way by the **Scheme**, other than as outlined in section 11.4 of this Guide and in the leaflet entitled 'Summary of Changes to the Demutualisation Scheme'. This leaflet is enclosed for all non-transferring policyholders and is also available on the NPI and **Pearl** websites, along with further details of the proposed changes.



4. The impact on your payments

The following changes will take place from the **Transfer Date**.

4.1 Transferring policies

Payments to you

- You will receive all your payments from **Pearl**, instead of **NPLL**, and your bank statements may show this.
- If you accept the **Pearl** annuity that is offered to you when you take your benefits, your annuity will be paid by **Pearl**.

Payments to us

- If you pay by cheque, you will need to make your cheque payable to **Pearl**. We will remind you of this when needed.
- If you pay by Direct Debit or standing order, you do not need to do anything.
 - Direct Debits will automatically be payable to **Pearl** instead of **NPLL**.
 - If you have a Direct Debit that covers more than one policy where you also have one or more policy which is not transferring, **NPLL** will continue to collect your payment as before and will forward the relevant balance to **Pearl**.
 - Standing orders from your bank account will continue to be collected by **NPLL** and will then be passed on to **Pearl**.

These changes will not affect the service you receive and you do not need to complete a new Direct Debit instruction or standing order form. Your rights under the Direct Debit Guarantee, as shown below, are not affected.

4.2 Non-transferring policies

There will be no changes to how we collect your payments or pay your benefits.



The Direct Debit Guarantee

- This Guarantee is offered by all Banks and Building Societies that take part in the Direct Debit Scheme. The efficiency and security of the Scheme is monitored and protected by your own Bank or Building Society.
- If the amounts to be paid or the payment dates change, Pearl Assurance plc will notify you at least 10 working days in advance of your account being debited or as otherwise agreed.
- If an error is made by Pearl Assurance plc or your Bank or Building Society, you are guaranteed a full and immediate refund from your branch of the amount paid.
- You can cancel a Direct Debit at any time by writing to your Bank or Building Society. Please also send a copy of your letter to us.

5. The process we will follow

To implement the **Scheme**, we must gain approval from the **High Court**. The **High Court** will only give its permission if it is satisfied that all necessary legal requirements are met and that the proposed changes are fair to policyholders.

The Court hearing for approval of the **Scheme** is expected to take place on 20 January 2010 at The Royal Courts of Justice, The Strand, London WC2A 2LL.

An **Independent Expert**, who has been approved by the Financial Services Authority (**FSA**), has reported on the overall effects of the **Scheme** on our policyholders. A summary of the **Independent Expert's Report** is set out in section 12 of this Guide.

If the **High Court** gives its approval, we expect the changes to take place on 15 February 2010. This is known as the **Transfer Date**. After the Court hearing, we will put a note on the NPI and **Pearl** websites, and a recorded message on our Scheme Helpline 0845 602 9296 to confirm the **High Court's** decision.

We are also undertaking separate schemes to transfer policies taken out in, or from within Jersey or Guernsey, or which are held by persons resident in Guernsey. The **Jersey Scheme** and **Guernsey Scheme** require the approval of the Royal Courts of Jersey and Guernsey respectively and are conditional on the **Scheme** being approved.

6. What you should do next

We would encourage you to read the enclosed information to make sure you understand our proposals.

If you are happy with the proposals, you don't need to do anything. If you have any questions or concerns, you can view the full **Scheme** document and related documents on the NPI and **Pearl** websites. Paper copies are also available from our Scheme Helpline 0845 602 9296.

If you believe you would be adversely affected by the **Scheme**, you may put your objections to the **High Court** in the following ways.

- By writing to us at the address given in section 13, quoting reference HBAN. Your objection and our

reply to you will be sent to the **High Court**, the **Independent Expert** and the **FSA** ahead of the hearing. You will need to do this even if you raised an objection to the **2008 Scheme**.

- By attending the hearing and presenting your objection to the **High Court** in person.
- Through a representative who will attend the hearing at the **High Court** and present your objection on your behalf.

If you or a representative intend to come to the hearing, please write to us as soon as possible, and ideally before 8 January 2010. Please quote reference HBAN in your letter and, if you wish to object to the **Scheme** at the hearing, please outline the nature of your objection. By informing us in writing of your intention to attend, we can keep you informed of any changes that may occur in relation to the hearing.

A summary of the objections to the **2008 Scheme** (where they are relevant to the current **Scheme**), and our responses will be sent to the **Independent Expert**, the **High Court** and the **FSA** to be taken into consideration at the final Court hearing. However, if you wish to object to the changes proposed under the current **Scheme** or the changes to the **Demutualisation Scheme**, you will need to raise a new objection.

7. Other parties interested in your policy

We are attempting, as far as records allow, to contact all policyholders and other interested parties to make them aware of the **Scheme**, as part of the legal process we have to follow. This will not be possible in all instances and we need your assistance to ensure all parties associated with your policy are notified of the **Scheme**.

If there is any other person with an interest in your policy, for example if you are a co-owner, could you please check they have received their documentation and, where this has not happened, make sure they are also given the opportunity to review this Guide.

8. NPLL occupational pension scheme trustees

If you are a trustee of an **NPLL** trust-based occupational pension scheme, please be aware that, although you are the policyholder, the members of the scheme are affected by these proposals and need to be made aware of them. It is your responsibility to make sure all scheme members are made aware of the changes detailed in this Guide and the enclosed leaflet entitled 'Summary of Changes to the Demutualisation Scheme'. We suggest that you write to your scheme members and make a copy of this Guide and the leaflet available to them.

The main point to note for you and your members is that **NPLL** occupational pension schemes are not transferring to **Pearl**. Your contract (policy) will remain with **NPLL** and you will remain the scheme administrator for the purpose of the Finance Act 2004. All payments will continue to be made by **NPLL** and you should continue to pay **NPLL** the scheme contributions as appropriate.

9. Jersey and Guernsey

NPLL has a small number of With-Profits SERPs that were taken out in, or from within Jersey or Guernsey, or which are held by persons resident in Guernsey. These policies will be transferred separately under a **Jersey Scheme** and **Guernsey Scheme** and will be presented to the Royal Courts of Jersey and Guernsey respectively. We are also liaising with the Jersey Financial Services Commission (JFSC) and the Guernsey Financial Services Commission (GFSC).

The **Jersey Scheme** and **Guernsey Scheme** incorporate, and will be implemented on, substantially the same terms as the **Scheme** and the summary of the **Scheme** in section 11 of this Guide applies equally to the **Jersey Scheme** and **Guernsey Scheme**. In relation to the **Jersey Scheme** and **Guernsey Scheme**, reference to approval of the **High Court** in section 11.1 should be read as approval by the Royal Court of Jersey or the Royal Court of Guernsey, as appropriate.

The Court hearings for the approval of the **Jersey Scheme** and **Guernsey Scheme** are expected to take place as follows:

- **Jersey Scheme:** 9am on 28 January 2010 at the Royal Court of Jersey, Royal Square, St Helier, Jersey JE1 1JG.



- **Guernsey Scheme:** to take place after the UK Court hearing, at a time and date to be agreed, at the Royal Court of Guernsey, The Royal Court House, St Peter Port, Guernsey GY1 2PB. Please see the **NPI** and **Pearl** websites for the latest information.

If you believe you would be adversely affected by the **Jersey Scheme** or **Guernsey Scheme** you may put your objections to the Jersey or Guernsey Court (as applicable) in the following ways.

- By writing to us at the address given in section 13, quoting reference HBAN. Your objection and our reply to you will be sent to the **Independent Expert**, the JFSC or GFSC (as applicable) and the relevant Court ahead of the hearing. You will need to do this even if you raised an objection to the **2008 Scheme**.
- By attending the hearing and presenting your objection to the Court in person.
- Through a representative who will attend the hearing at the Court and present your objection on your behalf.

If you or a representative intend to come to either hearing, please write to us as soon as possible, and ideally before 8 January 2010. Please quote reference HBAN in your letter and, if you wish to object to the **Jersey Scheme** or **Guernsey Scheme** at either of their respective hearings, please outline the nature of your objection. By informing us in writing of your intention to attend, we can inform you of any changes that may occur in relation to the hearings.

A summary of the objections to the **2008 Scheme** made by policyholders resident in Jersey or Guernsey (where they still apply to the current **Jersey Scheme** and **Guernsey Scheme**), and our responses will be sent to the **Independent Expert**, the relevant Court

and the JFSC or GFSC, as relevant, to be taken into consideration at the final Court hearing. However, if you wish to object to the changes proposed under the current **Scheme** or the changes to the **Demutualisation Scheme**, you will need to raise a new objection.

If the Royal Courts of Jersey and Guernsey approve the **Jersey Scheme** and **Guernsey Scheme**, transfers will take place in accordance with the two Schemes from the **Transfer Date**, or a later date if so ordered by the relevant Court.

If, for any reason, the **Jersey Scheme** or **Guernsey Scheme** are not approved by the **Transfer Date**, the policies which would have been transferred in accordance with those Schemes will be **reinsured** to **Pearl**.

Copies of the terms of the **Jersey Scheme** and **Guernsey Scheme** can be obtained in the way set out in section 13 of this Guide.

10. Isle of Man

NPLL has a small number of With-Profits SERP policyholders in the Isle of Man. The Isle of Man Insurance and Pensions Authority has indicated that it will not require a separate scheme for Isle of Man policyholders and these policies will be subject to the terms of the **Scheme** when it is approved by the **High Court**.

11. Summary of the terms of the Scheme

This section summarises the key terms of the **Scheme**.

11.1 Transfer of business

On the **Transfer Date**, subject to the approval of the **High Court**, certain insurance business of **NPLL** (as defined in section 2 of this Guide) will transfer to **Pearl**. This means that **Pearl** will then be the insurer and responsible for the transferred policies instead of **NPLL**.

On the **Transfer Date**, **Pearl** will acquire all the rights, benefits and powers of **NPLL** in relation to the transferred policies. To the extent described in the **Scheme**, the transferring policyholders will be entitled to the same rights with **Pearl** in respect of their policies as they were with **NPLL**, as applicable. Any contracts between **NPLL** and a third party relating to the transferring insurance business will also transfer so that they will be between **Pearl** and the third party.

11.2 Management of the Pearl SERP fund

Section 3.1 gives further details about the proposed transfer and how it will affect the way transferring **NPLL** With-Profits SERPs will be managed in the **Pearl SERP fund**.

11.3 Provision for future conversion of NPLL With-Profits SERPs to non-profit policies and closure of the Pearl SERP fund

NPLL currently has the right to close the **NPLL** with-profits fund if, as a result of policyholders taking their benefits or leaving the fund, its value falls below a certain size making it too small to be viable. In the same way, the **Scheme** will allow **Pearl** to close the **Pearl SERP fund**.

This is not expected to happen for a number of years but, if we choose this option:

- your **guaranteed benefits** will be protected;
- your policy will be converted to a non-profit policy and **Pearl** will transfer all policies, assets and liabilities from the **Pearl SERP fund** to a non-profit fund within **Pearl**; and
- such policies shall no longer be treated as with-profits policies, on the basis set out in the **Scheme**.

The **Scheme** contains a process for approval of the conversion by an independent expert and the **FSA**.



11.4 Amendments to the Demutualisation Scheme

In connection with the **Scheme**, we will be seeking to make some changes to the **Demutualisation Scheme**. In order to do this we must apply to the **High Court** for consent and this application will take place at the same time as the Court hearing referred to in section 5 in relation to the **Scheme**. The approval of the **Scheme** and the changes to the **Demutualisation Scheme** are inter-conditional, meaning that neither will go ahead unless both have been approved by the **High Court**.

If the **High Court** approves both the **Scheme** and the changes to the **Demutualisation Scheme**, the changes to the **Demutualisation Scheme** are expected to take place on the same date as the **Transfer Date** of the **Scheme** – 15 February 2010.

A summary of the proposed changes to the **Demutualisation Scheme** is set out in the leaflet entitled 'Summary of Changes to the Demutualisation Scheme'. This leaflet is enclosed for all non-transferring policyholders and is also available on the NPI and **Pearl** websites, along with further details of the proposed changes.

If you wish to object to the changes to the **Demutualisation Scheme** you may do so in the same way as you may object to the **Scheme**, as explained in section 6 of this Guide.

11.5 Data Protection

For the **NPLL** With-Profits SERP policyholders transferring to **Pearl** (as set out in section 3.1), **Pearl** will, under the terms of the **Scheme**, take over the rights, liabilities and obligations of **NPLL** in respect of personal data which:

- relates to the insurance business of **NPLL**;
- is controlled by **NPLL**; and
- is subject to the Data Protection Act 1998.

This means that, from the **Transfer Date**, **Pearl** will become the data controller of such information and will be under the same duty to respect the confidentiality and privacy of such information as **NPLL** was when it was the data controller.

As the new data controller, **Pearl** will use any personal data in accordance with any data protection consent given by a person to **NPLL**, as if such consent had been given to **Pearl**.



12. Summary of the Independent Expert's Report

The following is a short summary of the **Independent Expert's Report**. The full version is available from the NPI or **Pearl** websites, from the address given in section 13 of this Guide or from our Scheme Helpline 0845 602 9296.

Summary of the report by the Independent Expert, Mr Michael Arnold, a principal of Milliman Consultants and Actuaries based at their London office and a Fellow of the Institute of Actuaries.

I have been appointed by **Pearl** and **NPLL** as an **Independent Expert** to prepare a report in connection with the **Scheme** and my appointment for that purpose has been approved by the **FSA**. I have also been appointed by **NPLL** to provide independent review of the changes to the **Demutualisation Scheme**.

This summary should be read in the context of the assessment of the **Scheme** and should not be used for any other purpose. In the event of any doubt regarding the interpretation of this summary, the text of the full **Independent Expert's Report** will prevail. The reliances and limitations set out in the full **Independent Expert's**

Report regarding my assessment of the **Scheme** apply to this summary.

Summary and overall conclusions

I confirm that the description of the **Scheme** as set out in sections 2 and 11 of this Guide is consistent with my understanding.

In my report I have considered the effect of the **Scheme** and the changes to the **Demutualisation Scheme** on all current policyholders of **NPLL** and **Pearl**.

All my comments on the **Scheme** apply equally to the **Jersey Scheme** and the **Guernsey Scheme**.

In summary, in my opinion:

- The proposed amendments to the **Demutualisation Scheme** will not adversely affect the reasonable expectations of, or reduce the protections conferred by the **Demutualisation Scheme** on, the **NPLL** policyholders remaining in **NPLL**;
- The security of the benefits of the policyholders of **Pearl** and **NPLL** will not be materially adversely affected by the implementation of the **Scheme** on the **Transfer Date** or the proposed amendments to the **Demutualisation Scheme**;
- The benefit expectations of the with-profits policyholders of **Pearl** and **NPLL** will not be materially adversely affected by the implementation of the **Scheme** on the **Transfer Date** or the proposed amendments to the **Demutualisation Scheme**;
- The **Scheme** and the proposed amendments to the **Demutualisation Scheme** will not have a materially adverse effect on the service standards experienced by the policyholders of **Pearl** and **NPLL** in accordance with **TCF** guidance.

13. Further information

This Guide, the full terms of the **Scheme** and the full **Independent Expert's Report** are available from the **NPI** or **Pearl** websites.

www.npi.co.uk/schemeinfo
www.pearl.co.uk/schemeinfo

On these websites, you can also find details of the proposed changes to the **Demutualisation Scheme**, including a summary leaflet (which is enclosed with this pack for non-transferring policyholders).

If you would like paper copies of any of the documents on our websites relating to the **Scheme** or the **Demutualisation Scheme** changes, please call our Scheme Helpline 0845 602 9296, which will be available from 9am to 6pm, Monday to Friday, up until the day before the Court hearing. All calls will be charged at the local rates from a UK landline.

You may also write to:

Restructure Team
MP8
The Pearl Centre
Lynch Wood
Peterborough
PE2 6FY

If you have any questions about the proposed changes, the enclosed document entitled 'Restructuring Our Business - Your Questions Answered' may help. However, if you still have further questions about the proposed changes, please call the Scheme Helpline:

0845 602 9296

Please note that this Helpline is for enquiries about the **Scheme** or the changes to the **Demutualisation Scheme** only. If you have any general enquiries about your policy(ies), please contact us on the normal customer number which you will find on previous letters that you have received from **NPLL** or **Pearl**.



Copies of the **Jersey Scheme** and the full **Independent Expert's Report** in support of the **Scheme** are also available for inspection during office hours at the office of Mourant du Feu & Jeune, 22 Grenville Street, St Helier, Jersey JE4 8PX up to the date of the Jersey Court hearing and are available without charge on request.

Copies of the **Guernsey Scheme** and the full **Independent Expert's Report** in support of the **Scheme** are also available for inspection during office hours at the office of Collas Day, Manor Place, St Peter Port, Guernsey GY1 4EW up to the date of the Guernsey Court hearing and are available without charge on request.

14. Definitions

2008 Scheme – the insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 under which certain groups of the business of **NPLL** and NPI Limited were proposed to be transferred to **Pearl**, an application in respect of which was commenced at the **High Court** on 28 August 2008 (Claim No. 7320 of 2008) but was subsequently deferred.

Asset share(s) – a term used to describe your share of the with-profits fund. It represents the total of all the premiums you have paid into the with-profits fund plus the investment returns minus expenses and charges made to your policy.

Demutualisation Scheme – the court approved transfer of the long term insurance business of National Provident Institution (NPI) to **NPLL**, which took place on 1 January 2000. The **Demutualisation Scheme** laid down how **NPLL** would be set up and operated. Following the transfer, the **NPLL** fund was closed to new business except for increments and the National Provident Life Fund Supervisory Board was appointed to manage the **NPLL** fund. The terms of the **Demutualisation Scheme** can only be amended in certain circumstances.

Effective Date – 4 January 2010 or any later date that **Pearl** and **NPLL** agree, being the date on which the **Scheme** is to be treated as having taken effect for accounting purposes.

FSA – the UK Financial Services Authority, our industry regulator.

Guaranteed benefits – the minimum amounts that we will pay to you in accordance with the terms and conditions of your policy including any annual (reversionary) bonuses already added.

Guernsey Scheme – the insurance business transfer scheme under section 44(1)(C) of the Insurance Business (Guernsey) Law 2002 under which we propose to transfer some of the business relating to policies issued to persons resident in the Bailiwick of Guernsey from **NPLL** to **Pearl**.



High Court – the High Court of Justice of England and Wales.

Independent Expert – Mr Michael Arnold of Milliman Consultants and Actuaries, who is an actuary experienced in the issues concerned with the transfer of long term insurance businesses, and who has been appointed by **Pearl** and **NPLL**, and approved by the **FSA**, as the **Independent Expert** in connection with the **Scheme**.

Independent Expert's Report – a report on the **Scheme** prepared by the **Independent Expert**.

Jersey Scheme – the insurance business transfer scheme under Article 27 and Schedule 2 to the Insurance Business (Jersey) Law 1996 under which we propose to transfer some of the business carried on, in or from within Jersey by **NPLL** to **Pearl**.

NPLL – National Provident Life Limited, the company that took over all the business that National Provident Institution (NPI) had prior to its demutualisation at the end of 1999.

NPLL Estate – the **NPLL Estate** does not currently exist as there is no amount of money or 'surplus' in the **NPLL** with-profits fund which is over and above the amount needed to pay the total value of policy benefits due to policyholders when the policies mature or are surrendered/transferred and to repay the support that its shareholders have provided to the **NPLL** with-profits fund. It is unlikely that in the future there will be any distributable estate in the **NPLL** with-profits fund.

NPLL policyholder – a current policyholder of **NPLL**.

Open Market Option – the **Open Market Option** gives you the choice of buying a lifetime annuity from another provider. You do not have to buy your lifetime annuity through us. Different providers offer different types of annuity product with varying features and they will have different annuity rates. The annuity product most suitable for you depends upon your individual circumstances. There is no one 'best' annuity for all circumstances. Using the **Open Market Option** may enable you to buy a higher pension income than we can arrange for you.

Pearl – Pearl Assurance plc.

Pearl Estate – an amount of money or 'surplus' in the **Pearl** with-profits fund which is over and above the amount needed to pay the total value of the policy benefits due to policyholders when the policies mature or are surrendered/transferred. The Estate has been built up over many years. **Pearl** is now closed to new business and has started to distribute the Estate to existing **Pearl** with-profits policyholders.

Pearl group of companies – the **Pearl group of companies** includes Pearl Assurance plc, Phoenix Life Limited, London Life Limited, Phoenix & London Assurance Limited, Phoenix Pensions Limited, NPI Limited, National Provident Life Limited and Scottish Mutual International Limited. On 2 September 2009, Pearl Group (formerly Liberty Acquisition Holdings (International) Company), became the ultimate holding company of the **Pearl group of companies**.

Pearl SERP fund – a new fund within **Pearl**, into which **NPLL** SERPs will be transferred if the **Scheme** is approved.

Pearl With-Profits Committee – the role of this committee is to support the **Pearl** Board, providing independent judgement in the assessment of compliance with the Principles and Practices of Financial Management (PPFM) and in how any competing or conflicting rights and interests of policyholders and, if applicable, shareholders have been addressed.

Reinsured – reinsurance is an arrangement whereby some or all of the risk one company has under some of its policies is passed to another company, for the payment of a premium. **Reinsured** business is business that is subject to reinsurance.

Scheme – the insurance business transfer scheme under Part VII of the Financial Services and Markets Act 2000 under which we propose to transfer some of the business of National Provident Life Limited to Pearl Assurance plc, as detailed in section 2 of this Guide.

TCF (Treating Customers Fairly) – one of **FSA**'s 11 principles which aims to ensure high standards in the way firms carry out their business taking into account customers' interests and increasing their confidence in the financial services industry.

Transfer Date – 15 February 2010 or any later date that **Pearl** and **NPLL** agree that the **NPLL** With-Profits SERPs will transfer to **Pearl** and the changes to the **Demutualisation Scheme** will take place.

With-Profits Actuary – an actuary appointed by a company to advise on key aspects of discretion affecting the with-profits business.

For more definitions, see the Jargon Buster on the NPI or Pearl website.

Appendix 1

Legal Notice
NOTICE UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000
Involving
NATIONAL PROVIDENT LIFE LIMITED ("NPLL")
and
PEARL ASSURANCE PLC ("PEARL")

Notice is hereby given that on 23 October 2009 an Application was made under section 107 of the Financial Services and Markets Act 2000 ("**FSMA**") in the High Court of Justice, Chancery Division, Companies Court in London by NPLL and Pearl for Orders:

under section 111 of FSMA sanctioning a scheme (the "Scheme") providing for the transfer to Pearl of part of the long term insurance business (as defined in FSMA) of NPLL; and

making ancillary provision in connection with the Scheme pursuant to sections 112 and 112A of FSMA.

A copy of the report on the terms of the Scheme prepared by an Independent Expert in accordance with section 109 of FSMA (the "**Independent Expert Report**"), booklets containing a statement setting out the terms of the Scheme and a summary of the Independent Expert Report, and the Scheme document may be obtained free of charge by contacting NPLL or Pearl (as appropriate) using the relevant telephone number or address set out below. These documents and other related documents (including actuarial reports) are available at www.npi.co.uk/schemeinfo and www.pearl.co.uk/schemeinfo.

Any questions or concerns relating to the proposed transfer should be referred to the Restructure Team using the address and telephone number below:

Restructure Team
MP8
The Pearl Centre
Lynch Wood
Peterborough
PE2 6FY

Scheme Helpline: 0845 602 9296

The Scheme will result in all property and contracts related to the transferred business being transferred to Pearl notwithstanding any restrictions on transfer or requirements for counterparty consent and without triggering any pre-emption, termination or other rights which might otherwise arise. Any entitlement to terminate, modify, acquire or claim an interest or right or to treat an interest or right as terminated or modified as a result of anything done pursuant to the Scheme will only be enforceable to the extent the Court so orders.

The Application is due to be heard at the Royal Courts of Justice, Strand, London WC2A 2LL on 20 January 2010. Any person (including any employee of Pearl Group Services Limited) who thinks that he or she would be adversely affected by the carrying out of the Scheme may attend the hearing and express their views, either in person or by legal representative. Anyone intending to do so is asked to inform the Restructure Team in writing to the address above (quoting reference HBAN) as soon as possible and preferably before 8 January 2010 setting out their grounds of objection.

Any person who objects to the Scheme but does not intend to attend the hearing may make representations about the Scheme by giving written notice of such representations to the Restructure Team in writing to the address above (quoting reference HBAN) as soon as possible and preferably before 8 January 2010 setting out their grounds of objection.

Contact us

Restructure Team
MP8
The Pearl Centre
Lynch Wood
Peterborough
PE2 6FY

Scheme Helpline: 0845 602 9296

www.npi.co.uk/schemeinfo
www.pearl.co.uk/schemeinfo

Pearl Group Ltd No.05282342 and Pearl Group Services Ltd No. 5549998.
The following companies are subsidiary companies of Pearl Group Ltd and are authorised and regulated by the Financial Services Authority: Pearl Assurance plc No. 1419, Pearl Assurance (Unit Funds) Ltd No. 1027138, Pearl Assurance (Unit Linked Pensions) Ltd No. 1122485 , Pearl ISA Ltd No. 3597973, London Life Ltd No. 1179800, London Life Linked Assurances Ltd No. 1396188, NPI Ltd No. 3725037, National Provident Life Ltd No. 3641947, UKLS Financial Services Ltd No. 3715118 . All companies are registered in England at The Pearl Centre, Lynch Wood, Peterborough PE2 6FY. Tel. 01733 470470. We may record or monitor telephone calls to improve service and for our mutual protection.