

IN THE MATTER OF NATIONAL PROVIDENT LIFE LIMITED

- and -

IN THE MATTER OF PHOENIX LIFE ASSURANCE LIMITED

- and -

IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

SCHEME

for the transfer of the entire long-term insurance business of
National Provident Life Limited
to
Phoenix Life Assurance Limited



Ref: C1/JSR/CSR
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CONTENTS

CLAUSE	PAGE
1. DEFINITIONS AND INTERPRETATION	1
2. INTRODUCTION	13
3. TRANSFER OF BUSINESS	14
4. CONTINUITY OF PROCEEDINGS	15
5. RIGHTS AND OBLIGATIONS IN RELATION TO THE TRANSFERRED BUSINESS	15
6. EXCLUDED POLICIES	17
7. PREMIUMS, MANDATES AND OTHER PAYMENTS	19
8. DECLARATION OF TRUST BY NPLL	19
9. INDEMNITIES IN FAVOUR OF NPLL	20
10. PENSION SCHEMES	20
11. PURPOSE OF ALLOCATIONS	21
12. ESTABLISHMENT OF NEW PLAL SUB-FUND	21
13. TREATMENT OF NPLL CAPITAL SUPPORT ARRANGEMENTS	21
14. ALLOCATION OF POLICIES	21
15. ALLOCATION OF ASSETS	22
16. ALLOCATION OF LIABILITIES	22
17. LINKED FUNDS	24
18. OPERATION OF THE PLAL 2012 SCHEME	25
19. MAINTENANCE OF PLAL SUB-FUNDS	25
20. ALLOCATION OF EXPENSES AND CHARGES	25
21. MERGER AND CLOSURE OF THE NPL WP FUND	25
22. DISTRIBUTIONS OF SURPLUS WITHIN PLAL	26
23. DEBITS AND CREDITS	26
24. FUTURE FINANCIAL MANAGEMENT OF THE NPL WP FUND	27
25. SERVICE STANDARDS	27
26. PLAL WITH-PROFITS COMMITTEE	27
27. CERTIFICATION AND WP ACTUARY DUTIES	28
28. THE NPLL SECURITISATION LOAN	29
29. RELEASE OF THE NPLL SCHEME	29
30. MISCELLANEOUS PROVISIONS REGARDING THE NPL WP FUND	29
31. TAXATION OF THE NPL WP FUND	31
32. INWARDS, OUTWARDS AND INTERNAL REASSURANCE	32
33. TERMINATION OF EXISTING GROUP REASSURANCE ARRANGEMENTS	32
34. TRANSFER DATE AND EFFECTIVE DATE	33
35. MODIFICATION OR ADDITIONS	33

36.	COSTS AND EXPENSES	34
37.	EVIDENCE OF TRANSFER	34
38.	THIRD PARTY RIGHTS	35
39.	GOVERNING LAW	35

SCHEDULES

1.	SCHEME PRINCIPLES FOR THE FINANCIAL MANAGEMENT OF THE NPL WP FUND	36
2.	ALLOCATION OF EXPENSES AND CHARGES TO THE NPL WP FUND	40
3.	THE NPLL SECURITISATION LOAN	43
4.	PLAL WITH-PROFITS COMMITTEE DUTIES AND POWERS IN RESPECT OF THE NPL WP FUND	46
5.	NPLL PENSION SCHEMES	49
6.	GROUP REASSURANCE AGREEMENTS	50

PART A - DEFINITIONS AND INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

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

"Actuary" means the person appointed by the relevant insurer from time to time to perform the "actuarial function", as described in SUP 4.3.13R;

"Asset Share Charge Fund" means the sub-fund of the National Provident Life Fund bearing that name, maintained by NPLL as at the Transfer Date in accordance with the PPFM of NPLL;

"Board Certificate" means the annual certificate to be provided by the PLAL Board pursuant to paragraph 27.1;

"Capital Account" means the account within the NPLL Shareholders' Fund bearing the name "National Provident Life Capital Account", maintained by NPLL as at the Transfer Date in accordance with the NPLL Scheme;

"Capital Funds" means the Loan Capital Fund and the Transfer Capital Fund as defined in, and maintained by NPLL as at the Transfer Date in accordance with, the NPLL Scheme;

"Capital Funds Assets" means the assets comprised within the Capital Funds;

"Capital Resources Requirements" means, as at the Transfer Date, the higher of:

- (a) the capital resources requirements set out in GENPRU 2.1; and
- (b) the amount determined by the governing body of the relevant entity in accordance with its capital policy;

"COBS" means the New Conduct of Business Sourcebook issued by the Regulators;

"Court" means the High Court of Justice in England and Wales;

"CRR Amount" means such amount of assets as the NPLL Board, having obtained appropriate actuarial advice, shall determine as sufficient to ensure that NPLL is able to meet its Capital Resources Requirements immediately following the Transfer Date;

"Earmarked Portfolio" means:

- (a) the assets referred to as the "Original Earmarked Portfolio" representing amounts transferred into the National Provident Life Fund by the shareholder of NPLL; and
- (b) the assets referred to as the "New Earmarked Portfolio" representing amounts outstanding under the inter-fund loan from the NPLL Shareholders' Fund to the National Provident Life Fund,

as maintained at the Transfer Date in accordance with the PPFM of NPLL;

"Effective Date" means [00:01 GMT on 1 January 2015], except where it relates to the transfer of (i) any asset falling within paragraph (b) of the definition of Transferred Assets or (ii) any liability falling within paragraph (b) of the definition of Transferred Liabilities, in which case the Effective Date shall be the date on which that Transferred Asset or Transferred Liability came into the ownership of, or became attributable to, NPLL;

"Eligible With-Profits Policies" has the meaning given in paragraph 3.2(c) of Schedule 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, any other encumbrance or security interest of any kind and any other type of preferential arrangement (including title transfer and retention agreements) having a similar effect;

"Excluded Policies" means Policies under which any liability remains unsatisfied or outstanding at the Transfer Date:

- (a) written by NPLL in the course of carrying on insurance business in the United Kingdom or any other EEA State, in respect of which:
 - (i) for the purpose of paragraph 1(3) of Schedule 12 to FSMA, an EEA State other than the United Kingdom is the State of the commitment; and
 - (ii) the Regulator has not prior to the making of the Order by which the Court sanctions this Scheme provided the certificate referred to in paragraph 4 of Schedule 12 to FSMA with respect to the relevant EEA State which is the State of the commitment;
- (b) written by NPLL in an establishment situated in an EEA State other than the United Kingdom, in respect of which the Regulator has not prior to the making of the Order by which the Court sanctions this Scheme provided the certificate referred to in paragraph 3 of Schedule 12 to FSMA with respect to the relevant EEA State;
- (c) which are Guernsey Policies (to the extent that and for so long only as the Guernsey Scheme has not yet received the requisite court approval and become operative in accordance with its terms) or Jersey Policies (to the extent that and for so long only as the Jersey Scheme has not yet received the requisite court approval and become operative in accordance with its terms); or
- (d) written by NPLL in the course of carrying on Long-Term Insurance Business but which are not otherwise capable of being transferred pursuant to FSMA at the Transfer Date,

and any further Policy issued by NPLL pursuant to the exercise of any right or option under an Excluded Policy, as described in paragraph 6.2;

"Excluded Policies Reassurance Arrangement" means a reinsurance arrangement implemented in respect of Excluded Policies pursuant to and in accordance with paragraph 6.1;

"FSCS" means the Financial Services Compensation Scheme, or such other governmental, statutory or other body as shall from time to time carry out such functions in relation to Long-Term Insurance Business carried on in the United Kingdom as were at the date of this Scheme allocated to the Financial Services Compensation Scheme under FSMA;

"FSMA" means the Financial Services and Markets Act 2000;

"Fund" means the Non-Profit Fund, each WP Fund or any other sub-fund of the PLAL Long-Term Insurance Fund established in accordance with this Scheme or the PLAL 2012 Scheme;

"GENPRU" means the General Prudential Sourcebook for Banks, Building Societies, Insurers and Investment Firms issued by the Regulators;

"Group" means:

- (a) PLAL;
- (b) its holding companies from time to time;
- (c) its subsidiaries from time to time; and
- (d) the subsidiaries from time to time of any such holding company;

"Group Reassurance Agreements" means those agreements providing for reinsurance between NPLL and PLAL, brief particulars of which are set out in Schedule 6;

"Guernsey Business" means the long term business (as such expression is interpreted for the purpose of the Insurance Business (Bailiwick of Guernsey) Law, 2002) of NPLL at the Guernsey Transfer Date, the transfer of which to PLAL under the Scheme requires the sanction of the Royal Court of Guernsey pursuant to section 44(1) of the Insurance Business (Bailiwick of Guernsey) Law, 2002;

"Guernsey Effective Date" means, except as provided for under the terms of the Guernsey Scheme, [00:01 GMT on 1 January 2015];

"Guernsey Policy" means a Policy of NPLL under which any liability remains unsatisfied at the Guernsey Transfer Date and which forms part of the Guernsey Business;

"Guernsey Scheme" means a scheme of transfer in respect of the Guernsey Policies pursuant to section 44(1) of the Insurance Business (Bailiwick of Guernsey) Law, 2002;

"Guernsey Transfer Date" means the time and date on which the Guernsey Scheme becomes operative in accordance with its terms;

"Hybrid Policies" means any Policies under the terms of which the holder is entitled to switch between with-profits and unit-linked benefits;

"Hypothecation Date" has the meaning given in paragraph 3.3 of Schedule 1;

"In Payment Annuities" means all non-profit annuity policies written by NPLL which are in payment immediately prior to the Transfer Date, including the Reassured Annuities;

"INSPRU" means the Prudential Sourcebook for Insurers issued by the Regulators;

"Jersey Business" means the long term insurance business (as such expression is interpreted for the purpose of the Insurance Business (Jersey) Law 1996) carried on by NPLL at the Jersey Transfer Date, the transfer of which to PLAL under the Scheme requires the sanction of the Royal Court of Jersey pursuant to Article 27 of, and Schedule 2 to, the Insurance Business (Jersey) Law 1996;

"Jersey Effective Date" means, except as provided for under the terms of the Jersey Scheme, [00:01 GMT on 1 January 2015];

"Jersey Policy" means a Policy of NPLL under which any liability remains unsatisfied at the Jersey Transfer Date and which forms part of the Jersey Business;

"Jersey Scheme" means a scheme of transfer in respect of the Jersey Policies pursuant to the provisions of Article 27 of, and Schedule 2 to, the Insurance Business (Jersey) Law 1996;

"Jersey Transfer Date" means the time and date on which the Jersey Scheme becomes operative in accordance with its terms;

"Linked Fund" means an internal linked fund maintained by NPLL prior to the Transfer Date or by PLAL prior to or following the Transfer Date for the purpose of calculating benefits payable under Linked Policies (including such a fund maintained for the purpose of calculating benefits linked to the value of external unit trusts);

"Linked Policies" means Policies under which the benefits are wholly or partly to be determined by reference to the value of, or the income from, property of any description (whether or not specified in the Policies) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified);

"London Life" means London Life Limited, a company incorporated in England and Wales with registered number 1179800;

"Long-Term Insurance Business" means the business of effecting or carrying out long-term insurance contracts as principal, being contracts falling within Part II of Schedule 1 to the RAO;

"Long-Term Insurance Fund" means the fund, or each of the funds, established and maintained by NPLL or PLAL (as the context requires) pursuant to INSPRU 1.5.22R in respect of Long-Term Insurance Business;

"National Provident Life Fund" means the Long-Term Insurance Fund bearing the name "National Provident Life Fund" maintained by NPLL as at the Transfer Date in accordance with the NPLL Scheme;

"National Provident Life Fund Supervisory Board" means the committee bearing that name established under the NPLL Scheme;

"New Obligor" has the meaning given in paragraph 9 of Schedule 3;

"Non-Executive Member" means a person who is not employed by, and does not hold any position (whether executive or non-executive) on the board of, any member of the Group, and who, in addition, is not a person who:

- (a) is or has been, at any time in the five years preceding his appointment, an employee of PLAL or of any member of the Group; or
- (b) has or has had, at any time in the five years preceding his appointment, any form of material consulting or contractual relationship with PLAL or any member of the Group (other than as a retail customer); or
- (c) receives or has received, at any time in the three years preceding his appointment, additional remuneration from PLAL or a member of the Group, apart from a fee in his capacity as member of the National Provident Life Fund Supervisory Board or any with-profits or equivalent committee of PLAL or any member of the Group, or participates in a share option or performance-related pay scheme of PLAL or of another member of the Group; or

- (d) has served on the PLAL With-Profits Committee (or any with-profits or equivalent committee of any member of the Group or any other predecessor company whose With-Profits Policies or with-profits funds is or has been transferred to PLAL) for more than nine years from the date of his first election, save that any Non-Executive Member who has served for more than nine years from the date of his first election shall be subject to annual re-election by the PLAL Board;

"Non-Profit Fund" means the non-profit fund bearing that name maintained by PLAL as at the Transfer Date as a sub-fund of the PLAL Long-Term Insurance Fund;

"Non-Profit Policy" means a Policy falling within Part II of Schedule 1 to the RAO that is not a With-Profits Policy;

"NPI" means National Provident Institution, a company incorporated under the National Provident Institution Act 1987;

"NPLL" means National Provident Life Limited, a company incorporated in England and Wales with registered number 3641947;

"NPLL Board" means the board of directors of NPLL from time to time;

"NPLL Pension Schemes" means the pension schemes set out in Schedule 5;

"NPLL Scheme" means the scheme providing for the transfer of the whole of the long-term insurance business of NPI to NPLL on the NPLL Scheme Effective Date (as amended by order of the Court dated 9 February 2010);

"NPLL Scheme Effective Date" means 00.01 GMT on 1 January 2000;

"NPLL Securitisation Loan" means the rights and obligations of NPLL pursuant to the NPLL Securitisation Loan Agreement and the Relevant Documents (as defined in the NPLL Securitisation Loan Agreement), as such documents may be amended, supplemented or replaced from time to time;

"NPLL Securitisation Loan Agreement" means the loan agreement dated 16 April 1998 between, inter alia, NPI (as borrower), Mutual Securitisation plc (as issuer) and BT Trustees (Jersey) Limited (as bond trustee), as amended, supplemented or replaced from time to time;

"NPLL Shareholders' Fund" means the Shareholders' Fund of NPLL;

"NPL WP Fund" means the with-profits fund bearing the name of "National Provident Life With-Profits Fund" to be established by PLAL with effect from the Effective Date as a sub-fund of the PLAL Long-Term Insurance Fund;

"Order" means an order made by the Court pursuant to section 111 of FSMA sanctioning this Scheme and any order (including any subsequent order) in relation to this Scheme made by the Court pursuant to section 112 of FSMA;

"Pearl WP Fund" means the fund bearing the name "Pearl With-Profits Fund" maintained by PLAL as at the Transfer Date as a sub-fund of the PLAL Long-Term Insurance Fund;

"PGH2" means Pearl Group Holdings (No. 2) Limited, a company incorporated in England and Wales with registered number 5282342;

"PLAL" means Phoenix Life Assurance Limited, a company incorporated in England and Wales with registered number 1419, which was formerly known as Pearl Assurance Limited;

"PLAL 2012 Scheme" means the scheme approved by order of the Court dated 24 September 2012, providing for the transfer to PLAL of the entire long-term insurance business of London Life and providing for the management of the PLAL Long-Term Insurance Fund;

"PLAL Actuary" means the Actuary of PLAL;

"PLAL Board" means the board of directors of PLAL from time to time;

"PLAL Capital Policy" has the meaning given in the PLAL 2012 Scheme, where it is referred to as the "Pearl Capital Policy";

"PLAL Long-Term Insurance Fund" means the Long-Term Insurance Fund of PLAL;

"PLAL Shareholders' Fund" means the Shareholders' Fund of PLAL;

"PLAL With-Profits Committee" means the committee of the PLAL Board bearing the name "Phoenix Life Assurance With-Profits Committee" and established in accordance with COBS 20.5.1 to support the PLAL Board in discharging its governance responsibilities in relation to compliance with the PLAL PPFM and to supervise the WP Funds;

"Policy" and **"Policyholder"** have the meanings set out in the Financial Services and Markets Act 2000 (Meaning of "Policy" and "Policyholder") Order 2001 (SI 2001/2361);

"PPFM" means, as required by COBS, the Principles and Practices of Financial Management prepared and issued from time to time by PLAL in respect of the relevant Fund or by NPLL (as the case may be);

"Proceedings" means any claim, counterclaim, complaint, petition, suit, appeal or other legal process (including any application), whether current or future and whether intended to have interim or final legal effect in relation to its subject matter, before any court, governmental authority, regulatory authority, tribunal, arbitration panel, ombudsman or other body subsisting or empowered by law or regulation or by the provisions of an agreement;

"RAO" means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544);

"Reassured Annuities" means the non-profit annuity policies reassured to the Non-Profit Fund from NPLL under two reinsurance agreements, one with an effective date of 26 May 2001 and the other of 31 March 2012, which are referred to as INT08 and INT17 respectively by NPLL and PLAL;

"Records" means all documents, files and other records, whether in physical or electronic form, relating to the Transferred Policies, the Transferred Assets, the Residual Assets, the Transferred Liabilities and the Residual Liabilities which are in the possession of, or under the control of, NPLL;

"Regulators" means, as the context requires, the Prudential Regulation Authority or the Financial Conduct Authority or both, or such other governmental, statutory or other authority or authorities as shall from time to time carry out such functions in relation to

Long-Term Insurance Business carried on in the United Kingdom as were at the date of this Scheme allocated to the Financial Conduct Authority and the Prudential Regulation Authority under FSMA;

"Regulatory Handbook" means the rules and guidance issued or deemed to have been issued by the Regulators pursuant to Part 9A of FSMA from time to time, including any successor rules, guidance or legislation;

"Relevant Policies" has the meaning given in paragraph 1.2(a) of Schedule 1;

"Residual Assets" means:

- (a) any property of NPLL attributable to the Transferred Business (including any right, benefit or power of NPLL under any Transferred Policy) in respect of which the Court has declined to order the transfer to PLAL under section 112(2) of FSMA at the Transfer Date;
- (b) any other property of NPLL attributable to the Transferred Business (including any right or benefit under a Transferred Policy) where NPLL and PLAL agree prior to the Transfer Date that its transfer should be delayed or should not be transferred at all;
- (c) any property of NPLL attributable to the Transferred Business which is outside the jurisdiction of the Court or in respect of which the transfer pursuant to an order of the Court is not recognised by the laws of the jurisdiction in which the property is situated;
- (d) any property of NPLL attributable to the Transferred Business which cannot be transferred to or vested in PLAL on the Transfer Date for any other reason;
- (e) assets representing the CRR Amount; and
- (f) any proceeds of sale or income or other accrual or return whatsoever, whether or not in any case in the form of cash, or any other property or rights earned or received from time to time after the Transfer Date but prior to any relevant Subsequent Transfer Date in respect of any such property referred to in paragraphs (a) to (e) of this definition;

"Residual Liability" means any liability whatsoever of NPLL that is attributable to, or connected with, the Transferred Business (other than any liability or obligation under an Excluded Policy):

- (a) that is attributable to or connected with a Residual Asset and arises at any time before the Subsequent Transfer Date applicable to that Residual Asset, including any liability to taxation; or
- (b) in respect of which the Court has declined to order the transfer to PLAL under section 112(2) of FSMA on the Transfer Date; or
- (c) that cannot be transferred to or vested in PLAL for any other reason on the Transfer Date;

"RPI" means the Retail Price Index maintained by the Office for National Statistics or such substantially equivalent index as the PLAL Board, having obtained appropriate actuarial advice, may substitute;

"Scheme" means this scheme made pursuant to Part VII of FSMA in its original form or with or subject to any modification, addition or condition which may be approved or imposed in accordance with paragraph 35;

"Scheme Principles for the Financial Management of the NPL WP Fund" means those principles for the financial management of the NPL WP Fund set out in Schedule 1;

"Shareholder Equalisation Fund" means the account within the National Provident Life Fund bearing that name, maintained by NPLL as at the Transfer Date in accordance with the NPLL Scheme;

"Shareholders' Fund" means the property and liabilities of NPLL or PLAL (as the context may require) other than those attributable to or represented by its Long-Term Insurance Fund or Long-Term Insurance Funds;

"Subsequent Transfer Date" means, in relation to any Residual Asset or Residual Liability, the date (and each date) after the Transfer Date on which such Residual Asset or Residual Liability is or is to be transferred to PLAL, namely:

- (a) in respect of any Residual Asset falling within paragraph (a), (c) or (d) of the definition of Residual Assets, and of any Residual Liability which is attributable to or connected with that Residual Asset or which falls within paragraph (b) or (c) of the definition of Residual Liability, the date on which any impediment to its transfer shall have been removed or overcome;
- (b) in respect of any Residual Asset falling within paragraph (b) or (f) of the definition of Residual Assets and of any Residual Liability which is attributable to or connected with that Residual Asset, the date on which NPLL and PLAL agree the transfer should take effect; and
- (c) in respect of any assets representing the CRR Amount, the date on which, in the opinion of the NPLL Board, having obtained appropriate actuarial advice, such assets or part thereof are no longer required to be retained in NPLL in order for NPLL to be able to meet its Capital Resources Requirements;

"SUP" means the Supervision Manual issued by the Regulators;

"taxation" means all forms of tax, duty, rate, levy, charge or other imposition or withholding whenever and by whatever authority imposed and whether of the United Kingdom or elsewhere, including income tax (including income tax or amounts equivalent to or in respect of income tax required to be deducted or withheld from or accounted for in respect of any payment), corporation tax, advance corporation tax, capital gains tax, inheritance tax, value added tax, customs duties, excise duties, stamp duty, stamp duty reserve tax, stamp duty land tax, national insurance and other similar contributions, and any other taxes, duties, rates, levies, charges, imposts or withholdings corresponding to, similar to, replaced by or replacing any of them, together with any interest, penalty, surcharge or fine in connection with such taxation or in connection with the failure to file any return for the purposes of any taxation;

"Transfer Date" means the time and date this Scheme becomes operative in accordance with paragraph 34.3;

"Transferred Assets" means all and any property of NPLL whatsoever and wheresoever situated comprised in or attributable to the Transferred Business:

- (a) as at the Effective Date, including:

- (i) the rights, benefits and powers of NPLL under or by virtue of the Transferred Policies;
 - (ii) the Records, including all rights, title and interest of NPLL in the Records;
 - (iii) any assets relating to taxation;
 - (iv) all rights and claims (present or future, actual or contingent) against any third party in relation to the Transferred Business or arising as a result of NPLL having carried on the Transferred Business;
 - (v) the rights, benefits and powers of NPLL under any reinsurance agreements or arrangements in respect of the Transferred Business, including any assets held by NPLL under the terms of a reinsurance agreement or arrangement by way of premium or otherwise; and
 - (vi) all property attributable to the Excluded Policies (except if and for so long as such property constitutes a Residual Asset); and
- (b) at any time between the Effective Date and the Transfer Date which was not property of NPLL at [00:01 GMT on 1 January 2015] but which would have fallen within paragraph (a) of this definition of Transferred Assets had it been property of NPLL at that time,

but excluding the Residual Assets and any rights, benefits and powers under or relating to the Excluded Policies;

"Transferred Business" means the whole business, undertaking and associated activities of NPLL carried on at the Transfer Date, including the NPLL Shareholders' Fund, but excluding the Excluded Policies;

"Transferred Liabilities" means all and any liabilities whatsoever of NPLL comprised in or attributable to the Transferred Business or arising in connection with or in relation to that business:

- (a) as at the Effective Date, including:
- (i) the liabilities under the Transferred Policies;
 - (ii) the liabilities under any reinsurance agreements or arrangements in respect of the Transferred Business; and
 - (iii) any liability to taxation of NPLL attributable to the Transferred Business or to the transfer of any such business; and
- (b) at any time between the Effective Date and the Transfer Date which were not liabilities of NPLL at [00:01 GMT on 1 January 2015] but which would have fallen within paragraph (a) of this definition of Transferred Liabilities had they been liabilities of NPLL at that time,

but excluding the Residual Liabilities and any liabilities under or relating to the Excluded Policies;

"Transferred Policies" means every Policy written by NPLL under which any liability remains unsatisfied or outstanding:

- (a) at the Effective Date, including:

- (i) Policies written by NPLL which have lapsed on or before the Effective Date and which are reinstated by PLAL after the Transfer Date;
 - (ii) all proposals for insurance received by or on behalf of NPLL before the Effective Date which have not become Policies in force by the Effective Date but which subsequently become Policies; and
 - (iii) subject to paragraph 2.4, the Guernsey Policies (with effect from the Guernsey Transfer Date only) and the Jersey Policies (with effect from the Jersey Transfer Date only); and
- (b) at any time between the Effective Date and the Transfer Date which were not Policies of NPLL at [00:01 GMT on 1 January 2015] but which would have fallen within part (a) of this definition of Transferred Policies had they been policies of NPLL at that time,

but excluding the Excluded Policies;

"With-Profits Policy" or **"WP Policy"** means a Policy falling within Part II of Schedule 1 to the RAO which confers on the holder a right to share in surplus (including a Policy under which either benefits provided or the contributions required to be made may vary by reference to bonuses declared on that Policy);

"WPA Certificate" means the annual certificate to be provided by the WP Actuary for the NPL WP Fund pursuant to paragraph 27.2(a);

"WP Actuary" means the person or persons appointed by PLAL or NPLL (as the context requires) from time to time to perform the "with-profits actuary function", as set out in SUP 4.3.16AR, in respect of the relevant with-profits fund or funds; and

"WP Fund" means the NPL WP Fund and any with-profits sub-fund of the PLAL Long-Term Insurance Fund established or maintained in accordance with the PLAL 2012 Scheme.

1.2 In this Scheme:

- (a) **"property"** includes property (including real property and charges registered at the Land Registry within England and Wales and at the Registers of Scotland in Scotland and elsewhere and unregistered real property and charges), assets, cash, Encumbrances, causes of action, rights (including contingent rights as to the repayment of tax) and powers of every description (whether present or future, actual or contingent) and includes property held on trust and securities, benefits, income or interest accrued but unpaid, powers of any description and any interest whatsoever in any of the foregoing;
- (b) **"liabilities"** includes duties and obligations of every description (whether present or future, actual or contingent);
- (c) **"transfer"** includes (as the context may require) "assign", "assignment" or "assignment", "dispose" or "disposal," or "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 and neuter and vice versa;

- (e) any reference in this Scheme 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) any reference to any rules or regulations issued by the Regulators shall be deemed to include a reference to such rules or regulations as amended or replaced from time to time, and any reference to any provision of the Regulatory Handbook which is not in force at the date of this Scheme but will be in force by the Transfer Date shall, in respect of the period before it comes into force, be deemed to include a reference to such rules or regulations issued by the Regulators as most closely corresponded to that provision at the date of this Scheme;
- (g) expressions used in this Scheme which have meanings under FSMA shall bear those meanings, including:
 - (i) **"State of the commitment"** which bears the meaning set out in paragraph 6, Part I of Schedule 12 to FSMA; and
 - (ii) **"EEA State"** which bears the meaning set out in paragraph 8, Part I of Schedule 3 to FSMA;
- (h) the expressions **"holding company"** and **"subsidiary"** shall have the same meanings as in the Companies Act 2006;
- (i) any reference to this Scheme shall include the Schedule to it and references to paragraphs, Parts or the Schedule are to paragraphs or Parts of or the Schedule to this Scheme;
- (j) headings are inserted for convenience only and shall not affect the construction of this Scheme;
- (k) any reference to a person shall include a reference to a body corporate, a partnership, an unincorporated association or to a person's executors or administrators, and for the avoidance of doubt, shall include a trustee;
- (l) if a period of time is specified from a given day or date or from the day or date of an actual event, it shall be calculated exclusive of that day or date;
- (m) any reference to writing shall include any modes of reproducing words in a legible and non-transitory form;
- (n) any reference to a calculation, decision, determination or opinion of any of the PLAL Board or the With-Profits Committee (or any similar expression) shall be deemed to include a calculation, decision, determination or opinion of a duly constituted committee or duly authorised representative of the PLAL Board or the With-Profits Committee (as appropriate);
- (o) a reference to **"including"** or **"includes"** means including or includes without limitation;
- (p) the expression **"variation"** shall include any variation, supplement, deletion, replacement or termination, however effected;

- (q) any reference to an amount shall be exclusive of any applicable value added or other tax;
- (r) any reference to pounds or £ shall be to pounds sterling or £ sterling in the currency of the United Kingdom; and
- (s) any reference to reinsurance shall include, where applicable, arrangements between any two Funds or sub-funds of a single company equivalent to reinsurance.

PART B – INTRODUCTION

2. INTRODUCTION

- 2.1 PLAL is a company incorporated in England and Wales with registered number 1419. The registered office of PLAL is at 1 Wythall Green Way, Wythall, Birmingham, B47 6WG. PLAL has a Part 4A permission under FSMA to carry on Long-Term Insurance Business in the United Kingdom in classes I, II, III, IV, VI and VII set out in Part II of Schedule 1 to the RAO.
- 2.2 NPLL is a company incorporated in England and Wales with registered number 3641947. The registered office of NPLL is at 1 Wythall Green Way, Wythall, Birmingham, B47 6WG. NPLL has a Part 4A permission under FSMA to carry on Long-Term Insurance Business in the United Kingdom in classes I, III and IV set out in Part II of Schedule 1 to the RAO.
- 2.3 The purpose of this Scheme is to effect the transfer to PLAL, subject to the terms of this Scheme, of all of the long-term insurance business carried on by NPLL.
- 2.4 It is also proposed that:
- (a) the transfer of the Guernsey Policies to PLAL shall only take place to the extent that the transfer of such Policies to PLAL by the Guernsey Scheme has been approved by the Royal Court of Guernsey and has become operative and effective; and
 - (b) the transfer of the Jersey Policies to PLAL shall only take place to the extent that the transfer of such Policies to PLAL by the Jersey Scheme has been approved by the Royal Court of Jersey and has become operative and effective,
- and that, if and to the extent that the Guernsey Transfer Date or the Jersey Transfer Date (as the case may be) does not fall on or before the Transfer Date, the Guernsey Policies and/or the Jersey Policies (as the case may be) shall be reassured to PLAL on the terms set out in the Excluded Policies Reassurance Arrangement until the Guernsey Transfer Date or the Jersey Transfer Date (as the case may be).
- 2.5 PGH2 has agreed to appear by Counsel at the hearing of the Part 8 Claim Form seeking the sanction by the Court of this Scheme and will undertake to be bound thereby.

PART C – TRANSFER

3. TRANSFER OF BUSINESS

- 3.1 Each part of the Transferred Business, the Residual Assets and the Residual Liabilities shall be transferred to and be vested in PLAL in accordance with this Scheme, so that:
- (a) subject to paragraph 8, on the Transfer Date but with effect from the Effective Date, each Transferred Asset and all the interest of NPLL in it shall, by the Order and without any further act or instrument, be transferred to and be vested in PLAL, subject to all Encumbrances (if any) affecting such asset in accordance with this Scheme;
 - (b) subject to paragraph 8, on and with effect from each Subsequent Transfer Date, each Residual Asset to which such Subsequent Transfer Date applies and all the interest of NPLL in it shall, by the Order and without any further act or instrument, be transferred to and be vested in PLAL, subject to all Encumbrances (if any) affecting such asset in accordance with this Scheme;
 - (c) on the Transfer Date but with effect from the Effective Date, each Transferred Liability shall, by the Order and without any further act or instrument, be transferred to and become a liability of PLAL in accordance with this Scheme and shall cease to be a liability of NPLL; and
 - (d) on and with effect from each Subsequent Transfer Date, each Residual Liability to which such Subsequent Transfer Date applies shall, by the Order and without any further act or instrument, be transferred to and become a liability of PLAL in accordance with this Scheme and shall cease to be a liability of NPLL.
- 3.2 PLAL shall accept without investigation or requisition such title as NPLL shall have to the Transferred Assets and, at any Subsequent Transfer Date, to each Residual Asset then transferred.
- 3.3 The Transferred Assets, Residual Assets, Transferred Liabilities and Residual Liabilities shall be allocated in accordance with Part D.
- 3.4 On the Transfer Date but with effect from the Effective Date, PLAL shall:
- (a) succeed to all rights, liabilities and obligations of NPLL in respect of any personal data which relates to the Transferred Business and which is subject to the Data Protection Act 1998;
 - (b) become the data controller of any personal data which relates to the Transferred Business and which is subject to the Data Protection Act 1998 in place of NPLL and shall be deemed to have been the controller of all such data at all material times when personal data was processed; and
 - (c) in respect of any personal data which relates to the Transferred Business, be under the same duty by virtue of any law as NPLL was under to respect the confidentiality and privacy of any person in relation to that personal data and shall be bound by any specific notice or consent given, or request made by, the data subject which was binding on NPLL and which required NPLL not to use the personal data for marketing purposes,

and in any consent given by a data subject in respect of such data as is mentioned in this paragraph 3.4, any reference to a NPLL (or to any member of NPLL's group of

companies) shall be deemed to include a reference to PLAL (and to any member of the Group).

4. CONTINUITY OF PROCEEDINGS

- 4.1 On and with effect from the Transfer Date, any Proceedings issued, served, pending, threatened or otherwise in connection with the Transferred Business, the Transferred Policies, the Transferred Assets or the Transferred Liabilities in respect of which NPLL is a party (including as the plaintiff, claimant, applicant, defendant, respondent, pursuer, defender or petitioner), and including any such Proceedings commenced in error against NPLL on or after the Transfer Date, shall be continued or commenced by or against PLAL and PLAL shall be entitled to all defences, claims, counterclaims, settlements, rights of set-off and any other rights that would have been available to NPLL in relation to the Transferred Business, the Transferred Policies, the Transferred Assets, the Transferred Liabilities and such Proceedings.
- 4.2 On and with effect from the Subsequent Transfer Date applicable thereto, any Proceedings issued, served, pending, threatened or otherwise in connection with the Residual Assets or the Residual Liabilities which are to be transferred on such Subsequent Transfer Date in respect of which NPLL is a party (including as the plaintiff, claimant, applicant, defendant, respondent, pursuer, defender or petitioner), and including any such Proceedings commenced in error against NPLL on or after the relevant Subsequent Transfer Date, shall be continued or commenced by or against PLAL and PLAL shall be entitled to all defences, claims, counterclaims, settlements, rights of set-off and any other rights that would have been available to NPLL in relation to the Residual Assets and the Residual Liabilities and such Proceedings. Until such Subsequent Transfer Date, the relevant Proceedings shall be continued by or against NPLL, provided that NPLL shall consult with PLAL and take account of any reasonable comments made by it in relation to such Proceedings.
- 4.3 Any judgment, settlement, order or award obtained by or against NPLL to the extent that it relates to any part of the Transferred Business, the Transferred Policies, the Transferred Assets, the Transferred Liabilities, the Residual Assets or the Residual Liabilities and which is not fully satisfied before the Transfer Date or, as the case may be, the applicable Subsequent Transfer Date shall, on that date and to the extent to which it was enforceable by or against NPLL immediately prior to such date, become enforceable by or against PLAL (to the exclusion of NPLL).

5. RIGHTS AND OBLIGATIONS IN RELATION TO THE TRANSFERRED BUSINESS

- 5.1 On the Transfer Date but with effect from the Effective Date, PLAL shall become entitled to all the rights, benefits and powers of NPLL whatsoever subsisting on the Effective Date under or by virtue of the Transferred Policies.
- 5.2 Without prejudice to the generality of paragraph 5.1, where the benefits of any Transferred 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 Transferred Policy, shall operate and be construed on the Transfer Date but with effect from the Effective Date on a basis which is consistent with the transfer of such Transferred Policy in accordance with the provisions of this Scheme. For the avoidance of doubt:
- (a) where the consent of NPLL is required under any such terms, the consent of PLAL shall, from the Transfer Date, instead be treated as required; and

- (b) where a power to appoint trustees under such terms is conferred on NPLL, that power shall, from the Transfer Date, instead be treated as conferred on PLAL.

5.3 Every person who is a holder of any of the Transferred Policies or is a party to, or has the benefit of, any other agreement with NPLL relating to the Transferred Business shall, on and with effect from the Transfer Date, become entitled, in succession to, and to the exclusion of, any rights which he may have had against NPLL under any of the Transferred Policies or any other such agreement relating to the Transferred Business, to the same rights against PLAL (subject to the terms of this Scheme) as were available to him against NPLL under such Policies or such other agreement relating to the Transferred Business and (as regards Transferred Policies under which premiums or other sums attributable or referable thereto continue to be payable) shall, on and with effect from the Transfer Date, account to PLAL for any further or additional premiums or other sums attributable or referable thereto as and when the same become due and payable.

5.4 If any person entitled to do so with respect to a Transferred Policy exercises any right or option granted under the terms of that Policy and either:

- (a) the right or option provides for a new, additional or replacement Policy to be issued; or
- (b) it is appropriate in the opinion of the PLAL Board, having obtained appropriate actuarial advice, in order to comply with that right or option to issue a new Policy,

such person shall be entitled to require that the obligation thereby arising shall be satisfied by the issue by PLAL of a Policy which complies with the terms of such right or option, but (without prejudice to the right of such person to have the right or option satisfied by the issue by PLAL of such a Policy) if PLAL is not at the time of the exercise of such right or option writing Policies complying exactly with the Policy to which such right or option refers, PLAL shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) the Policy commonly offered by PLAL which PLAL considers to be the nearest equivalent Policy in accordance with the terms and conditions applicable to Policies of PLAL at that time, provided that (i) the PLAL Board and, in the case of a right or option under the terms of a With-Profits Policy, the PLAL With-Profits Committee are satisfied, having obtained appropriate actuarial advice, that accepting such alternative Policy would not have a material adverse effect on the interests of the relevant person or otherwise fail to satisfy his reasonable expectations, and (ii) the issue of such alternative Policy would not in the opinion of the PLAL Board (having obtained appropriate advice) result in a liability or in an increase in liability to taxation of the holder of such Policy (or, in the event that such liability or increase in liability would occur, PLAL shall have the option to indemnify the policyholder in full and to issue another Policy pursuant to this paragraph).

5.5 All references relating to the Transferred Business in any Transferred Policy or any other agreement or document (including in a contract to which NPLL is party, a contract to which NPLL is not party or elsewhere and whether in writing or not) to NPLL, the NPLL Board, its Actuary, its WP Actuary or any other officers, employees or agents of NPLL shall from and after the Effective Date be read as references to PLAL, the PLAL Board, the PLAL Actuary, the relevant WP Actuary or any other officers, employees or agents of PLAL. In particular, but without limitation, all rights and duties exercisable or expressed to be exercisable or responsibilities to be performed by NPLL, the NPLL Board, its Actuary, its WP Actuary or any other officers, employees or agents of NPLL in relation to any Transferred Policy or other agreement or document relating, in each case, to the Transferred Business (including in a contract to which a NPLL is party, a contract to which a NPLL is not party or elsewhere and whether in writing or not) shall, from and after the

Effective Date, be exercisable or required to be performed by PLAL, the PLAL Board, the PLAL Actuary, the relevant WP Actuary or any other officers, employees or agents of PLAL.

- 5.6 The transfer of any rights, benefits, liabilities and obligations under or in connection with any Transferred Policy, Transferred Asset, Residual Asset, Transferred Liability or Residual Liability pursuant to this Scheme shall take effect and shall be valid and binding on all parties having any interest in the same notwithstanding any restriction on transferring, assigning or otherwise dealing with the same and such transfer shall be deemed to take effect on the basis that it does not contravene any such restriction and does not give rise to any right to terminate, modify, acquire or claim an interest or right, or to treat an interest or right as terminated or modified.
- 5.7 PLAL shall, on and from the Transfer Date, take over from NPLL the administration and negotiation of proposals for insurance which would be Transferred Policies if PLAL determined to accept them (but whether or not PLAL does so determine). PLAL shall bear all expenses and liabilities in relation thereto and any liability in relation to interim death benefits. Nothing contained herein shall oblige PLAL to accept any proposal for insurance received by or on behalf of NPLL before the Transfer Date but not accepted by NPLL by then.

6. EXCLUDED POLICIES

- 6.1 Subject to paragraph 6.3, the Excluded Policies shall not be transferred to PLAL by this Scheme and all liabilities attributable to the Excluded Policies shall remain liabilities of NPLL and be fully reassured with effect from the Effective Date on the following basis:

- (a) all liabilities of NPLL attributable to the Excluded Policies shall be reassured in their entirety to PLAL on the Transfer Date but with effect from the Effective Date (or in the case of liabilities arising in respect of any Policy issued by NPLL pursuant to paragraph 6.2, on and with effect from the date on which such Policy is issued);
- (b) the liability of PLAL on the Transfer Date but with effect from the Effective Date shall be such that the rights, benefits and powers provided to holders of Excluded Policies (including any Policy issued by NPLL pursuant to paragraph 6.2) shall, to the extent possible, be the same as the rights, benefits and powers which would have been provided to such holders if the Excluded Policies had been Transferred Policies;
- (c) the premiums payable by NPLL to PLAL in connection with the provision of the reinsurance described in this paragraph 6.1 shall comprise an amount equal to:
 - (i) in respect of Excluded Policies which are Non-Profit Policies, the aggregate amount of the mathematical reserves relating to those Excluded Policies immediately prior to the Effective Date; and
 - (ii) in respect of Excluded Policies which are With-Profits Policies, the aggregate amount of the realistic value of the liabilities relating to those Excluded Policies immediately prior to the Effective Date,

provided that such amounts shall be deemed to have been satisfied by the transfer to PLAL of the appropriate proportion of the Transferred Assets and such assets or property shall be allocated to the Fund to which they would have been allocated had the Excluded Policies been Transferred Policies; and

- (iii) all subsequent premiums received by NPLL in respect of such Excluded Policies at any time after the Effective Date, which premiums shall be paid to PLAL as soon as practicable after they are received and credited to the Fund to which they would have been allocated had the Excluded Policies been Transferred Policies.

6.2 If any person entitled to do so with respect to an Excluded Policy exercises any right or option granted under the terms of that Policy and either:

- (a) the right or option provides for a new, additional or replacement Policy to be issued; or
- (b) it is appropriate in the opinion of the PLAL Board, having obtained appropriate actuarial advice, in order to comply with that right or option to issue a new Policy,

such person shall be entitled to require that the obligation thereby arising shall be satisfied by the issue by NPLL of a Policy which complies with the terms of such right or option but (without prejudice to the right of such person to have the right or option satisfied by the issue by NPLL of such a Policy):

- (i) PLAL shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) a Policy which complies with the terms of such right or option; and
- (ii) if PLAL is not at the time of the exercise of such right or option writing Policies complying exactly with the Policy to which the right or option refers, PLAL shall be entitled to offer to such person as an alternative (and, if accepted, in lieu thereof) the Policy commonly offered by PLAL which PLAL considers to be the nearest equivalent Policy, in accordance with the terms and conditions applicable to Policies of PLAL at that time, provided that (1) the PLAL Board and, in the case of a right or option under the terms of a With-Profits Policy, the PLAL With-Profits Committee are satisfied, having obtained appropriate actuarial advice, that accepting such alternative Policy would not have a material adverse effect on the interests of the relevant person or otherwise fail to satisfy his reasonable expectations, and (2) the issue of such alternative Policy would not in the opinion of the PLAL Board (having obtained appropriate advice) result in a liability or in an increase in liability to taxation of the holder of such Policy (or, in the event that such liability or increase in liability would occur, PLAL shall have the option to indemnify the policyholder in full and to issue another Policy pursuant to this paragraph).

6.3 If all consents, orders, permissions or other requirements for the transfer or novation of an Excluded Policy from NPLL to PLAL are obtained:

- (a) such Excluded Policy shall be transferred to PLAL, and shall thereafter be treated in all respects, as if it were a Transferred Policy and not an Excluded Policy; and
- (b) all property relating to, and any liability attributable to, such Excluded Policy shall be transferred to PLAL and shall thereafter be treated in all respects as if it were a Transferred Asset or a Transferred Liability, as the case may be.

6.4 In accordance with paragraph 6.3:

- (a) Guernsey Policies shall be treated for all purposes of this Scheme as if they were Transferred Policies with effect from the Guernsey Effective Date and shall, on the

Guernsey Transfer Date, be transferred to and vested in PLAL by the Order (in addition to any order of the Royal Court of Guernsey) with effect from the Guernsey Effective Date; and

- (b) Jersey Policies shall be treated for all purposes of this Scheme as if they were Transferred Policies with effect from the Jersey Effective Date and shall, on the Jersey Transfer Date, be transferred to and vested in PLAL by the Order (in addition to any order of the Royal Court of Jersey) with effect from the Jersey Effective Date.

7. PREMIUMS, MANDATES AND OTHER PAYMENTS

- 7.1 All premiums attributable or referable to the Transferred Policies shall on and after the Transfer Date be payable to PLAL and shall, on the Transfer Date but with effect from the Effective Date, be receivable and received by PLAL, and shall be allocated to the Fund to which the Policy to which they relate is allocated pursuant to paragraph 14.
- 7.2 Any mandate or other instruction in force on the Transfer Date (including 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 to NPLL under or in respect of any of the Transferred Policies shall thereafter take effect as if it had provided for and authorised such payment to PLAL.
- 7.3 Any mandate or other instruction in force on the Transfer Date as to the manner of payment of any sum payable by NPLL under any of the Transferred Policies shall, on and from the Transfer Date, continue in force as an effective authority to PLAL.

8. DECLARATION OF TRUST BY NPLL

8.1 If:

- (a) any property of NPLL comprised in or attributable to the Transferred Business is not, or is not capable of being, transferred to and vested in PLAL by the Order on the Transfer Date by reason of such property being a Residual Asset or is outside the jurisdiction of the Court or otherwise; or
- (b) in any circumstances PLAL shall decide before the Transfer Date (or, in the case of any Residual Asset, before the Subsequent Transfer Date applicable thereto) that it is expedient not to effect a transfer of any property of NPLL,

then NPLL shall, from the Transfer Date but with effect from the Effective Date (but save to the extent that giving effect to such a trust would require a consent or waiver which has not been obtained or that such a trust would not be recognised by any applicable law or that NPLL and PLAL agree not to give effect to such a trust for any reason), hold any property referred to in paragraphs (a) and (b) of this paragraph 8.1, together with any proceeds of sale or income or other right accrued or return arising in respect thereof, as trustee for PLAL.

- 8.2 NPLL shall be subject to PLAL's directions in respect of any property referred to in paragraph 8.1 from the Transfer Date until the relevant property is transferred to or otherwise vested in PLAL or is disposed of (whereupon NPLL shall account to PLAL for the proceeds of sale thereof), and PLAL shall have authority to act as the attorney of each of NPLL in respect of such property for all such purposes.
- 8.3 In the event of any payment being made to, property being received by, or right being conferred upon NPLL after the Transfer Date in respect of the Transferred Business, any

Transferred Asset, any Residual Asset or any asset referred to in paragraph 8.1, NPLL 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 directions of, PLAL and PLAL shall indemnify NPLL on demand against any costs incurred in making any such payment or transfer.

- 8.4 The CRR Amount shall only be subject to the provisions of this paragraph 8 insofar as such provisions shall be consistent with NPLL continuing to satisfy the requirements of GENPRU in relation to its Capital Resources Requirement.

9. INDEMNITIES IN FAVOUR OF NPLL

- 9.1 From the Transfer Date but with effect from the Effective Date, PLAL shall discharge on NPLL's behalf or, failing that, shall indemnify NPLL against:

- (a) charges, costs and claims arising in respect of all Transferred Liabilities and Residual Liabilities which are not, or are not capable of being, transferred by this Scheme or by a vesting order pursuant to section 112(1) of FSMA (whether made before, on or after the Transfer Date) (other than liabilities which are the subject of paragraph 9.1(b) or paragraph 9.2) until the relevant liability is transferred to or becomes a liability of PLAL; and
- (b) any amount paid by NPLL in respect of any Transferred Liabilities and Residual Liabilities of NPLL which are, whether wholly or in part, the subject of a policy of indemnity insurance or a claim or right of recovery against a third party, but only to the extent that NPLL, having made a claim under such a policy or against such third party, shall have failed to recover any such amount pursuant to rights it may have under such policy, claim or right of recovery (having used reasonable endeavours to do so).

- 9.2 PLAL shall indemnify NPLL against any costs and/or expenses which it may incur in pursuing any claim under any such policy of indemnity insurance or against any such third party as is referred to in paragraph 9.1(b). Subject thereto, NPLL shall take such steps as PLAL shall reasonably require in order to pursue the rights it may have under any such policy of indemnity insurance or against any such third party. PLAL shall be entitled, upon notice to NPLL, to have conduct of all litigation or other proceedings in respect of any such claim. In that connection, NPLL shall give all such assistance as PLAL may reasonably require in conducting any such proceedings.

10. PENSION SCHEMES

- 10.1 On the Transfer Date but with effect from the Effective Date, PLAL shall unconditionally and irrevocably become the scheme administrator (within the meaning of the relevant scheme deeds) of the NPLL Pension Schemes in place of NPLL.

- 10.2 From the Transfer Date but with effect from the Effective Date:

- (a) PLAL shall undertake the liabilities and responsibilities of the provider (within the meaning of the relevant scheme deeds) under the NPLL Pension Schemes in the place of NPLL; and
- (b) NPLL shall be released from all obligations applicable to it under the relevant scheme deeds, which shall have effect as if PLAL had been the provider referred to in the scheme deeds for each of the NPLL Pension Schemes.

PART D - FUND STRUCTURE

11. PURPOSE OF ALLOCATIONS

Any allocation of property or attribution of liabilities, and any re-allocation or re-attribution of the same, which is made under the terms of this Scheme for the purpose of the maintenance of a WP Fund or the Non-Profit Fund or the PLAL Shareholders' Fund is for the purpose of establishing policyholder entitlements from time to time and shall not be taken to limit the availability of all the property from time to time of PLAL to meet the liabilities which it is obliged by law to meet.

12. ESTABLISHMENT OF NEW PLAL SUB-FUND

On the Transfer Date but with effect from the Effective Date (and in addition to the separate sub-funds maintained in accordance with the PLAL 2012 Scheme), PLAL shall establish the NPL WP Fund as a separate sub-fund of the PLAL Long-Term Insurance Fund.

13. TREATMENT OF NPLL CAPITAL SUPPORT ARRANGEMENTS

13.1 On the Transfer Date but with effect from the Effective Date:

- (a) NPLL shall cease to maintain the Asset Share Charge Fund, the Capital Funds, the Capital Account, the Earmarked Portfolio and the Shareholder Equalisation Fund and no equivalent funds or accounts will be created within PLAL; and
- (b) all rights, liabilities and obligations in relation to the capital support arrangements relating to the Asset Share Charge Fund, the Capital Funds, the Capital Account, the Earmarked Portfolio and the Shareholder Equalisation Fund, including any rights and obligations in relation to interest or other charges, shall terminate.

13.2 All amounts held within or attributed to the Shareholder Equalisation Fund and the Earmarked Portfolio (but not, for the avoidance of doubt, the Capital Funds Assets and the Asset Share Charge Fund) immediately prior to the Transfer Date, including applicable investment return, interest and charges, shall be treated, from the Transfer Date but with effect from the Effective Date, as capital support drawn down from the PLAL Shareholders' Fund into the NPL WP Fund in accordance with the PLAL Capital Policy.

13.3 All amounts held within or attributed to the Capital Funds Assets and the Asset Share Charge Fund immediately prior to the Transfer Date, including applicable investment return, interest and charges, shall be treated, from the Transfer Date but with effect from the Effective Date, as assets of the NPL WP Fund and, for the avoidance of doubt, not as capital support drawn down from the PLAL Shareholders' Fund into the NPL WP Fund in accordance with the PLAL Capital Policy.

14. ALLOCATION OF POLICIES

14.1 On the Transfer Date but with effect from the Effective Date, the Transferred Policies shall be allocated on the basis that:

- (a) the In Payment Annuities shall be allocated to the Non-Profit Fund; and
- (b) all other Transferred Policies comprised in the Transferred Business shall be allocated to the NPL WP Fund.

14.2 On the Guernsey Transfer Date but with effect from the Guernsey Effective Date, each Guernsey Policy shall be allocated to the Fund to which it would have been allocated in accordance with the provisions of paragraph 14.1 had it been a Transferred Policy at the Transfer Date.

14.3 On the Jersey Transfer Date but with effect from the Jersey Effective Date, each Jersey Policy shall be allocated to the Fund to which it would have been allocated in accordance with the provisions of paragraph 14.1 had it been a Transferred Policy at the Transfer Date.

15. ALLOCATION OF ASSETS

15.1 On the Transfer Date but with effect from the Effective Date, Transferred Assets held by NPLL in the National Provident Life Fund which are selected by the NPLL Board, having obtained appropriate actuarial advice, and which have a value equal to the realistic value of the reserves held by NPLL in relation to the In Payment Annuities, including the expense risk in relation to the Reassured Annuities, shall be allocated to the Non-Profit Fund.

15.2 On the Transfer Date but with effect from the Effective Date, all Transferred Assets held by NPLL in the National Provident Life Fund and attributed to the Transferred Business immediately prior to the Transfer Date, including the Transferred Assets comprised within the Capital Funds Assets, the Asset Share Charge Fund, the Shareholder Equalisation Fund and the Earmarked Portfolio, but excluding any Transferred Assets referred to in paragraph 15.1, shall be allocated to the NPL WP Fund.

15.3 On the Transfer Date but with effect from the Effective Date, all Transferred Assets allocated to the NPLL Shareholders' Fund immediately prior to the Transfer Date, including, subject to paragraph 13, all Transferred Assets attributed to the Capital Account and the assets and property attributable to the interest of the shareholders of NPLL in its Long-Term Insurance Fund, shall be allocated to the PLAL Shareholders' Fund.

15.4 On and with effect from the applicable Subsequent Transfer Date, each Residual Asset shall be allocated to the Fund to which it would have been allocated in accordance with the provisions of paragraphs 15.1 to 15.3 had it been a Transferred Asset.

16. ALLOCATION OF LIABILITIES

16.1 On the Transfer Date but with effect from the Effective Date, the following shall be allocated to the Non-Profit Fund:

- (a) all Transferred Liabilities of NPLL in the National Provident Life Fund attributed to the In Payment Annuities immediately prior to the Transfer Date or attributable to any Transferred Asset falling within paragraph 15.1;
- (b) all liabilities attributable to the Excluded Policies Reassurance Arrangement, to the extent that such liabilities relate to any Long-Term Insurance Business to which any Transferred Asset falling within paragraph 15.1 relates;
- (c) the liability to indemnify NPLL pursuant to paragraph 8.3, to the extent that the payment or property to which such indemnity relates is allocated by paragraph 15.1 to the Non-Profit Fund; and
- (d) the liability to discharge liabilities on NPLL's behalf, or failing that to indemnify NPLL pursuant to paragraph 9.1, and the liability to indemnify NPLL pursuant to paragraph 9.2, to the extent that such liability relates to any Long-Term Insurance

Business to which any Transferred Liability falling within paragraph 16.1(a) relates.

- 16.2 On the Transfer Date but with effect from the Effective Date, the following shall be allocated to the NPL WP Fund:
- (a) all Transferred Liabilities of NPLL in the National Provident Life Fund attributed to the Transferred Business immediately prior to the Transfer Date, including the Transferred Liabilities attributed to the Capital Funds Assets, the Asset Share Charge Fund, the Shareholder Equalisation Fund and the Earmarked Portfolio, but excluding any Transferred Liabilities referred to in paragraph 16.1;
 - (b) all liabilities attributable to the Excluded Policies Reassurance Arrangement, to the extent that such liabilities relate to any Long-Term Insurance Business to which any Transferred Asset falling within paragraph 15.2 relates;
 - (c) the liability to indemnify NPLL pursuant to paragraph 8.3, to the extent that the payment or property to which such indemnity relates is allocated by paragraph 15.2 to the NPL WP Fund; and
 - (d) the liability to discharge liabilities on NPLL's behalf, or failing that to indemnify NPLL pursuant to paragraph 9.1, and the liability to indemnify NPLL pursuant to paragraph 9.2, to the extent that such liability relates to any Long-Term Insurance Business to which any Transferred Liability falling within paragraph 16.2(a) relates.
- 16.3 On the Transfer Date but with effect from the Effective Date, the Transferred Liabilities allocated to the NPLL Shareholders' Fund immediately prior to the Transfer Date, including, subject to paragraph 13, the Transferred Liabilities attributed to the Capital Account and the liabilities attributable to the interest of the shareholders of NPLL in its Long-Term Insurance Fund, shall be allocated to the PLAL Shareholders' Fund.
- 16.4 On and with effect from the applicable Subsequent Transfer Date, each Residual Liability shall be allocated to the Fund to which it would have been allocated in accordance with the provisions of paragraphs 16.1 to 16.3 had it been a Transferred Liability.
- 16.5 If any doubt or difference shall arise as to the allocation or attribution of any Transferred Asset, Transferred Liability, Residual Asset or Residual Liability in accordance with this Scheme, the same shall be determined by the PLAL Board, having obtained appropriate actuarial advice, provided that, if the PLAL Board, having obtained such advice, considers the doubt or difference to be material the PLAL Board shall:
- (a) obtain a report from an independent actuary confirming that, in his opinion, the allocation or attribution which the PLAL Board proposes to make is unlikely to have a material adverse effect on the Transferred Policyholders, Excluded Policyholders or any other Policyholders of PLAL;
 - (b) obtain the consent of the PLAL With-Profits Committee to the allocation or attribution which the PLAL Board proposes to make; and
 - (c) not make any such allocation or attribution unless the Regulators have been notified and either not made any comment within 30 days or, if any adverse comments have been made within 30 days, they are subsequently resolved to the relevant Regulator's satisfaction.

17. LINKED FUNDS

- 17.1 On the Transfer Date but with effect from the Effective Date, the property and any associated liabilities comprised in each Linked Fund of NPLL shall be allocated to and become comprised in a corresponding Linked Fund of PLAL within the Non-Profit Fund, comprising immediately following the Transfer Date the same number and value of units as were comprised within the relevant Linked Fund of NPLL immediately prior to the Transfer Date and having the same investment objectives immediately following the Transfer Date as the relevant linked Fund of NPLL immediately prior to the Transfer Date.
- 17.2 On the Transfer Date but with effect from the Effective Date:
- (a) subject always to the provisions of this paragraph 17, in relation to any benefits under Transferred Policies which are linked to a Linked Fund of PLAL pursuant to paragraph 17.1, PLAL shall become entitled to the same rights and powers and be subject to the same duties and liabilities as applied to NPLL in relation to the corresponding Linked Fund of NPLL immediately prior to the Transfer Date; and
 - (b) benefits under any Transferred Policy which, immediately prior to the Transfer Date, were linked to any one or more Linked Fund(s) of NPLL shall become linked to the corresponding Linked Fund(s) of PLAL and PLAL shall allocate to each such Transferred Policy the same number and classes of units in the corresponding Linked Fund(s) of PLAL as the number and classes of units in the relevant Linked Fund(s) of NPLL which were allocated to the Transferred Policy immediately prior to the Transfer Date.
- 17.3 If any property comprised in a Linked Fund of NPLL falls within the provisions of paragraph 8.1, all interests and rights in relation to such property shall be allocated to the relevant Linked Fund of PLAL to which such property would, had it been a Transferred Asset, have been allocated.
- 17.4 On and with effect from the relevant Subsequent Transfer Date, each Residual Asset which is comprised in a Linked Fund of NPLL shall be allocated to the Linked Fund of PLAL to which it would have been allocated pursuant to this paragraph 17 had it been a Transferred Asset.

PART E - OPERATION OF THE PLAL LONG-TERM INSURANCE FUND

18. OPERATION OF THE PLAL 2012 SCHEME

18.1 The PLAL 2012 Scheme shall, except as otherwise set out in this Scheme, continue in full force and effect on the basis that the NPL WP Fund shall be an additional WP Fund for the purposes of the PLAL 2012 Scheme.

18.2 Except as otherwise provided in this Scheme, the PLAL Long-Term Insurance Fund shall be operated in accordance with Parts E to G of the PLAL 2012 Scheme in relation to the NPL WP Fund and on the basis that (without limitation) paragraphs 22 (*Merger and closure of linked funds*), 26 (*Capital support and the Pearl Capital Policy*) and 28 (*Reallocation of certain policies*) of the PLAL 2012 Scheme shall apply in relation to the NPL WP Fund on the basis that the NPL WP Fund is a WP Fund of PLAL.

19. MAINTENANCE OF PLAL SUB-FUNDS

Nothing in this Scheme shall at any time prevent PLAL from:

- (a) establishing and maintaining other Long-Term Insurance Funds or other sub-funds of the PLAL Long-Term Insurance Fund and writing in, or reassuring to, any such other Long-Term Insurance Funds or sub-funds any new Long-Term Insurance Business or any business of other Long-Term Insurance Funds or sub-funds of PLAL;
- (b) writing in or reassuring to the Non-Profit Fund or the Pearl WP Fund any new business;
- (c) writing in or reassuring to any Fund Policies issued pursuant to rights or options under the terms of the Transferred Policies; or
- (d) establishing and maintaining new Linked Funds.

20. ALLOCATION OF EXPENSES AND CHARGES

Except as provided for in Schedule 2 and subject to applicable laws and regulations from time to time (including any regulations made by the Regulators regarding the allocation of costs and charges to with-profits funds), expenses and charges relating to the operation of the NPL WP Fund shall be allocated to the NPL WP Fund as the PLAL Board, having obtained appropriate actuarial advice, considers appropriate.

21. MERGER AND CLOSURE OF THE NPL WP FUND

21.1 Subject to paragraph 21.2, the provisions of paragraph 23 (*Merger and closure of the Pearl WP Fund, the SERP Fund or the LL WP Fund*) of the PLAL 2012 Scheme shall apply in respect of the NPL WP Fund and to Policies allocated or reassured to that Fund as if the NPL WP Fund were a Relevant With-Profits Fund within the terms of paragraph 23 of the PLAL 2012 Scheme and as if:

- (a) the Closure Bonus referred to in paragraphs 23.1 and 23.5 of the PLAL 2012 Scheme were the scale of guaranteed increases in benefits determined pursuant to paragraph 4 of Schedule 1 to this Scheme;
- (b) the reference in paragraph 23.6(a) of the PLAL 2012 Scheme to "the Scheme PFM of the Relevant With-Profits Fund" were a reference to the Scheme Principles for the Financial Management of the NPL WP Fund; and

- (c) the reference in paragraph 23.6(b) of the PLAL 2012 Scheme to "this Scheme" were a reference to this Scheme and the PLAL 2012 Scheme.

For the avoidance of doubt, the effect of this provision is that (i) PLAL shall be required to close the NPL WP Fund if the statutory liabilities (gross of reinsurance) relating to With-Profits Policies allocated or reassured to the NPL WP Fund fall below £50 million and (ii) PLAL may at any time, subject to the requirements of paragraph 23.2 of the PLAL 2012 Scheme, transfer the Policies, assets and liabilities allocated to the NPL WP Fund to another WP Fund.

- 21.2 PLAL shall not exercise its right to transfer the Policies, assets and liabilities allocated to the NPL WP Fund to another WP Fund and close the NPL WP Fund pursuant to paragraph 23.2 of the PLAL 2012 Scheme, as such paragraph is given effect by paragraph 21.1 of this Scheme, unless the liabilities calculated in accordance with all applicable regulatory requirements (gross of reinsurance) relating to With-Profits Policies allocated or reassured to the NPL WP Fund fall below £750 million (increased annually from 31 December 2013 at the annual rate of increase of the RPI in the preceding calendar year) (or the equivalent in other currencies).

22. DISTRIBUTIONS OF SURPLUS WITHIN PLAL

The provisions of paragraph 24 (*Distributions of surplus within Pearl*) of the PLAL 2012 Scheme shall apply in respect of the NPL WP Fund (and the Policies or benefits allocated or reassured to it) as if:

- (a) the references in paragraph 24.2 of the PLAL 2012 Scheme to "LL" were references to NPLL, the references in that paragraph to "Transferred Policies" were references to Transferred Policies comprised in the Transferred Business and either allocated or reassured to the NPL WP Fund from time to time (as such terms are defined in this Scheme), and as if references in that paragraph to the "Transfer Date" were references to the Transfer Date as defined in this Scheme, with references to the PPFM being construed accordingly;
- (b) the references in paragraph 24.3 of the PLAL 2012 Scheme to "this Scheme" were a reference to the PLAL 2012 Scheme and this Scheme and to "the Pearl Board" were to the PLAL Board acting, so far as appropriate, in implementation of a decision of the PLAL With-Profits Committee;
- (c) paragraph 24.4 of the PLAL 2012 Scheme applied in respect of surplus arising within the NPL WP Fund; and
- (d) paragraph 24.6 of the PLAL 2012 Scheme applied in respect of the NPL WP Fund as if the references to "Policies" in that paragraph included a reference to Policies allocated or reassured to the NPL WP Fund and as if the reference to reinsurance pursuant to paragraph 6.1 of the PLAL 2012 Scheme was a reference to paragraph 6.1 of this Scheme and the references to the PPFM shall be construed accordingly.

23. DEBITS AND CREDITS

The provisions of paragraph 25 (*Debits and credits*) of the PLAL 2012 Scheme shall apply in relation to the NPL WP Fund on the basis that the NPL WP Fund is a WP Fund of PLAL, that references to the "Scheme" mean both the PLAL 2012 Scheme and this Scheme and that references in that paragraph to the "Transfer Date" and the "Effective Date" were references to the Transfer Date and the Effective Date as defined in this Scheme, provided that:

- (a) paragraphs 25.2(c) and 25.2(i) of the PLAL 2012 Scheme shall take effect subject to paragraph 30.2 of the Scheme; and
- (b) in addition to any amounts permitted to be debited or charged to a WP Fund in accordance with paragraph 25 of the PLAL 2012 Scheme (and without prejudice to PLAL's ability to charge any such cost or expense or other amount to any other WP Fund, whether in accordance with the terms of the PLAL 2012 Scheme or past practice or otherwise), PLAL shall be entitled to debit or charge to the NPL WP Fund a fair proportion of:
 - (i) the costs of the PLAL Actuary and the WP Actuary for the NPL WP Fund;
 - (ii) any levy imposed on PLAL by the Regulators or any other governmental, statutory or other body in any jurisdiction with authority in respect of PLAL (including the FSCS).

24. FUTURE FINANCIAL MANAGEMENT OF THE NPL WP FUND

- 24.1 PLAL shall manage its affairs in accordance with applicable laws and regulatory requirements from time to time and in particular shall manage the NPL WP Fund in accordance with applicable principles and practices of financial management, as amended from time to time, as required pursuant to COBS 20.3.1 R or any successor provision, and the Scheme Principles for the Financial Management of the NPL WP Fund. In the event of any inconsistency between the provisions of this Scheme and applicable laws and regulatory requirements from time to time, applicable laws and regulatory requirements shall prevail.
- 24.2 The PLAL Board shall (save to the extent that such practice is inconsistent with the provisions of this Scheme) manage the NPL WP Fund having regard to the established practices of NPLL as set out, from time to time, in its PPFM prior to the Transfer Date, as they applied in respect of the National Provident Life Fund or the Transferred Policies comprised therein.
- 24.3 The Scheme Principles for the Financial Management of the NPL WP Fund, together with paragraph 24.2, shall be capable of amendment on the same basis, and on the same terms, as set out in paragraph 27.4 of the PLAL 2012 Scheme.

25. SERVICE STANDARDS

PLAL shall use reasonable endeavours to ensure that:

- (a) the overall standard of service provided to holders of Transferred Policies and Excluded Policies is (except as otherwise agreed by the PLAL With-Profits Committee) no less favourable than that provided in relation to equivalent business of any other Policyholders of PLAL; and
- (b) the same level of skill and diligence is applied to the investment management of the property allocated to the NPL WP Fund as to the property allocated to any other WP Fund.

26. PLAL WITH-PROFITS COMMITTEE

- 26.1 The National Provident Life Supervisory Board shall cease to exist on the Transfer Date.
- 26.2 For so long as the NPL WP Fund exists, PLAL shall procure that:

- (a) the PLAL With-Profits Committee's duties, powers, rights, responsibilities and discretions in relation to the NPL WP Fund shall at all times include those set out in Schedule 4;
- (b) the membership of the PLAL With-Profits Committee shall always consist of a majority of Non-Executive Members;
- (c) the appointment or removal of a member of the PLAL With-Profits Committee shall be made by the PLAL Board and shall be effected by notice in writing to the chairman for the time being of the PLAL With-Profits Committee and to the member concerned signed by any director on behalf of the PLAL Board and shall take effect, subject to any contrary intention expressed in the notice, when the notice effecting the same is delivered either to such chairman or to such member, whichever is the sooner;
- (d) the chairman of the PLAL With-Profits Committee shall be a Non-Executive Member; and
- (e) the quorum for a meeting of the PLAL With-Profits Committee shall be a majority of the Non-Executive Members then appointed to the PLAL With-Profits Committee, providing that there are a minimum of two Non-Executive Members.

26.3 The PLAL Board may amend the terms of Schedule 4 and paragraph 26.2 provided that:

- (a) the WP Actuary for the NPL WP Fund has certified in writing that, in his opinion, the proposal does not have an adverse effect on the reasonable expectations, having taken into account the provisions of this Scheme and any obligation to treat customers fairly, of the holders of With-Profits Policies allocated to the NPL WP Fund (or any part of whose benefits are allocated to the NPL WP Fund);
- (b) the Regulators have been notified and either not made any comment within 30 days or, if any adverse comments have been made within 30 days, they are subsequently resolved to the relevant Regulator's satisfaction; and
- (c) the PLAL With-Profits Committee has been consulted and has not objected to any such amendment.

26.4 The PLAL Board may also amend the terms of Schedule 4 and paragraph 26.2 provided that it and the PLAL With-Profits Committee both consider the amendment to be immaterial or necessary to correct an error or omission.

27. CERTIFICATION AND WP ACTUARY DUTIES

27.1 The PLAL Board shall provide the PLAL With-Profits Committee with the Board Certificate (as soon as reasonably possible after the end of the financial year to which that Board Certificate relates), setting out whether, in the opinion of the PLAL Board, having obtained appropriate actuarial advice, the provisions of this Scheme have been complied with since the date of the last Board Certificate or, in the case of the first Board Certificate, the Transfer Date (and, if not, detailing the respects in which such provisions have not been complied with).

27.2 The WP Actuary for the NPL WP Fund shall, in addition to his statutory duties under FSMA or the Regulatory Handbook, advise the PLAL Board and the PLAL With-Profits Committee as to the proper operation of the NPL WP Fund in accordance with the provisions of this Scheme and, in particular, shall:

- (a) provide the PLAL Board and the PLAL With-Profits Committee with the WPA Certificate (as soon as reasonably possible after the end of the financial year to which that WPA Certificate relates), setting out whether, in the opinion of the WP Actuary:
 - (i) the provisions of this Scheme relating to actuarial matters and any other matters in respect of which consultation with or advice from the WP Actuary is required pursuant to the Scheme have been complied with since the date of the last WPA Certificate or, in the case of the first WPA Certificate, the Transfer Date (and, if not, detailing the respects in which such provisions have not been complied with); and
 - (ii) the investment and bonus policy of the NPL WP Fund has since the date of the last WPA Certificate (or, in the case of the first WPA Certificate, the Transfer Date) had regard to the provisions of the Scheme (and, if not, detailing the respects in which the WPA Actuary believes the relevant provisions of the Scheme have not been complied with); and
- (b) inform the PLAL Board and the PLAL With-Profits Committee if at any time he is of the opinion that the NPL WP Fund is being operated in a manner such that he will be unable to provide the confirmations set out in paragraph 27.2(a).

27.3 If the WP Actuary considers that the PLAL Board or the PLAL With-Profits Committee is taking or failing to take, or has taken or failed to take, any action and that such action, or failure to take action, is or may in his opinion be prejudicial to the proper implementation of the Scheme, and he is dissatisfied with the reasons given by the PLAL Board or the PLAL With-Profits Committee (as the case may be) for such action or failure to take action, he shall, having sought such guidance from the Institute and Faculty of Actuaries as he thinks appropriate, report his concerns in writing to the Regulators.

27.4 PLAL shall, if requested by the Regulators, provide copies of the Board Certificate and the WPA Certificate to the Regulators, provided that the PLAL Board and the PLAL With-Profits Committee have had a reasonable opportunity to review the Board Certificate and the WPA Certificate and address any issues identified.

28. THE NPLL SECURITISATION LOAN

The provisions of Schedule 3 shall apply in respect of the NPLL Securitisation Loan.

29. RELEASE OF THE NPLL SCHEME

On the Transfer Date but with effect from the Effective Date, this Scheme shall supersede the whole of the NPLL Scheme, whose provisions shall be replaced by the provisions of this Scheme and cease to have effect. This shall be without prejudice to any accrued or pre-existing rights and liabilities under the NPLL Scheme as between NPLL, NPI and any other person which remain to be fulfilled or which are capable of being exercised immediately prior to the Transfer Date (except to the extent that such liabilities or rights are modified by the terms of this Scheme). Such rights and liabilities of NPLL shall transfer to PLAL pursuant to this Scheme.

30. MISCELLANEOUS PROVISIONS REGARDING THE NPL WP FUND

30.1 If there is, for any reason, any delay (for which provision is not expressly made in this Scheme) in the allocation of any receipt, payment or other item to a Fund or the PLAL Shareholders' Fund in accordance with this Scheme, the PLAL Board, having obtained appropriate actuarial advice and subject to FSMA, shall make such adjustment, including

to allow for investment return earned during the period from (and excluding) the Effective Date to (and including) the date on which such adjustment is made, between such funds as it considers appropriate in accordance with the principles underlying this Scheme to take account of such delay.

30.2 Save as expressly required or permitted by this Scheme, there shall not at any time on or after the Transfer Date be any transfer, exchange or re-allocation of property or liabilities between the NPL WP Fund and any other Funds except for:

- (a) any transfer or exchange of listed securities at mid-market value (after an appropriate allowance, determined by the PLAL Board, having obtained appropriate advice, for deferred tax); and
- (b) such transfer, exchange or re-allocation of property other than listed securities on such arm's length terms (including terms reflecting an appropriate allowance, determined by the PLAL Board, having obtained appropriate advice, for tax or deferred tax) as may have been approved by the PLAL With-Profits Committee (such approval not to be unreasonably withheld or delayed).

PART F – TAXATION

31. TAXATION OF THE NPL WP FUND

The provisions of paragraph 33 of the PLAL 2012 Scheme shall apply in respect of the NPL WP Fund as if:

- (a) the NPL WP Fund were included in the list of WP Funds to be treated, for the purposes of paragraph 33.1 of the PLAL 2012 Scheme, as a separate mutual life assurance company;
- (b) the references in paragraph 33.2(a) of the PLAL 2012 Scheme to "Transfer Date", "Transferred Assets", "Transferred Liabilities", "Residual Assets", "Residual Liabilities" and "Transferred Policies" under the PLAL 2012 Scheme were references to those terms as defined in this Scheme and as if the reference in that paragraph to the "reinsurance of Excluded Policies" were a reference to the reinsurance of Excluded Policies pursuant to paragraph 6 of this Scheme; and
- (c) the terms of paragraph 33.3 of the PLAL 2012 Scheme included a requirement for PLAL to obtain the consent of the PLAL With-Profits Committee (such consent not to be unreasonably withheld) to any change which the PLAL Board proposes to make to the basis upon which tax is attributable to the NPL WP Fund.

PART G – REASSURANCE ARRANGEMENTS

32. INWARDS, OUTWARDS AND INTERNAL REASSURANCE

The provisions of paragraphs 35, 36 and 37 of the PLAL 2012 Scheme shall apply in respect of the NPL WP Fund provided that the terms of any such reinsurance (and the terms of any amendment or termination of such reinsurance) shall first have been approved by the PLAL With-Profits Committee.

33. TERMINATION OF EXISTING GROUP REASSURANCE ARRANGEMENTS

33.1 On the Transfer Date but with effect from the Effective Date, the Group Reinsurance Arrangements shall cease to have effect and shall be replaced by new arrangements equivalent to reinsurance between the NPL WP Fund and the relevant Fund or Funds in PLAL, on terms having the same financial effect.

33.2 PLAL shall be entitled subsequently to amend the replacement arrangements referred to in paragraph 33.1 in accordance with paragraph 37.2 of the PLAL 2012 Scheme and paragraph 32 of this Scheme.

PART H - MISCELLANEOUS PROVISIONS

34. TRANSFER DATE AND EFFECTIVE DATE

- 34.1 Notwithstanding any other provision of this Scheme, this Scheme shall not become operative and shall have no effect whatever if any transfer effected by this Scheme would result in a breach of the covenant contained in paragraph 2(iii) of Schedule 6 to the NPLL Securitisation Loan Agreement.
- 34.2 No modification of, or addition or amendment to, paragraph 34.1 shall be made, whether pursuant to paragraph 35 or otherwise, unless the Bond Trustee (as defined in the NPLL Securitisation Loan Agreement) has given its prior consent thereto in writing.
- 34.3 Subject to paragraph 34.1, this Scheme shall become operative at [00:01 BST on 6 April 2015] or such other time and date as NPLL and PLAL may agree (being a date and time falling after the making of the Order sanctioning this Scheme).
- 34.4 Unless this Scheme shall have become operative on or before [1 July] 2015 or such later date, if any, as each of NPLL and PLAL may approve and the Court may allow, this Scheme shall lapse.
- 34.5 In so far as this Scheme creates rights and obligations that exist only between the parties to it, it shall so far as possible be treated as having become effective as between the parties on the Effective Date, including, without prejudice to the generality of the foregoing, for accounting purposes and for determining the level of policyholder benefits, and references in this Scheme to the Effective Date and the phrase "with effect from the Effective Date" shall be construed accordingly.
- 34.6 No transfer or allocation of any asset or of any liability made under this Scheme shall be treated, if and to the extent that such transfer or allocation would affect the legal rights or obligations of any third party, as being effective with regard to that third party before the Transfer Date.
- 34.7 Any Transferred Asset which ceases to be an asset of NPLL between the Effective Date and the Transfer Date shall be deemed to have been disposed of by PLAL at the date on which it was disposed of by NPLL and any Transferred Asset which is acquired by NPLL between the Effective Date and the Transfer Date shall be deemed to have been acquired by PLAL at the date on which it was acquired by NPLL.
- 34.8 Any Transferred Liability which ceases to be a liability of NPLL between the Effective Date and the Transfer Date shall be deemed to have been discharged by PLAL at the date on which it was discharged by NPLL and any Transferred Liability which becomes a liability of NPLL between the Effective Date and the Transfer Date shall be deemed to have become a liability of PLAL at the date on which it became a liability of NPLL.

35. MODIFICATION OR ADDITIONS

- 35.1 NPLL and PLAL may consent for and on behalf of the parties hereto and all other persons concerned to any modification of or addition to this Scheme or to any further condition or provision affecting the same which, prior to its sanction of this Scheme, the Court may approve or impose.
- 35.2 Subject to paragraph 35.4, at any time after the sanction of this Scheme, PLAL shall be at liberty to apply to the Court for consent to amend its terms, provided that in any such case:

- (a) the Regulators 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 an independent actuary to the effect that in his opinion the proposed amendment:
 - (i) will not adversely affect the reasonable expectations of the holders of Policies of PLAL immediately prior to the Transfer Date;
 - (ii) will not adversely affect the reasonable expectations of the holders of Transferred Policies or Excluded Policies; and
 - (iii) for so long as the NPL WP Fund exists, will not reduce the protections conferred by this Scheme on the holders of Policies allocated to the NPL WP Fund; and
- (c) for so long as the NPL WP Fund exists, the PLAL With-Profits Committee shall have consented to such application (such consent not to be unreasonably withheld or delayed).

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

35.4 The consent of the Court shall not be required in relation to minor and/or technical amendments to the terms of this Scheme (including amendments to correct manifest errors) that may be identified by the PLAL Board, provided that the Regulators have been notified of the same and have each indicated that they do not object thereto.

36. COSTS AND EXPENSES

The costs and expenses incurred by PLAL and NPLL in relation to the preparation and carrying into effect of this Scheme, whether before, on or after the Transfer Date, shall be borne by the PLAL Shareholders' Fund.

37. EVIDENCE OF TRANSFER

37.1 The production of a copy of the Order and of this Scheme, with any modifications made under paragraph 35, shall for all purposes be conclusive evidence of the transfer to, and vesting in, PLAL of:

- (a) from the Transfer Date, the Transferred Business, the Transferred Assets and the Transferred Liabilities; and
- (b) from each relevant Subsequent Transfer Date, the Residual Assets and the Residual Liabilities.

37.2 In order to enable PLAL to complete any title to any property or interest in land transferred to and vested in it by virtue of this Scheme by notice of title or otherwise or in order to deduce title, without prejudice to paragraphs 3 and 37.1, this Scheme and/or the Order, with any modifications made under paragraph 35, together with any document ancillary thereto (including a certificate of any officer or employee of PLAL identifying the relevant property or interest in land) shall be deemed to be, and may be used as, a general disposition, conveyance or (as the case may be) assignation of such property or interest in favour of PLAL.

38. **THIRD PARTY RIGHTS**

It is not intended that any person who is not a party to this Scheme may enforce any of its terms, whether by virtue of the Contracts (Rights of Third Parties) Act 1999 or otherwise.

39. **GOVERNING LAW**

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

Dated: [•] 2015

SCHEDULE 1

Scheme Principles for the Financial Management of the NPL WP Fund

1. GENERAL PRINCIPLES

- 1.1 The affairs of the NPL WP Fund shall be conducted in a sound and prudent manner.
- 1.2 The investment and bonus policies for the NPL WP Fund:
 - (a) shall have regard to the interests and reasonable expectations (as modified by the NPLL Scheme and this Scheme, and having particular regard to the principles specified in these Scheme Principles for the Financial Management of the NPL WP Fund) of the holders of Policies allocated or reassured to the NPL WP Fund and Excluded Policies comprised within the Transferred Business ("**Relevant Policies**"); and
 - (b) shall be determined by reference to, and shall not be constrained in any way other than by, the financial position, performance and experience of the NPL WP Fund and in accordance with the principles specified in this Schedule.
- 1.3 References to asset shares in this Schedule shall mean asset shares determined by the PLAL Board, having obtained appropriate actuarial advice, in accordance with the principles in this Schedule 1.

2. INVESTMENT POLICY

- 2.1 In accordance with Schedule 4 to the Scheme, the PLAL With-Profits Committee may exercise all of the powers of the PLAL Board in connection with the investment policy of the NPL WP Fund, excluding the investment policy for any assets provided as capital support to the NPL WP Fund in accordance with the PLAL Capital Policy.
- 2.2 The investment policy for the NPL WP Fund shall have regard to the nature of the liabilities of the NPL WP Fund and shall seek to maximise the investment return on the property of the NPL WP Fund attributable to With-Profits Policies, whilst recognising the need to safeguard the financial security of the NPL WP Fund.
- 2.3 The investment policy for the NPL WP Fund shall be set on the basis that no support will be provided to the NPL WP Fund by the assets of any Fund within the PLAL Long-Term Insurance Fund or of the PLAL Shareholders' Fund, save to the extent that such support is provided to the NPL WP Fund in accordance with paragraph 13.2 of the Scheme or the PLAL Board agrees to make such support available in accordance with paragraph 7 of Schedule 4 to the PLAL 2012 Scheme (which sets out the PLAL Capital Policy), and having regard to any reserving requirements of the NPL WP Fund and the capital resource requirements which would be applicable to the NPL WP Fund if it constituted the entire PLAL Long-Term Insurance Fund.

3. BONUS POLICY

- 3.1 In accordance with Schedule 4 to the Scheme, the PLAL With-Profits Committee may exercise all of the powers of the PLAL Board in connection with the bonus policy of the NPL WP Fund.
- 3.2 The terminal bonus policy for Relevant Policies:
 - (a) shall smooth payouts so as to avoid excessive differences in payouts (per unit of premium) on similar policies over short periods of time consistent with PLAL's

smoothing policy in respect of the NPL WP Fund from time to time, which itself will have regard to NPLL's smoothing policy at the Transfer Date and NPI's smoothing policy at the NPLL Scheme Effective Date, so far as appropriate;

- (b) subject to paragraph 3.2(a) and paragraph 3.2(c) of this Schedule 1, shall be determined with the intention of distributing equitably all the assets of the NPL WP Fund (including all future surplus arising in the fund but excluding, as far as possible, any capital support provided to the NPL WP Fund in accordance with the terms of this Scheme) over the remaining life of the Relevant Policies; and
- (c) shall aim to distribute equitably to holders of With-Profits Policies written by NPLL that were in force continuously from 11.59pm on 1 October 1998 until the NPLL Scheme Effective Date (or were immediately prior to such date treated by NPLL as having been in force continuously during that period) ("**Eligible With-Profits Policies**") in accordance with paragraph 3.4 of this Schedule 1, the surplus assets in the NPL WP Fund in excess of those allocated from time to time to the asset shares of Relevant Policies (which, for the avoidance of doubt, do not include any capital support provided to the NPL WP Fund in accordance with the PLAL Capital Policy).

3.3 Asset share calculations shall be made and records of them shall be maintained and referred to in setting bonus rates in order to ensure equity between different groups of holders of Relevant Policies. In accordance with the terms of the NPLL Scheme, asset shares were determined by the Appointed Actuary of NPLL as at the NPLL Scheme Effective Date using NPI's approach at 31 December 1998 and were thereafter accumulated by reference to the financial position, performance and experience of the National Provident Life Fund until such date (a "**Hypothecation Date**") as the National Provident Life Fund Supervisory Board, having obtained appropriate actuarial advice, determined that asset shares of different groups of Policies should accumulate on an alternative basis described in the PPFM for the National Provident Life Fund. The first Hypothecation Date occurred on 1 February 2014. Following the Transfer Date, until such further Hypothecation Date (if any) as the PLAL Board may select, asset shares shall continue to be accumulated on a basis consistent with that described in the PPFM for the National Provident Life Fund immediately prior to the Transfer Date. With effect from any further Hypothecation Date, asset shares of different groups of Policies shall accumulate on a basis described in the relevant PPFM and determined by the PLAL Board, having obtained appropriate actuarial advice. Without limitation, such basis may include an allocation of investment return as if distinct and different asset mixes had been allocated to identified groups of Policies, whether or not the NPL WP Fund in fact holds such assets. The PLAL Board shall give written notice to the Regulators of, and consult with the Regulators about, such proposed basis for the future accumulation of asset shares. PLAL shall not be entitled to implement the proposed basis for the future accumulation of asset shares until it has received notice in writing of the Regulators' non-objection to such proposal.

3.4 Subject to smoothing as referred to in paragraphs 3.2(a) and 5 of this Schedule 1, payouts at maturity shall be targeted on 100 per cent. of asset shares with the addition (in the case of Eligible With-Profits Policies) of an enhancement to reflect an equitable distribution of the surplus assets referred to in paragraph 3.2(c) of this Schedule 1 between different categories and generations of Relevant Policies which are With-Profit Policies on a basis determined by the PLAL Board, having obtained appropriate actuarial advice, and approved by the PLAL With-Profits Committee.

4. CLOSURE BONUS

- 4.1 If the NPL WP Fund is to be merged with the Non-Profit Fund in accordance with paragraph 21 of this Scheme, then the PLAL Board, having obtained appropriate actuarial advice, shall calculate the surplus then existing and likely to arise in the NPL WP Fund on a basis which reflects the current and likely financial and other circumstances.
- 4.2 100 per cent. of the total surplus determined in accordance with paragraph 4.1 of this Schedule 1 shall be used to determine a scale of guaranteed increases in benefit for With-Profits Policies then allocated or reassured to the NPL WP Fund (including any Hybrid Policies to the extent such policies have with-profits benefits as at the date of merger) which will be applicable for all future years until the termination (in accordance with their terms) of each of the remaining With-Profits Policies allocated or reassured to the NPL WP Fund (including any Hybrid Policies to the extent that such policies have with-profits benefits as at the date of merger) which are entitled to receive guaranteed increases in benefit under that scale and such Policies shall thereafter have no further right to participate in any of the profits of PLAL.

5. SMOOTHING ACCOUNT

A smoothing account shall be maintained to which shall be credited the difference between claim payments (excluding the enhancement described in paragraph 3.4 of this Schedule 1) on Relevant Policies and asset shares. Subject to the reasonable expectations of the holders of Relevant Policies and to paragraph 3.2(a) of this Schedule 1, the intention at all times shall be to aim for neither surplus nor deficit in the smoothing account over time.

6. CHARGES

Discretionary charges on Relevant Policies shall be determined by the PLAL Board, having obtained appropriate actuarial advice, and shall be managed in a manner consistent with the reasonable expectations of the holders of such Policies, having regard, inter alia, to NPLL's practice prior to the Transfer Date.

7. NEW BUSINESS

No new Long-Term Insurance Business undertaken by PLAL after the Transfer Date shall be allocated to the NPL WP Fund other than:

- (a) Policies written by PLAL pursuant to paragraph 5.4 or paragraph 6.2 of this Scheme in relation to any Policy which forms part of the Transferred Business or which would do so but for the fact that it is an Excluded Policy;
- (b) additional premiums or increments receivable in respect of, or Policies coming into force as a result of any option or right contained in, any Policy allocated to the NPL WP Fund which:
 - (i) arise otherwise than at the instigation of the holder of such a Policy;
 - (ii) would be allocated to such Policy in accordance with the practices or procedures of NPLL applicable to such Policy prior to the Transfer Date; or
 - (iii) would, in the opinion of the PLAL Actuary, if allocated to any fund other than the NPL WP Fund, fail to satisfy the reasonable expectations of the holder of such a Policy; and

- (c) Excluded Policies comprised in the Transferred Business which are novated to PLAL.

8. MIS-SELLING LIABILITIES

- 8.1 Subject to paragraph 8.2 of this Schedule 1 and notwithstanding any other provision in this Scheme or any provision in the NPLL Scheme, any liability for compensation or redress or other costs in respect of the mis-selling of Policies allocated to the NPL WP Fund shall be met by the Non-Profit Fund or the PLAL Shareholders' Fund, as the PLAL Board, having obtained appropriate actuarial advice, shall determine.
- 8.2 A payment or transfer of liabilities made to correct an error and which has the effect of restoring a policyholder, or former policyholder, and the NPL WP Fund to the position that they would have been in if the error had not occurred is not in breach of paragraph 8.1 of this Schedule 1. Such rectification payments may include, for example, a payment to a policyholder or former policyholder to correct an erroneous underpayment of policy proceeds, or a reimbursement of premiums overpaid.

SCHEDULE 2

Allocation of expenses and charges to the NPL WP Fund

1. Subject to applicable laws and regulations from time to time (including any regulations made by the Regulators regarding the allocation of costs and charges to with-profits funds), there shall be allocated to the NPL WP Fund only such amounts in respect of maintenance and termination expenses, new increment expenses and investment management fees as are determined in accordance with this Schedule 2.
2. Amounts in respect of maintenance and termination expenses (excluding investment management fees) allocated to the NPL WP Fund in respect of Policies allocated to the NPL WP Fund and Excluded Policies shall be calculated as the aggregate of the amounts determined by multiplying the annual per policy charge applicable at the time (determined as referred to below) by the number of policies in force on 1 July in each calendar year and shall, so far as practicable, be so allocated monthly in advance. For this purpose, the annual per policy charges shall be set at the levels set out in the following table, adjusted (on a compound basis) on 30 June in each calendar year, commencing on 30 June 2015, by reference to the sum of:
 - (a) the change in RPI over the previous 12 months; and
 - (b) 1 per cent. per annum.

	Regular premium non-paid-up policy charges (£)	Single premium and paid-up policy charges (£)
Endowments/Term assurances	111.49	55.65
Capital Pension Plan	445.46	222.72
Visible Growth Fund / Capital Accumulation Plan	623.64	311.74
Life and Pension Annuities	0.00	41.65
Executive Pension Plan	324.52	162.24
Pension Transfer Plan	0.00	66.77
Flexible Investment Plan	0.00	202.87
Personal Pension Plan Rebate	76.15	44.72
Group Money Purchase Rebate	178.20	111.49
With Profit Bond / Capital Investment Bond / Distribution Investment Bond	0.00	55.71
Maximum Investment Plan	149.41	119.47
Personal Pension Plan	91.03	58.99
Personal Pension Investment Plan	52.35	41.77
Free Standing Additional Voluntary Contribution	105.33	67.85

	Regular premium non-paid-up policy charges (£)	Single premium and paid-up policy charges (£)
(AVC) Plan		
Group Money Purchase / Variable Group Personal Pension Plan	83.73	73.88
Penfund	0.00	78.84
Phased Retirement Account	0.00	131.75
Extra Income Plan	0.00	41.65
Trustee WP Bond	0.00	55.71
Trustee Transfer Plan	0.00	66.77
High Transfer Value Personal Pension Plan	91.03	58.99
New Approach Personal Pension Plan	91.03	58.99
New Approach Free Standing AVC Plan	105.33	67.85
New Approach Executive Pension Plan	324.52	162.24

3. For the purposes of paragraph 2 of this Schedule 2, the number of policies in force may be calculated so as to take into account any constituent parts of a Policy which, in the opinion of the PLAL Actuary, give rise to a separate benefit.
4. In respect of new increment or other acquisition and set-up expenses allocated to the NPL WP Fund in respect of Policies written in the NPL WP Fund pursuant to paragraphs 7(a) and 7(b) of Schedule 1, the following shall apply:
 - (a) for such Policies which do not specify explicit charges, amounts in respect of such charges to be allocated to the NPL WP Fund shall be set at the levels set out in the following table; and
 - (b) for such Policies which do specify explicit charges, amounts in respect of such charges to be allocated to the NPL WP Fund may, with the approval of the PLAL With-Profits Committee (which shall not be unreasonably withheld in circumstances where, if PLAL had itself incurred such expenses, such a variation would be justified), be varied from time to time in a manner consistent with the terms of such Policies and the reasonable expectations of the relevant Policyholders.

	Percentage of new annual premium increments	Percentage of single premium increments
Personal Pension Plan	17.25	2.01
Personal Pension Investment Plan	23.00	2.01

	Percentage of new annual premium increments	Percentage of single premium increments
Flexible Income Plan	-	1.44
Rebate Pensions	21.85	-
FSAVC	17.25	2.01
EPP (Unit Linked and Capital Account)	32.20	2.42
New Approach PPP	12.65	-
New Approach FSAVC	12.65	-
New Approach EPP	8.05	-
Phased Retirement Account	-	2.01
Group Money Purchase / VGPPP	21.85	2.30
Penfund	-	2.76
Trustee With Profit Bond	-	2.59
Capital Investment Bond	-	1.72
With Profit Bond	-	2.59
Annuities	-	1.72

5. At any time following the Transfer Date the PLAL Board may (and shall, where so requested by the PLAL With-Profits Committee) review the operation of paragraphs 2 to 4 of this Schedule 2 and make such modifications to its provisions as are approved by the PLAL With-Profits Committee, having obtained appropriate actuarial advice.
6. Amounts allocated to the NPL WP Fund in respect of investment management fees shall be determined by the PLAL Board on such basis as the PLAL With-Profits Committee may approve, such approval not to be unreasonably withheld.

SCHEDULE 3

The NPLL Securitisation Loan

1. For the avoidance of doubt and without prejudice to the generality of Parts C and D of this Scheme:
 - (a) PLAL shall (and agrees with NPLL that it shall) assume all the property and liabilities of NPLL in respect of the NPLL Securitisation Loan; and
 - (b) PLAL shall allocate all such property and liabilities to the NPL WP Fund.
2. In this Schedule 3, "**Adverse Reserving Event**" means the occurrence of one or more of the following:
 - (a) a Trigger Event;
 - (b) a Breach arising as a result of a breach of Covenant;
 - (c) an Adjustment Event arising as a consequence of a change in the Borrower's policy from that applying at 16th April 1998 in relation to charging (or not charging) and collecting (or not collecting) Early Termination Penalties; or
 - (d) a determination, in accordance with the NPLL Securitisation Loan Agreement, that a Payment Cover Deficit has arisen,

where "**Trigger Event**", "**Breach**", "**Covenant**", "**Adjustment Event**", "**Borrower**", "**Early Termination Penalties**" and "**Payment Cover Deficit**" all bear the meanings ascribed thereto by the NPLL Securitisation Loan Agreement.

3. In this Schedule 3, an "**Adverse Reserving Consequence**" occurs if and to the extent that, and on each occasion that, at any time after the Transfer Date the consequence of one or more Adverse Reserving Events is any of the following:
 - (a) that the amount by which the Initial Advance Reserve Account Balance is reduced pursuant to clause 11.5 of the NPLL Securitisation Loan Agreement is lower than it would have been in the absence of such Adverse Reserving Event or Events;
 - (b) that an Initial Advance Reserve Account Deficit arises or the amount thereof is increased and such consequence would not have occurred in the absence of such Adverse Reserving Event or Events;
 - (c) that an amount is required pursuant to the NPLL Securitisation Loan Agreement to be credited to, and continues to be credited to, either or both of the Warranty Account and the Adjustment Event Account; or
 - (d) that any other requirement arises to maintain higher reserves pursuant to the Regulatory Handbook in respect of the obligations of PLAL under the NPLL Securitisation Loan,

where "**Initial Advance Reserve Account Balance**", "**Initial Advance Reserve Account Deficit**", "**Warranty Account**" and "**Adjustment Event Account**" all bear the meanings ascribed thereto by the NPLL Securitisation Loan Agreement.

4. In this Schedule 3, an "**Adverse Prepayment Consequence**" occurs if and to the extent that at any time after the Transfer Date any of the actions referred to in clause 16.2(a) to

(d) of the NPLL Securitisation Loan Agreement is taken by the Issuer, the Bond Trustee or the Collateral Trustee as a result of:

- (a) an Event of Default; or
- (b) the circumstances referred to in clause 16.4.2 of the NPLL Securitisation Loan Agreement,

where the "**Issuer**", "**Bond Trustee**", "**Collateral Trustee**" and "**Event of Default**" all bear the meanings ascribed to them by the NPLL Securitisation Loan Agreement.

- 5. If an Adverse Reserving Consequence occurs but would not have done so had the NPLL Scheme or this Scheme not taken effect, or the extent of an Adverse Reserving Consequence is greater than that which would have occurred had the NPLL Scheme or this Scheme not taken effect, in circumstances which are within the control of PLAL but are outside the control of the PLAL Board, PGH2 will procure that capital support is provided to the NPL WP Fund at no cost to the NPL WP Fund in an amount, and on terms as to repayment and otherwise, as fully to compensate the NPL WP Fund for the effect of an Adverse Reserving Consequence, or (as the case may be) such increase in extent of an Adverse Reserving Consequence, for so long as it continues and will reimburse PLAL (for the account of the NPL WP Fund) for any other loss arising.
- 6. If an Adverse Prepayment Consequence occurs but would not have done so had the NPLL Scheme or this Scheme not taken effect, in circumstances which are within the control of PLAL but are outside the control of the PLAL Board, PGH2 will procure that capital support is provided to the NPL WP Fund in an amount and on terms as to cost, repayment and otherwise, equivalent (as far as possible) to those applicable to the NPLL Securitisation Loan, and will reimburse PLAL (for the account of the NPL WP Fund) for any other loss arising, including any amount by which the Initial Advance Prepayment Amount exceeds the aggregate of:
 - (a) the Initial Advance Deferred Amounts as at the relevant Prepayment Date; and
 - (b) the Principal Amount Outstanding as at the relevant Prepayment Date together with interest thereon accrued pursuant to the NPLL Securitisation Loan Agreement in the Interest Period in which such Prepayment Date falls,

where "**Initial Advance Prepayment Amount**", "**Initial Advance Deferred Amounts**", "**Principal Amount Outstanding**" and "**Prepayment Date**" all bear the meanings ascribed thereto by the NPLL Securitisation Loan Agreement.

- 7. For the purposes of, and without prejudice to the generality of, paragraphs 5 and 6 of this Schedule 3, circumstances shall be regarded as within the control of PLAL if they are within the control of any member of the Group by which all or any part of the administration or investment management of Long-Term Insurance Business allocated or reassured to the NPL WP Fund is for the time being carried on, or any of their respective officers, employees or agents.
- 8. For the avoidance of doubt, the mere failure by any holding company of PLAL or any other person to subscribe for further shares of, or otherwise contribute capital to, PLAL following the Transfer Date shall not in itself give rise to any obligation on PGH2 pursuant to paragraph 5 or paragraph 6 of this Schedule 3.
- 9. With the prior consent of the PLAL Board (such consent not to be unreasonably withheld or delayed), PGH2 may at any time be released by PLAL from its obligations under this Schedule 3 upon another company (the "**New Obligor**") which is for the time being a

member of the Group undertaking to PLAL in a manner reasonably satisfactory to the PLAL Board to comply with such obligations as if it had originally been named in place of PGH2 in this Schedule 3. A copy of such undertaking shall be delivered by PLAL to the Regulators not less than 14 days prior to the date on which such undertaking is proposed to become effective. The provisions of this paragraph 9 shall apply, *mutatis mutandis*, to the New Obligor (and any successor New Obligors pursuant to this paragraph 9) as they apply to PGH2, as if the references to this Schedule 3 were references to the undertaking given to PLAL by such New Obligor.

SCHEDULE 4

PLAL With-Profits Committee duties and powers in respect of the NPL WP Fund

1. ROLE OF THE PLAL WITH-PROFITS COMMITTEE IN RESPECT OF THE NPL WP FUND

- 1.1 In addition to its general role and duties, as set out from time to time in its terms of reference, the PLAL With-Profits Committee shall exercise certain additional duties, powers, rights and responsibilities in respect of the NPL WP Fund, as contemplated by the Scheme and this Schedule 4.
- 1.2 Subject always to section 1.3 of this Schedule 4, the PLAL Board shall implement all decisions required of it in accordance with the Scheme and this Schedule 4 by the PLAL With-Profits Committee, it being acknowledged that certain of the powers, rights and responsibilities of the PLAL With-Profits Committee in relation to the NPL WP Fund may not be given effect unless the PLAL Board executes a document, or otherwise acts, on behalf of PLAL in a manner which is consistent with the exercise by the PLAL With-Profits Committee of such powers, rights and responsibilities.
- 1.3 Notwithstanding any other provision of the PLAL 2012 Scheme or this Scheme, including this Schedule 4, the PLAL Board shall not be required to, and the PLAL With-Profits Committee shall not, take (or omit to take) any action if the PLAL Board (acting reasonably) considers that such action (or omission) would give rise to a breach by PLAL of any legal obligation or otherwise give grounds for intervention by the Regulators and/or by any additional regulatory body whose decisions are binding upon PLAL.

2. GENERAL DUTIES IN RESPECT OF THE NPL WP FUND

In exercising its duties, powers, responsibilities and discretions in relation to the NPL WP Fund, the PLAL With-Profits Committee shall:

- (a) observe and perform the terms of this Scheme and, subject thereto, shall, in carrying out its duties, have regard solely to the interests and reasonable expectations (as modified by the Scheme) of the holders of Policies allocated or reassured to the NPL WP Fund and of Excluded Policies comprised within the Transferred Business;
- (b) in having regard solely to those interests, be required to take into account the assets and liabilities of the NPL WP Fund as if the NPL WP Fund constituted the whole of the long-term insurance fund of a separate mutual life assurance company; and
- (c) be required to take into account any contractual or other provision restricting or otherwise controlling the acquisition, retention and/or disposal by or for the account of the NPL WP Fund of any investment or other property.

3. SPECIFIC DUTIES, POWERS, RESPONSIBILITIES AND DISCRETIONS IN RESPECT OF THE NPL WP FUND

- 3.1 The PLAL With-Profits Committee's powers, rights and responsibilities shall (save as otherwise provided in this Schedule 4 and subject to the Scheme) at all times include the following in relation to the NPL WP Fund (but not any other Fund):
 - (a) it may exercise all of the powers of the PLAL Board in connection with the investment policy of the NPL WP Fund, excluding the investment policy for any

assets provided as capital support to the NPL WP Fund in accordance with the PLAL Capital Policy;

- (b) it may exercise all of the powers of the PLAL Board in connection with the bonus policy applied to Policies allocated or reassured to the NPL WP Fund; and
- (c) it may take the advice of the PLAL Actuary and/or the WP Actuary for the NPL WP Fund on any issues that may affect the equitable treatment of policyholders.

3.2 The PLAL Board and the PLAL With-Profits Committee shall use their respective powers to procure, so far as they are able, that no action or decision relating to any of the following reserved matters will be taken without the prior approval of the PLAL Board and the PLAL With-Profits Committee:

- (a) the engagement or change of any investment manager for the NPL WP Fund;
- (b) the engagement or change of any employee or provider of actuarial, finance, administration and management services for the account of the NPL WP Fund;
- (c) the acquisition of any assets for the account of the NPL WP Fund otherwise than for investment purposes; and
- (d) the sale or disposal of any part of the business or assets of the NPL WP Fund other than the disposal of investments for investment purposes.

4. **MISCELLANEOUS**

4.1 Any member may discuss the implementation of the Scheme or the reasonable expectations of the holders of Policies allocated or reassured to the NPL WP Fund with the Regulators, but only after first discussing the matter with the PLAL With-Profits Committee, the PLAL Board and the WP Actuary for the NPL WP Fund.

4.2 Each member of the PLAL With-Profits Committee (and any adviser appointed to advise the PLAL With-Profits Committee in respect of the NPL WP Fund) shall be entitled:

- (a) during normal business hours and on reasonable notice to examine the books, records and accounts of PLAL or any other member of the Group, to the extent that such books, records or accounts are relevant to the NPL WP Fund and to the duties of the PLAL With-Profits Committee in respect of the NPL WP Fund;
- (b) to be promptly supplied with such information, including reports, analyses and projections of an actuarial nature from the PLAL Actuary and the WP Actuary for the NPL WP Fund, in such form, at such times and with such frequency as each may reasonably require to keep him properly informed about the business of PLAL or any member of the Group insofar as it relates to the NPL WP Fund; and
- (c) to have reasonable access to the PLAL Actuary and the WP Actuary for the NPL WP Fund and to the auditors of PLAL.

4.3 The PLAL With-Profits Committee may take such external financial, accounting, actuarial, legal or other advice as it reasonably requires, and PLAL shall provide such administrative and secretarial support to the PLAL With-Profits Committee as is reasonably necessary, to enable the PLAL With-Profits Committee properly to carry out its functions in respect of the NPL WP Fund under this Scheme.

4.4 PLAL shall procure that details of any complaint, enquiry, investigation or disciplinary proceedings emanating from the Regulators or any other regulatory body having or

claiming jurisdiction over the NPL WP Fund relating to any matter which might reasonably be expected to affect adversely the NPL WP Fund or the interests of any holders of Policies allocated to the NPL WP Fund or of Excluded Policies comprised within the Transferred Business shall be promptly submitted to the members of the PLAL With-Profits Committee.

- 4.5 Provided that the member has first discussed a matter as envisaged by paragraph 4.1 of this Schedule 4 with the PLAL With-Profits Committee and the WP Actuary for the NPL WP Fund, he shall be entitled to request the PLAL Board to convene a board meeting for the sole purpose of discussing the matter in question. Such meeting shall be held as soon as practicable and in any event within fourteen days of such request.

SCHEDULE 5

NPLL Pension Schemes

NPI Personal Pension Scheme – 00605333RT

NPI Personal Pension Scheme (No. 2) – 00605334RW

NPI Personal Pension Scheme (No. 3) – 00605335RC

NPL FSAVC – 00633993RL

SCHEDULE 6

Group Reassurance Agreements

1. The reassurance agreement between NPLL and PLAL in respect of unitised with-profits business written in relation to certain portfolio bonds issued by NPI between 1 July 1999 and 31 December 1999 and subsequently transferred to NPLL under the NPLL Scheme, which is referred to as INT05.
2. The reassurance agreement between NPLL and PLAL in respect of expenses on certain incremental unitised with-profits pensions business written by NPLL since 1 January 2000, which is referred to as INT18.

IN THE MATTER OF NATIONAL PROVIDENT LIFE
LIMITED

- and –

IN THE MATTER OF PHOENIX LIFE ASSURANCE
LIMITED

- and –

IN THE MATTER OF THE FINANCIAL SERVICES AND
MARKETS ACT 2000

SCHEME

(pursuant to Part VII of the Financial
Services and Markets Act 2000)

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