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IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
COMPANIES COURT

NO 006178 of 1995

MR JUSTICE BLACKBURNE  
WEDNESDAY THE 20TH DAY OF DECEMBER 1995

**IN THE MATTER of PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION**

- and -

**IN THE MATTER of GENERAL ACCIDENT LINKED LIFE ASSURANCE LIMITED**

- and -

**IN THE MATTER of THE INSURANCE COMPANIES ACT 1982**



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**ORDER**

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**UPON THE PETITION** of the above-named Provident Mutual Life Assurance Association ("**Provident Mutual**") whose registered office is situate at P.O. Box 568, 25-31 Moorgate, London EC2R 6BA on 4th October, 1995 preferred unto this Court

**AND UPON HEARING** Counsel for Provident Mutual and General Accident Linked Life Assurance Limited ("**GA Linked Life**"), General Accident Life Holdings Limited ("**GA Life Holdings**") and General Accident Plc ("**GA plc**")

**AND UPON READING** the said Petition, the scheme as set forth in the Schedule to the Petition and the Scheme (as amended) in the First Schedule hereto (the "**Scheme**") and the evidence



**AND UPON** Provident Mutual and GA Linked Life by their Counsel jointly consenting for and on behalf of themselves and all other persons concerned to amend the Scheme as set out in the First Schedule hereto **AND UPON** the Court approving such amendments

**AND UPON** GA Linked Life, GA Life Holdings and GA plc by their Counsel undertaking to be bound by the Scheme and to do all such acts and things as may be necessary or expedient to be executed or done by them for the purposes of giving effect thereto

**AND UPON** each of GA Linked Life, GA Life Holdings and GA plc by their Counsel undertaking

- (1) that if ad valorem stamp duty is imposed in relation to the transaction embodied in the Scheme the cost of any such stamp duty shall not be charged to the Provident Mutual Fund or to GA Linked Life policyholders;
- (2) that if any part of the Scheme gives rise to a distribution for tax purposes, taxation arising on such a distribution will not be charged to the Provident Mutual Fund or to GA Linked Life policyholders

**AND UPON** each of GA plc and GA Life Holdings by their Counsel undertaking that the capitalisation of GA Linked Life referred to in paragraph 7.1 of the Scheme shall be effected by way of subscription for ordinary shares in GA Linked Life by GA Life Holdings prior to the Transfer Date, such sum being transferred from the shareholders' fund of GA Linked Life to the Provident Mutual Fund with effect from and as soon as practicable after the Transfer Date in accordance with paragraph 7.2 of the Scheme

**AND UPON HEARING** Mr White, Mr Morgan and Mr de Metz, policyholders in Provident Mutual, in person

**THIS COURT HEREBY** sanctions the Scheme in its amended form as set out in the First Schedule hereto

**AND IT IS ORDERED** pursuant to paragraph 5 of Schedule 2C to the Insurance Companies Act 1982 (the "Act"), that (using the definitions as set out in the Scheme):-

(a) on the Transfer Date all the rights, benefits, advantages and powers conferred on or vested in Provident Mutual under or by virtue of the Transferred Policies including, without prejudice to the generality of the foregoing, all rights of Provident Mutual under the Transferred Policies to receive premiums and/or other sums which:-

(i) are or may have become payable at any time before the Transfer Date but which are not in fact paid before the Transfer Date;

(ii) shall or may become payable on or at any time after the Transfer Date

shall by virtue of this Order be transferred to and vest in GA Linked Life in accordance with and subject to the terms of the Scheme;

(b) on the Transfer Date the Transferred Assets shall by virtue of this Order be transferred to and vest in GA Linked Life and allocated to and accounted for in the Provident Mutual Fund in accordance with and subject to the terms of the Scheme;

(c) on the Transfer Date the Transferred Liabilities, including without prejudice to the generality of the foregoing all the liabilities (whether present or future, actual or contingent) imposed upon Provident Mutual by or under the Transferred Policies, shall by virtue of this Order be transferred to and become the debts, liabilities and obligations of GA Linked Life and be allocated to and accounted for in the Provident Mutual Fund in accordance with and subject to the terms of the Scheme;

(d) on the Subsequent Transfer Date(s) applicable thereto:-

(i) the Residual Assets shall by virtue of this Order be transferred to and vest in GA Linked Life and allocated to and accounted for in the Provident Mutual Fund; and

- (ii) the Residual Liabilities shall by virtue of this Order be transferred to and become the debts, liabilities and obligations of GA Linked Life in each case to be allocated to and accounted for in the Provident Mutual Fund in accordance with and subject to the terms of the Scheme;
- (e) on the Transfer Date or, in so far as the same comprise Residual Assets on the Subsequent Transfer Date(s) applicable thereto, all rights, benefits and advantages conferred on or vested in Provident Mutual by or under all guarantees and sureties to which Provident Mutual is a party or beneficiary shall by virtue of this Order be transferred to and vest in GA Linked Life to be allocated to and accounted for in the Provident Mutual Fund in accordance with and subject to the terms of the Scheme;
- (f) any mandate or other instruction in force at the Transfer Date or, in the case of any Residual Asset, the applicable Subsequent Transfer Date, (including, without limitation, any instruction given to a bank by its customer in the form of a standing order) and providing for the payment by a banker or other intermediary of premiums payable under any of the Transferred Policies or any Excluded Policy or any policy referred to in paragraph 11.2 of the Scheme or any other sum payable to Provident Mutual in respect of the Transferred Business shall from and after the Transfer Date (or the applicable subsequent Transfer Date as aforesaid) take effect as if it had provided for and authorised such payment to GA Linked Life;
- (g) any mandate or other instruction in force on the Transfer Date (or in the case of any Residual Asset, the applicable Subsequent Transfer Date) as to the manner of payment of any annuity or instalment of a sum assured given to Provident Mutual shall continue in force as an effective authority to GA Linked Life including without limitation any such mandate or instruction relating to an Excluded Policy or a policy referred to in paragraph 11.2 of the Scheme;
- (h) all proceedings (if any) which immediately prior to the Transfer Date (or, in connection with a Residual Asset or a Residual Liability, the

applicable Subsequent Transfer Date) are pending by or against Provident Mutual shall be continued by or against GA Linked Life in accordance with and subject to paragraph 3.2 of the Scheme;

- (i) on or from the Transfer Date in any document evidencing or constituting a policy of assurance issued by Provident Mutual, or the other right of any person to participate in benefits secured by policies effected with Provident Mutual, in each case other than an Excluded Policy or a policy referred to in paragraph 11.2 of the Scheme, but in respect of any such latter policy these provisions will apply with effect from the Subsequent Transfer Date relating thereto, references to Provident Mutual (or any short form or abbreviation thereof) and/or to rights, powers, duties and/or obligations imposed upon Provident Mutual shall, to the extent necessary to give full effect to the Scheme, be read, construed and treated as references to GA Linked Life and/or to rights, powers, duties and/or obligations imposed on GA Linked Life subject to and in accordance with the Scheme;
- (j) as from the Transfer Date, any Transferred Asset falling within paragraph 1.4(A) of the Scheme and any Residual Asset falling within paragraph 1.4(B) of the Scheme shall be held by Provident Mutual as trustee for GA Linked Life or otherwise as the Appointed Actuary of GA Linked Life shall direct and GA Linked Life shall have the authority to act as the attorney of Provident Mutual in relation thereto;

**AND IT IS ORDERED:-**

- (a) that in accordance with paragraph 4 of Schedule 2C to the Act:-
  - (1) notice of the making of this Order shall be published in each of the member States set out in the Second Schedule hereto by the insertion of a notice in the Financial Times newspaper; and
  - (2) such notice shall specify that the period during which the policy holder may exercise the right (if any) to cancel the policy shall be the period of 21 days starting from the date of such publication or such other period (if any) as the member

State which is the State of commitment in relation to such policy shall determine and shall otherwise be in the form to be settled in chambers;

- (b) that in accordance with paragraph 5(5) of Schedule 2C to the Act GA Linked Life do within 10 days from the date of this Order or such longer period as the Secretary of State for Trade and Industry shall allow deposit 2 office copies of this Order with the said Secretary of State; and
- (c) that there shall be liberty to apply for such orders as may be expedient or necessary for the purposes set out in paragraph 5 of Schedule 2C to the said Act and generally.

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**FIRST SCHEDULE**

**IN THE HIGH COURT OF JUSTICE**

**NO. 006178 of 1995**

**CHANCERY DIVISION**

**COMPANIES COURT**

**IN THE MATTER of PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION**

**- and -**

**IN THE MATTER of GENERAL ACCIDENT LINKED LIFE ASSURANCE LIMITED**

**- and -**

**IN THE MATTER of THE INSURANCE COMPANIES ACT 1982**

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**SCHEME**

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**INTRODUCTION**

- (A) Provident Mutual was originally constituted by enrolment as a friendly society under the Friendly Societies Act 1829 and was subsequently incorporated in England as an unlimited company under the Companies' Act, 1862 on 29th October 1874 in the name of The Provident Clerks' Mutual Life Assurance Association. Provident Mutual duly changed its name to Provident Clerks' and General Mutual Life Assurance Association on 17th March 1903 and to Provident Mutual Life Assurance Association on 1st May 1917. The registered number of Provident Mutual is 8870 and its registered office is situated at PO Box 568, 25/31 Moorgate, London EC2R 6BA.

- (B) GA Linked Life was incorporated as a company limited by shares under the Companies Acts, 1908 to 1917 on 4th December 1919 in the name of The English Insurance Company Limited. GA Linked Life changed its name to General Accident Linked Life Assurance Limited on 1st January 1985. The registered number of GA Linked Life is 161274 and its registered office is situated at 2 Rougier Street, York, YO1 1HR.
- (C) Each of Provident Mutual and GA Linked Life is an insurance company (as defined in section 96(1) of the Act) to which Part II of the Act applies and is authorised to transact Long Term Business in classes I, II, III, IV, VI and VII in the United Kingdom.
- (D) It is proposed that subject to and in accordance with Part I of Schedule 2C to the Act the whole of the Long Term Business and the undertaking, property and liabilities of Provident Mutual, other than the Excluded Policies, shall by Order of the Court be transferred to GA Linked Life and shall be dealt with as a separate sub-fund of the long term fund of GA Linked Life in accordance with this Scheme (taking account of any reorganisation of the Long Term Business of Provident Mutual by a transfer of certain operating assets and the persons employed in the Long Term Business of Provident Mutual to the Services Company immediately prior to the Transfer Date).
- (E) GA Linked Life, General Accident plc and General Accident Life Holdings Limited have agreed to appear by Counsel on the hearing of the Petition to sanction this Scheme and to undertake to be bound thereby and to do all such acts and things as may be necessary or expedient to be executed or done by any of them for the purpose of giving effect to this Scheme.

### **DEFINITIONS**

In this Scheme:

- (A) the following expressions bear the meanings respectively set opposite them:

"Act"

the Insurance Companies Act 1982;



**"Appointed Actuary"**

in relation to either Provident Mutual or GA Linked Life, the actuary from time to time appointed as actuary to that company pursuant to section 19(1) of the Act;

**"Articles of Association"**

the articles of association of GA Linked Life as at the date of this Scheme but amended to incorporate articles 9 and 10 as set out in Schedule 2 in substitution for the existing articles 9 and 10 (and references in this Scheme to articles 9 and 10 shall be construed as references to articles 9 and 10 as set out in Schedule 2);

**"Asset Share"**

in respect of a Transferred Policy which is a With Profits Policy, an amount equal at any relevant date to the accumulation of premiums paid (less expenses and the cost of death and other risk benefits) plus an appropriate allowance for profits or losses from surrenders and non-profit and unit linked business, and any miscellaneous sources of surplus at the rates of investment return earned on the underlying assets, less an appropriate allowance for any relevant taxation determined in accordance with paragraph 6.10. The aforementioned calculation shall be undertaken on a basis appropriate to a separate mutual life insurance company trading in the United Kingdom with no other business than that relating to the Transferred Policies;

<b>"Board"</b>	the board of directors of GA Linked Life as constituted from time to time;
<b>"business day"</b>	a day (other than a Saturday or Sunday) on which banks are open for business in London;
<b>"Capital Contribution"</b>	the additional capital to be made available to GA Linked Life in accordance with paragraph 7.1;
<b>"DTI"</b>	the Department of Trade and Industry;
<b>"Entrenched Provisions"</b>	articles 9 and 10 of the Articles of Association as set out in Schedule 2 in so far as they relate to the Provident Mutual Fund, paragraph 4.2 and the provisions of Schedule 3;
<b>"Excluded Policies"</b>	<p>each of the following long term insurance policies effected by Provident Mutual and in force on the Transfer Date:-</p> <p>(A) those policies (if any) in respect of which:</p> <ul style="list-style-type: none"> <li>(i) for the purposes of Part I of Schedule 2C to the Act, a member State other than the United Kingdom is the State of the commitment; and</li> <li>(ii) in respect of which the supervisory authority in that member State has been notified of the Scheme in accordance with paragraph</li> </ul>

3(2) of Schedule 2C to the Act but the Secretary of State has not provided the certificate referred to in the said paragraph prior to the Order by which the Court sanctions the Scheme;

(B) those policies (if any) in respect of which for the purposes of Part I of Schedule 2C to the Act, a member State other than the United Kingdom is the State of the commitment and in respect of which the supervisory authority in that member State has not been so notified of the Scheme; and

(C) each of those policies (if any) which is an "EFTA policy" for the purposes of Part I of Schedule 2C to the Act and in respect of which an EEA State other than the United Kingdom is the State of the commitment,

and for these purposes "member State", "State of the commitment", "supervisory authority" and "EEA State" bear the meanings ascribed thereto by, or for the purposes of, Part I of Schedule 2C to the Act;

**"GA Linked Life"**

General Accident Linked Life Assurance Limited;

**"GA Linked Life Group"**

GA Linked Life, its subsidiary undertakings from time to time, any

holding company of GA Linked Life and all other subsidiaries or subsidiary undertakings of such holding company;

**"GA Asset Units"**

the meaning ascribed thereto in sub-paragraph 5.1(A)(2);

**"GA Liability Units"**

the meaning ascribed thereto in paragraph 5.1(B);

**"Historical Employment Costs"** all costs or liabilities incurred by Provident Mutual in respect of contractual, tortious or statutory claims arising under or in relation to employment contracts to which Provident Mutual is party in respect of the period up to the Transfer Date or in respect of the termination thereof by Provident Mutual prior to the Transfer Date, but excluding any costs or liabilities arising from or in relation to the transfer of employees to the Service Company immediately prior to the Transfer Date, and for the avoidance of doubt excluding also any costs or liabilities which would not arise but for the termination of any such contract of employment after the Transfer Date;

**"Incremental Business"**

commitments entered into by GA Linked Life pursuant to the exercise of a contractual right or expectation deriving from or under the terms of any Transferred Policy to take out a new policy or to make additional investments in a Transferred Policy or to extend the terms of or reinvest the proceeds of a Transferred Policy on maturity;

**"Independent Actuary"**

Nicholas Dumbreck, MA, FIA, the actuary appointed to report on the terms of this Scheme pursuant to paragraph 2(1) of Schedule 2C to the Act;

**"Linked Fund"**

an internal linked fund maintained for accounting purposes by Provident Mutual prior to the Transfer Date or by GA Linked Life on or after the Transfer Date (as applicable) for the purposes of calculating benefits payable under different classes of Linked Policies;

**"Linked Policies"**

policies the effecting and carrying out of which constitutes in whole or in part linked long term business within the meaning attributed to that term by Schedule 1 to the Act;

**"Long Term Business"**

the meaning ascribed thereto in section 1(1) of the Act;

**"NAE"**

the index of National Average Earnings maintained by the Department of Education and Employment;

**"Order"**

the order by which the Court sanctions this Scheme and any subsequent order made by the Court pursuant to paragraph 5(1) of Schedule 2C to the Act;

**"PM Asset Units"**

the meaning ascribed thereto in sub-paragraph 5.1(A)(1);

**"PM Liability Units"**

the meaning ascribed thereto in paragraph 5.1(B);

<b>"policyholder"</b>	the meaning ascribed thereto in section 96(1) of the Act;
<b>"Provident Mutual"</b>	Provident Mutual Life Assurance Association;
<b>"Provident Mutual Fund"</b>	a separate account within the long term fund of GA Linked Life and (subject to paragraph 5) into which the property and liabilities comprised in or relating to all of the Transferred Policies shall be transferred or allocated on the Transfer Date, or in the case of Residual Assets or Residual Liabilities on the relevant Subsequent Transfer Date, and which will be maintained as a separate sub-fund and segregated from all other property and liabilities relating to the Long Term Business of GA Linked Life in accordance with the terms of this Scheme;
<b>"Reinsurance Contract"</b>	each reinsurance agreement, contract or treaty pursuant to which the Long Term Business of Provident Mutual or any part thereof is reinsured at any time prior to the Transfer Date, other than the agreement referred to in paragraph 11.1;
<b>"Residual Assets"</b>	(A) any property attributable to the Transferred Business (including any right or benefit of Provident Mutual under any Transferred Policy and any right or benefit under any Reinsurance Contract), or any interest therein of Provident Mutual the transfer of which to GA Linked Life pursuant

to this Scheme requires, at the Transfer Date, either:

- (1) the consent of any person or persons (other than Provident Mutual, GA Linked Life or the Court); or
- (2) the waiver by any person or persons of any right to acquire, or be offered the right to, or to offer to, acquire or procure the acquisition of, all or any part of such property, which directly or indirectly arises or is exercisable as a consequence of such transfer being proposed or taking effect,

but to the extent only of that part of the interest of Provident Mutual in such property the transfer of which requires such consent and/or waiver and which has not been consented to or waived (as the case may be) and, for the avoidance of doubt, excepting the Excluded Policies;

- (B) any other interest of Provident Mutual in any property or agreement relating thereto which GA Linked Life shall determine prior to the Transfer Date is more conveniently to be transferred pursuant to this Scheme in

conjunction with any property referred to in sub-paragraph (A) of this definition which may in particular (but without limitation) include any policy which would otherwise be a Transferred Policy but in respect of which any related Reinsurance Contract shall not, as at the Transfer Date, have been validly transferred to GA Linked Life; and

- (C) any proceeds of sale or income or other accrual or return from time to time after the Transfer Date earned on or received in respect of any property referred to in sub-paragraph (A) or (B) of this definition;

**"Residual Liability"**

any liability whatsoever of Provident Mutual:

- (A) which is attributable to or connected with a Residual Asset arising at any time prior to the Subsequent Transfer Date applicable to the Residual Asset; or
- (B) the transfer of which would require the consent of any person or persons (other than Provident Mutual, GA Linked Life or the Court),

and for the avoidance of doubt, excepting the Excluded Policies;



<b>"RPI"</b>	the General Index of Retail Prices (all items) published by the Central Statistical Office;
<b>"this Scheme" or "the Scheme"</b>	this Scheme in its original form (including its Schedules) or with or subject to any modification, addition or condition which may be approved or imposed by the Court;
<b>"Services Company"</b>	the new wholly-owned Subsidiary of Provident Mutual to be established in accordance with clause 6 of the Transfer Agreement;
<b>"Special Bonus"</b>	the special bonuses in respect of With Profits Policies which have been approved by the directors of Provident Mutual, and, subject to this Scheme becoming effective, are to be declared by GA Linked Life in accordance with paragraph 6.2.(A) on the terms and in favour of the policies as described in Schedule 1;
<b>"Subsequent Transfer Date"</b>	the date (and each date) on which any Residual Asset or Residual Liability is or is to be transferred namely: <ul style="list-style-type: none"> <li data-bbox="767 1691 1401 2051">(A) in respect of Residual Assets falling within sub-paragraph (A) of the definition thereof and any Residual Liabilities attributable thereto or connected therewith and in respect of Residual Liabilities falling within sub-paragraph (B) of the definition thereof, the</li> </ul>

date on which the requisite consent or the requisite waiver to enable the same to be transferred to GA Linked Life upon the terms of this Scheme:

(i) is obtained; or

(ii) is no longer required; or

(iii) is dispensed with by Order of the Court; or

(B) in respect of Residual Assets falling within sub-paragraph (B) of the definition thereof and of any Residual Liabilities attributable thereto or connected therewith, the Subsequent Transfer Date applicable to the property in conjunction with which it was determined to be a Residual Asset or a Residual Liability; or

(C) in the case of any Residual Asset falling within sub-paragraph (C) of the definition thereof, the date of receipt thereof;

#### **"Subsidiaries"**

Provident Mutual Managed Pension Funds Limited (registered in England with number 1117445), Provident Mutual Investment Advisors Limited (registered in England with number 2272636) Provident Mutual Nominees Limited (registered in England with number 301632), Provident Mutual Plan Managers Limited (registered in England with

number 2359338), Provident Mutual Trustees Limited (registered in England with number 1867603), Provident Mutual Unit Trust Managers Limited (registered in England with number 1859425), Provident Mutual Stevenage Estates Limited (registered in England with number 2623189), Provident Mutual Developments Limited (registered in England with number 1960533) and the Services Company;

**"taxation"**

includes corporation tax, income tax, capital gains tax, value added tax, national insurance contributions, stamp duty, stamp duty reserve tax, and all taxes on gross or net income, profits or gains, receipts, sales, use, occupation, franchise, value added, personal property and other taxes, levies, imposts, duties, charges or withholdings of any nature whatsoever, whether chargeable by any statutory, governmental, state, provincial, local governmental or municipal authority (whether of the United Kingdom or elsewhere);

**"Taxes Act"**

the Income and Corporation Taxes Act 1988;

**"Transfer Agreement"**

the agreement dated 27th September 1995 between GA Linked Life, General Accident plc and Provident Mutual relating to the acquisition by GA Linked Life of the Long Term Business of Provident Mutual, other than the Excluded Policies;

**"Transfer Date"**

the date on which this Scheme shall become operative in accordance with paragraph 12;

**"Transferred Assets"**

all property of Provident Mutual whatsoever and wheresoever situated as at the Transfer Date, other than the Residual Assets and the Excluded Policies, including the rights, benefits and powers of Provident Mutual under or by virtue of the Transferred Policies and the Reinsurance Contracts, all rights to the exclusive ownership of all client lists in relation to the Transferred Business and including 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 Provident Mutual having carried on the Transferred Business) and the entire issued share capital of the Subsidiaries save to the extent that such share capital is beneficially owned by any of the Subsidiaries;

**"Transferred Business"**

the Long Term Business of Provident Mutual which is to be transferred to GA Linked Life in accordance with this Scheme by virtue of an Order of the Court, including all activities carried on in connection with or for the purposes of such business;

**"Transferred Liabilities"**

all liabilities whatsoever of Provident Mutual (other than the Residual Liabilities and liabilities under or relating to the Excluded Policies) under

the Transferred Policies and all liability to taxation attributable to the Transferred Business or to the transfer thereof, whensoever incurred and all other liabilities arising from the operation of the Transferred Business including, but not limited to, Historical Employment Costs, liabilities in respect of or compensation payable in relation to the marketing or sale of any policy by or on behalf of Provident Mutual and any levy payable to the Personal Investment Authority or any other regulatory authority in relation to the Transferred Business;

**"Transferred Policies"**

every policy (as defined in section 96(1) of the Act) effected by Provident Mutual comprised in its Long Term Business and in force at the Transfer Date including:

- (A) every application for a policy received by Provident Mutual before and which being accepted by GA Linked Life gives rise to the issue of a policy of GA Linked Life after the Transfer Date; and
- (B) policies which have lapsed on or before the Transfer Date and which are reinstated by GA Linked Life after the Transfer Date,

but excluding the Excluded Policies and, until the Subsequent Transfer Date in respect thereof, excluding any such policy in respect of which there is a

Reinsurance Contract which constitutes a  
Residual Asset;

**"With Profits Policy"**

a policy which confers on the holder a right to share in bonuses declared by the insurer out of surplus and for the avoidance of doubt includes any policy where either benefits provided or the contributions required to be made may vary by reference to bonuses declared on that policy;

- (B) "property" includes property, assets, rights, claims, benefits and powers of every description;
- (C) "liability" includes any obligation whatsoever, whether present or future, actual or contingent;
- (D) "transfer" includes (as the context may require) "assign" or "assignment", "dispose" or "disposal", "convey" or "conveyance";
- (E) the word "including" is to be construed as not importing any limitation;
- (F) references to an enactment or statutory provision shall be deemed to include that enactment or statutory provision as amended, varied or re-enacted from time to time;
- (G) the headings are for reference only and shall not be used for the purposes of interpretation;
- (H) references to a paragraph or sub-paragraph or a Schedule are to a paragraph or sub-paragraph of, or a schedule to, this Scheme; and
- (I) references to an independent actuary shall be to a fellow of the Institute of Actuaries or Faculty of Actuaries of not less than 10 years' standing and not for the time being the actuary appointed

pursuant to section 19(1) of the Act in relation to Provident Mutual or any member of the GA Linked Life Group.

#### OPERATIVE PROVISIONS

##### 1. ASSETS

###### 1.1 On the Transfer Date:

(A) GA Linked Life shall become entitled to all the rights and powers of Provident Mutual whatsoever subsisting on the Transfer Date under or by virtue of the Transferred Policies; and

(B) the Transferred Assets shall (subject to paragraph 1.4) be transferred to GA Linked Life, to the intent that the Transferred Assets shall in accordance with this Scheme and by virtue of the Order vest in GA Linked Life and (subject to paragraph 1.4) constitute a separate sub-fund of the long term fund of GA Linked Life to be known as the Provident Mutual Fund but subject to all mortgages, charges and encumbrances (if any) affecting such Transferred Assets.

1.2 On each Subsequent Transfer Date, each Residual Asset to which such Subsequent Transfer Date applies shall (subject to paragraph 1.4) be transferred to and vest in GA Linked Life to the intent that the relevant Residual Asset shall in accordance with this Scheme and by virtue of the Order form part of the Provident Mutual Fund but subject to all mortgages, charges and encumbrances (if any) affecting such Residual Assets.

1.3 GA Linked Life shall accept without investigation or requisition such title as Provident Mutual shall have at the Transfer Date to the Transferred Assets and at any Subsequent Transfer Date to the Residual Assets transferred on such Subsequent Transfer Date.

1.4 If for any reason including it being outside or not subject to the jurisdiction of the Court:-

- (A) any Transferred Asset is not, or is not capable of being, transferred to and vested in GA Linked Life on the Transfer Date by the Order or such transfer is not recognised by the laws of the jurisdiction in which such Transferred Asset is situated; or
- (B) any Residual Asset is not, or is not capable of being, transferred to and vested in GA Linked Life by the Order on the Transfer Date and/or any Subsequent Transfer Date applicable thereto,

Provident Mutual shall hold such property as trustee for GA Linked Life or otherwise as the Appointed Actuary of GA Linked Life shall direct and shall be subject to GA Linked Life's directions in respect thereof from and after the Transfer Date until the relevant property is transferred to or otherwise vested in GA Linked Life and GA Linked Life shall have authority to act as the attorney of Provident Mutual in respect of such property for all such purposes.

- 1.5 Provident Mutual and GA Linked Life shall take all reasonable steps, and execute such documents as may be requisite, necessary or expedient as and when appropriate, to effect or perfect the transfer to and vesting in GA Linked Life of any Transferred Asset or Residual Asset.
- 1.6 In the event of any payment being made to, property being received by or right being conferred upon Provident Mutual after the Transfer Date in respect of any Transferred Asset or any Residual Asset, Provident Mutual shall as soon as is reasonably practicable after its receipt pay over the amount of such payment or transfer such property or right to, or in accordance with the directions of, GA Linked Life.

## **2. TRANSFER OF LIABILITIES**

- 2.1 (A) On the Transfer Date, the Transferred Liabilities shall be transferred to and become liabilities of GA Linked Life and shall cease to be liabilities of Provident Mutual.
- (B) On each Subsequent Transfer Date, each Residual Liability to which such Subsequent Transfer Date applies shall be transferred



to and become a liability of GA Linked Life and shall cease to be a liability of Provident Mutual.

2.2 Subject as provided in paragraph 6.10, each of the Transferred Liabilities and the Residual Liabilities shall be allocated to and on transfer become liabilities of the Provident Mutual Fund.

2.3 GA Linked Life shall through the Provident Mutual Fund discharge on behalf of Provident Mutual or, failing that, indemnify Provident Mutual from and after the Transfer Date against:-

(A) all Transferred Liabilities and Residual Liabilities which are not, or are not capable of being, transferred on the Transfer Date by this Scheme or the Order by reason of such transfer being outside the jurisdiction of the Court or for any other reason, until the relevant liability is effectively transferred to or becomes the liability of GA Linked Life; and

(B) save as otherwise provided in this Scheme any other liability incurred in connection with the Transferred Business whether arising before or after the Transfer Date.

### 3. CONTINUITY

3.1 Subject to paragraphs 1 and 2, the Transferred Business (including the Transferred Assets and the Transferred Liabilities) shall by Order of the Court and without any further act or instrument be transferred to and vest in GA Linked Life in accordance with this Scheme for all the estate and interest therein of Provident Mutual (and subject to paragraph 5 form part of the Provident Mutual Fund) but subject to all mortgages, fixed charges and encumbrances (if any) then affecting any property comprised therein, and the Transferred Liabilities and Residual Liabilities shall likewise (but subject to the terms of any Order which may be made by the Court under paragraph 5(1) of Schedule 2C to the Act in connection with this Scheme and save as otherwise provided by this Scheme) become liabilities of GA Linked Life (as liabilities of the Provident Mutual Fund) and shall cease to be liabilities of Provident Mutual.

3.2 If any proceedings shall be pending by or against Provident Mutual on the Transfer Date in connection with the Transferred Business, the same shall be continued by or against GA Linked Life with effect from the Transfer Date except that:

(A) in the case of proceedings specifically relating to a Residual Asset or Residual Liability, the same shall be continued by or against GA Linked Life with effect from the relevant Subsequent Transfer Date; and

(B) in any event GA Linked Life, in its absolute discretion, may determine to discontinue after the Transfer Date any such proceedings brought by Provident Mutual.

#### 4. TRANSFERRED POLICIES AND PREMIUMS

4.1 Every person who is a holder of any Transferred Policy shall become entitled on and from the Transfer Date, and in substitution for and to the exclusion of any right which he may have or have had against Provident Mutual under that Transferred Policy, save as provided for pursuant to the terms of Article 10 of the Articles of Association, to the same rights against GA Linked Life as were available to him under that Transferred Policy against Provident Mutual except any voting rights arising by reason of holding any Transferred Policy. For the avoidance of doubt, a right conferred under a Transferred Policy to effect a new policy shall be modified to confer a right to effect an equivalent policy in the Provident Mutual Fund of GA Linked Life and if such a right is exercised, such policy shall be treated for all purposes of the Scheme as if it were a Transferred Policy.

4.2 (A) Every person who is a holder of a Transferred Policy which is a With Profits Policy shall be entitled on and from the Transfer Date in accordance with the terms of such policy to a percentage of the profits arising in the Provident Mutual Fund which are in the judgment of the Board to be set apart for distribution, provided that:

- (1) in making such judgment the Board shall have regard to the terms of the Scheme;
  - (2) having first made any payment into the shareholders' fund of GA Linked Life or any other sub-fund of GA Linked Life which is required to be made under paragraph 7.3 no less than 90 per cent. of the remaining distributable profits of the Provident Mutual Fund in any relevant period shall be so applied for the benefit of holders of such Transferred Policies and that no more than 10 per cent. of the remaining distributable profits of the Provident Mutual Fund in any such relevant period shall be transferred to the shareholders' fund of GA Linked Life; and
  - (3) the shareholders of GA Linked Life shall not be entitled to participate in any surplus distributed in Provident Mutual in respect of the year ended 31st December 1995 as shown in line 24 of Form 58 of the DTI return for the year ended 31st December 1995 including, for the avoidance of doubt, the Special Bonus declared in 1996.
- (B) If the Board so determine any sum which would otherwise be distributable to the shareholders' fund of GA Linked Life pursuant to this paragraph 4.2(A) may in lieu of such distribution be transferred into any other sub-fund within the long term fund of GA Linked Life to be applied for the purposes of such sub-fund.
- 4.3 All premiums and other amounts payable by the holders of the Transferred Policies on and after the Transfer Date shall be payable to GA Linked Life and be allocated upon receipt thereof to the Provident Mutual Fund. GA Linked Life shall be entitled to any and all defences, claims, counterclaims and rights of set-off against or under the Transferred Policies which would have been available to Provident Mutual.

- 4.4 Any mandate or other instruction in force on the Transfer Date (or in the case of any Residual Asset, the applicable Subsequent Transfer Date) (including any instruction given to a bank by its customer in the form of a standing order or direct debit) and providing for the payment by a banker or other intermediary of premiums payable under any of the Transferred Policies or any other sum payable to Provident Mutual in respect of the Transferred Business shall thereafter take effect as if it had provided for and authorised such payment to GA Linked Life.
- 4.5 Any mandate or other instruction in force on the Transfer Date (or in the case of any Residual Asset, the applicable Subsequent Transfer Date) as to the manner of payment of any annuity or instalment of a sum assured given to Provident Mutual shall continue in force as an effective authority to GA Linked Life.
- 4.6 In recognition of the fact that under the reinsurance agreement referred to in paragraph 11 the benefit of premiums in respect of Excluded Policies and policies of the type referred to in paragraph 11.2 is to be assigned to GA Linked Life, Excluded Policies and policies of the type referred to in paragraph 11.2 shall each be treated for the purposes of paragraphs 4.3, 4.4 and 4.5 as if they were Transferred Policies with effect from the Transfer Date.

## 5. INTERNAL FUNDS

### 5.1 With effect from the Transfer Date:

- (A) (1) the property and liabilities comprised in each Linked Fund of Provident Mutual (including for the avoidance of doubt Pension Assured Funds Types I and II) will be allocated to and become comprised in a new corresponding Linked Fund within the long term fund of GA Linked Life and the interest of the Provident Mutual Fund in such property and liabilities shall be expressed in units to be referred to as PM Asset Units;

- (2) all such new Linked Funds (except as provided in paragraph 5.2(A)) will remain open to new business and, except for Incremental Business (which shall be written in the Provident Mutual Fund), such new business will be written in the non-participating sub-fund of GA Linked Life. In addition the non-participating sub-fund of GA Linked Life may transfer property and liabilities into any Linked Fund in relation to any existing Linked Policies issued by GA Linked Life (subject to obtaining any requisite policy holder consents). The interest of the GA Linked Life non-participating sub-fund in each such Linked Fund enlarged by such property and liabilities, or by such property and liabilities arising in relation to new business written in such non-participating sub-fund, shall be expressed in units to be referred to as GA Asset Units;
  - (3) where additional property is allocated to a Linked Fund then to the extent that such property is provided by the Provident Mutual Fund further PM Asset Units will be created and to the extent that such property is provided by the non-participating sub-fund of GA Linked Life, GA Asset Units will be created;
  - (4) to the extent that property in a Linked Fund is applied for the purposes of the Provident Mutual Fund or the non-participating sub-fund of GA Linked Life respectively an appropriate number of PM Asset Units or (as applicable) GA Asset Units in such Linked Fund will be cancelled.
- (B) Benefits under any Transferred Policy which, immediately prior to the Transfer Date, were linked to any Linked Fund of Provident Mutual will become linked to the corresponding new Linked Fund of GA Linked Life and GA Linked Life will allocate to each Transferred Policy as at the Transfer Date the same number and classes of units in the corresponding new Linked Fund of GA Linked Life as were allocated to the Transferred Policy in the relevant Linked Fund of Provident Mutual immediately prior to the Transfer Date and will from time to time allocate further

units as appropriate under the terms of the Transferred Policies or in consequence of Incremental Business, and all units so allocated shall, for the purposes of this Scheme, be referred to as PM Liability Units. Unit liabilities in respect of PM Liability Units shall be liabilities of the Provident Mutual Fund. Any units allocated in respect of any Linked Policies other than Transferred Policies or in consequence of Incremental Business shall, for the purposes of this Scheme, be referred to as GA Liability Units. Unit liabilities in respect of GA Liability Units shall be liabilities of the non-participating sub-fund of GA Linked Life.

- (C) Subject always to paragraph 9.2 and the provisions of this paragraph 5, in relation to any Transferred Policies allocated to a Linked Fund established by GA Linked Life pursuant to paragraph 5.1(A), GA Linked Life will become entitled to the same rights and powers and be subject to the same duties and liabilities as applied to Provident Mutual in relation to the corresponding Linked Fund of Provident Mutual immediately prior to the Transfer Date.

- 5.2 (A) The GA Linked Life new Pension Assured Fund Type II will write new business on a restricted basis, namely (i) Incremental Business arising out of the scheme or schemes to which the new Pension Assured Fund Type II relates and (ii) the admission of new members of any such scheme or schemes who are eligible to join the scheme or schemes in accordance with the relevant rules. All such business shall be written in the Provident Mutual Fund. Other new pension assured business may be written in the new Pension Assured Fund Type I provided that all such new business (other than Incremental Business and/or the admission of new members to an existing scheme to which the new Pension Assured Fund Type I relates or which is written in the Pension Assured Fund Type II as provided above) shall be written in the non-participating sub-fund of GA Linked Life;

(B) in determining the investment policy for the new Pension Assured Fund Type I the Appointed Actuary of GA Linked Life shall have regard to the aggregate unit liabilities of such fund;

(C) if at any time the Appointed Actuary of GA Linked Life determines that additional funds are required to enable either of the new Pension Assured Funds to meet its liabilities to policy holders such funds will be provided by the Provident Mutual Fund and the non-participating sub-fund of GA Linked Life in proportion to the respective value of the PM Liability Units and the GA Liability Units respectively in issue at the relevant time in the relevant new Pension Assured Fund.

5.3 With effect from the Transfer Date, the benefit of all annual management charges and any deductions for expenses and outgoings (including taxation) received by GA Linked Life in respect of PM Asset Units shall be credited to the Provident Mutual Fund. With effect from the Transfer Date, the benefit of all annual management charges and any deduction for expenses and outgoings (including taxation) received by GA Linked Life in respect of GA Asset Units shall be credited to the non-participating sub-fund of GA Linked Life.

5.4 With effect from the Transfer Date, the benefit of any allocation charges or any unit cancellations in respect of PM Liability Units or GA Liability Units shall be credited to the Provident Mutual Fund or the non-participating sub-fund of GA Linked Life respectively.

6. **MANAGEMENT OF PROVIDENT MUTUAL FUND**

6.1 GA Linked Life shall (subject to paragraphs 6.13 and 6.14) maintain the Provident Mutual Fund as a separate account within its long term fund in respect of the Transferred Assets and Transferred Liabilities from the Transfer Date and, in respect of any Residual Assets and any Residual Liabilities, from the relevant Subsequent Transfer Date. The following provisions of paragraphs 6.2 to 6.16 (inclusive) and the Entrenched Provisions shall apply to such separate account.

- 6.2 (A) GA Linked Life shall declare and allocate the Special Bonus in accordance with the provisions of Schedule 1 subject only to there being sufficient surplus in the Provident Mutual Fund to do so.
- (B) Save as provided in paragraph 7.3, no surplus within the Provident Mutual Fund which is determined by the Board to be available for distribution shall be distributed or re-allocated except by way of:
- (1) allocation of bonuses on With Profits Policies within the Provident Mutual Fund including for the avoidance of doubt the Special Bonus; and
  - (2) distribution to the shareholders of GA Linked Life or other application pursuant to and in accordance with paragraph 4.2 and Article 10 of the Articles of Association, including for the avoidance of doubt an amount equal to one ninth of the amount declared and allocated to With Profits Policies within the Provident Mutual Fund in respect of the Special Bonus other than the Special Bonus declared in 1996,

provided that the shareholders of GA Linked Life shall not be entitled to participate in any surplus distributed in Provident Mutual in respect of the year ended 31st December 1995 as shown in line 24 of Form 58 of the DTI return for the year ended 31st December 1995.

- 6.3 Subject to paragraph 6.4 the Board shall ensure as far as possible that the reasonable expectations of the holders of Transferred Policies (immediately prior to announcement of the Scheme) are not adversely affected solely as a result of the Scheme, it being assumed for the purpose of determining those expectations that the amount of the Capital Contribution is sufficient compensation (after allowance for the cost of the Special Bonus to policyholders) for the allocation of surplus to GA Linked Life shareholders or other application in accordance with paragraph 4.2 and Article 10 of the Articles of



Association and that GA Linked Life shareholders will be entitled to receive their full entitlement to surplus available for distribution out of the Provident Mutual Fund.

6.4 In determining future bonus policy for With Profits Policies which are Transferred Policies the Board will have regard to:

- (A) Asset Shares applicable to each category of With Profits Policy in the Provident Mutual Fund;
- (B) the bonus distribution policy of Provident Mutual prior to the Transfer Date;
- (C) the financial position and performance of the Provident Mutual Fund from time to time after the Transfer Date;
- (D) the valuation liabilities of the Provident Mutual Fund referred to in the DTI returns of GA Linked Life;
- (E) the value of the expected future surplus from unit-linked and non-profit business written in the Provident Mutual Fund;
- (F) the solvency margin which the Provident Mutual Fund would be required to maintain if it constituted the entire long term fund of GA Linked Life for the purposes of section 32 of the Act (but ignoring the obligation to maintain the minimum guarantee fund under regulation 22 of the Insurance Companies Regulations 1994) and the potential availability of orders under section 68 of the Act with respect to the use of implicit items; and
- (G) the obligation to declare the Special Bonus under paragraph 6.2(A),

and (subject only to the provisions of paragraphs 6.13 and 6.14), the Board shall procure that the whole of such surplus from time to time attributable to With Profits Policies in the Provident Mutual Fund (having taken into account the payments referred to under paragraph 7.3 and sums distributable to the shareholders of GA Linked Life in

accordance with sub-paragraph 6.2(B)(2) above) will be applied progressively and equitably during the anticipated period of existence of the Provident Mutual Fund in the provision of bonuses (including the Special Bonus) to holders of Transferred Policies which are With Profits Policies (taking into account the financial strength of the Provident Mutual Fund from time to time) with a view to producing the result that after all sums falling to be paid in respect of all With Profits Policies which are Transferred Policies have been so paid no such surplus shall remain.

6.5 Subject to paragraph 9.2, where Transferred Policies contain any power for the insurer to determine the amount or value of any benefit, accrual or charge including (without limitation) any discretion in relation to the determination of:

- (A) benefits allocated to policies, whether by way of bonus, interest or otherwise;
- (B) the surrender, transfer and paid up value of any policy; or
- (C) variable charges levied in relation to Linked Policies,

GA Linked Life shall be responsible for securing within the Provident Mutual Fund the equitable treatment of, and the equitable allocation of benefits to, holders of Transferred Policies, having regard to the recommendations of the Appointed Actuary of GA Linked Life and having regard to the different classes of Transferred Policies within the Provident Mutual Fund.

6.6 GA Linked Life shall use all reasonable endeavours to pursue an investment policy in relation to the property (or any part thereof) from time to time allocated to the Provident Mutual Fund which is in the best interests of the holders of Transferred Policies subject to normal considerations of prudence and subject to the advice of the GA Linked Life Appointed Actuary on the investment policy appropriate to the underlying liabilities of the Provident Mutual Fund. In advising on an appropriate investment policy the GA Linked Life Appointed Actuary shall have regard to any reserving requirements of the

Provident Mutual Fund and the solvency margin which the Provident Mutual Fund would be required to maintain if it constituted the entire long term business fund of GA Linked Life for the purposes of section 32 of the Act (but ignoring the obligation to maintain the minimum guarantee fund under regulation 22 of the Insurance Companies Regulations 1994) and the potential availability of orders under section 68 of the Act with respect to the use of implicit items.

- 6.7 GA Linked Life shall, in determining from time to time how the property allocated to the Provident Mutual Fund should be invested, use all reasonable endeavours to ensure that the Provident Mutual Fund is not treated unfairly in comparison with the balance of the long term business fund of GA Linked Life.
- 6.8 As and from the Transfer Date GA Linked Life shall maintain a separate register for the Provident Mutual Fund in respect of the property allocated for the time being to such fund and such property shall be applied for the purposes of the Provident Mutual Fund, and the Provident Mutual Fund shall be credited with the income and gains or other benefits arising from any such property. Such register shall also include a register of the PM Asset Units in issue from time to time.
- 6.9 Subject to paragraphs 5.2(C), 6.2, 6.10, 6.11, 7.3 and 11 and the Entrenched Provisions (or as otherwise expressly provided for in the Scheme) no transfer of any property accounted for as part of the Provident Mutual Fund or of property held or owned by any Subsidiary nor any payment shall be made out of the Provident Mutual Fund (or by any Subsidiary) except to meet obligations to holders of Transferred Policies or to meet other properly incurred liabilities of the Provident Mutual Fund or of any Subsidiary respectively, save that:
- (A) the property so accounted for or so held may from time to time be disposed of or substituted by other property on arms' length commercial terms in transactions with third parties or with the balance of GA Linked Life's long term fund or with other members of the GA Linked Life Group; and

- (B) property employed in the administration or management of the Transferred Business or the administration or management of the businesses of the Subsidiaries may be transferred from the Provident Mutual Fund or from any Subsidiary to any member of the GA Linked Life Group which is to provide administration and/or investment management services to the Provident Mutual Fund (as referred to in paragraph 9) or any of the Subsidiaries at fair market value as determined by the Appointed Actuary of GA Linked Life and consistent with the accounting policy of Provident Mutual prior to the Transfer Date.

6.10 Taxation arising in relation to the Provident Mutual Fund after the Transfer Date shall be charged to the Provident Mutual Fund as determined by the GA Linked Life Appointed Actuary as if it were the long term fund of a separate mutual life assurance company trading in the United Kingdom with no other business other than that relating to the Transferred Policies and any other business within the Provident Mutual Fund pursuant to the Scheme but (for the avoidance of doubt) no liability to taxation and no relief from taxation which arises by virtue of the coming into effect or implementation of the Scheme and which would not otherwise have arisen (either at all or at that time) shall be so charged or credited and notwithstanding any other provision of this Scheme (including paragraphs 1.1(B) and 2.2) the Provident Mutual Fund shall not suffer any liability to any person in relation to such taxation including for the avoidance of doubt a reduction in the amount of taxation otherwise recoverable or benefit in any way from any such relief from taxation. Furthermore:

- (A) to the extent that a charge to taxation has arisen which is not borne by the Provident Mutual Fund under the preceding provisions of this sub-paragraph and the Appointed Actuary of GA Linked Life is satisfied that the taxation liability would have arisen in Provident Mutual at a later date had the Scheme not taken place, that taxation shall be charged to the Provident Mutual Fund at the time it would otherwise have arisen; and
- (B) in the event that there is a material change in the basis upon which mutual life insurance companies are subject to taxation in

the United Kingdom, this paragraph shall be amended with the consent of the DTI to the extent that the GA Linked Life Appointed Actuary, having consulted with the auditors of GA Linked Life, considers necessary to ensure that the effect of this paragraph 6.10 continues to be that intended as at the Transfer Date.

- 6.11 GA Linked Life may on the advice of the Appointed Actuary of GA Linked Life arrange for reinsurance in relation to all or any of the Transferred Policies either externally with insurance companies not connected with the GA Linked Life Group or internally with other members of the GA Linked Life Group or with the balance of the GA Linked Life long term fund, such internal reinsurance to be on arm's length commercial terms.
- 6.12 The following costs shall not (except as a result of payment of charges in accordance with paragraph 9 and Schedule 3) be paid out of the Provident Mutual Fund but shall be exclusively borne by, and paid from, GA Linked Life shareholders' fund or by General Accident plc or its subsidiaries (and to the extent that any of the Subsidiaries is required to meet any such costs, General Accident plc shall procure that such Subsidiary is forthwith reimbursed or indemnified in respect thereof):
- (A) costs of the disposal or termination by the Provident Mutual Fund after the Transfer Date of any leasehold interest held by Provident Mutual prior to the Transfer Date (other than interests held as investments of the Long Term Business of Provident Mutual) in relation to premises occupied by Provident Mutual or its Subsidiaries for the purposes of operating the Transferred Business (including the termination or disposal of any lease granted by Provident Mutual to any Subsidiary in the case of premises the freehold of which is owned by Provident Mutual) where such disposal or termination arises as a direct result of the integration of the Transferred Business or the business of the Subsidiaries with similar businesses of members of the GA Linked Life Group;

- (B) penalties incurred under the terms of contracts to which Provident Mutual is party prior to the Transfer Date and which relate wholly and directly to the Services Business (as defined in the Transfer Agreement) in relation to terminating or assigning or transferring such contracts or the rights and/or obligations thereunder to any member of the GA Linked Life Group as a direct result of the integration of the Transferred Business or the business of the Subsidiaries with similar businesses of members of the GA Linked Life Group;
- (C) any other costs which the Appointed Actuary of GA Linked Life determines to have been incurred as a direct result of the integration of the Transferred Business and the business of each of the Subsidiaries with the business of members of the GA Linked Life Group and then only to the extent so attributable;
- (D) all contractual and statutory and other payments made to any persons who are employees of Provident Mutual or any Subsidiary as at the Transfer Date in respect of termination of their employment after the Transfer Date (but excluding any such costs which are Historical Employment Costs); and
- (E) all costs (including taxation) of or arising from the transfer of the Services Business (as defined in the Transfer Agreement) to the Service Company pursuant to the Transfer Agreement (but excluding any such costs which are Historical Employment Costs).

6.13 When the level of mathematical reserves relating to the With Profits Policies (gross of reinsurance) comprised in the Transferred Policies falls below £50,000,000 GA Linked Life may be released from its obligations to maintain the Provident Mutual Fund provided that it shall have obtained the written approval of the DTI for such release. If, in that event, GA Linked Life decides no longer to maintain the Provident Mutual Fund and seeks such approval and release then the GA Linked Life Appointed Actuary shall at that time calculate the surplus then existing and likely to arise in the Provident Mutual Fund on a basis which reflects the current and likely financial and other circumstances which he regards as relevant without any allowance for

future bonuses or dividends. Such surplus shall be used to determine a scale of guaranteed bonuses (taking into account appropriate distributions in accordance with sub-paragraph 6.2(B)(2) for holders of With Profits Policies comprised in the Transferred Policies which will be applicable for all future years until the termination (in accordance with their terms) of each of the remaining Transferred Policies which are With Profits Policies entitled to receive bonuses under that scale. Following declaration of such scale of bonuses GA Linked Life shall no longer be obliged to maintain the Provident Mutual Fund.

- 6.14 When the level of mathematical reserves relating to With Profits Policies (gross of reinsurance) comprised in the Transferred Policies falls below £10,000,000 GA Linked Life shall subject to the written approval of the DTI and the declaration of the scale of bonuses cease thereafter to maintain the separate account in respect of the Provident Mutual Fund and the provisions of paragraph 6.13 shall apply *mutatis mutandis*.
- 6.15 Nothing in this Scheme shall restrict or affect the treatment of and the benefits allocated to policyholders of the Long Term Business of GA Linked Life (save to the extent that they are also holders of Transferred Policies), and nothing in this Scheme shall require GA Linked Life to transfer into or allocate to the Provident Mutual Fund any property or sum whatsoever except for the Capital Contribution, the Transferred Assets, the Residual Assets (when transferred), gains, income or benefits allocated to the Provident Mutual Fund in accordance with paragraph 6.8, further property derived from or replacing such property, property allocated in respect of the PM Asset Units under paragraph 5.2, sums received from policyholders under the Transferred Policies or by reason of Incremental Business, or as otherwise expressly provided for in this Scheme.
- 6.16 Nothing in this paragraph 6 or elsewhere in this Scheme shall prevent or restrict the use by GA Linked Life or any other member of the GA Linked Life Group of any client lists or other customer or marketing information comprised in the Transferred Assets and such use shall not be subject to any obligation by GA Linked Life or any other member of

the GA Linked Life Group to make any payment to or provide any other benefit to the Provident Mutual Fund in respect of such use.

**7. CAPITAL CONTRIBUTION AND PENSIONS COMPENSATION LIABILITIES**

- 7.1 General Accident plc shall procure that prior to the Transfer Date GA Linked Life shall be further capitalised by £170 million, being the Capital Contribution.
- 7.2 With effect from and as soon as practicable after the Transfer Date a sum in cash equal to the Capital Contribution shall be transferred from the shareholders' fund of GA Linked Life to the Provident Mutual Fund and the requisite entries shall be made in the accounting records of GA Linked Life.
- 7.3 (A) Since the amount of the Pensions Compensation Liabilities cannot be established with any degree of accuracy prior to the Transfer Date, the sum equal to the Capital Contribution to be paid into the Provident Mutual Fund under paragraph 7.2 has been calculated on the basis that GA Linked Life shareholders are not to bear directly or indirectly (through its shareholders' fund's interest in the future surplus arising in the Provident Mutual Fund) after the Transfer Date any part of the cost of the Pensions Compensation Liabilities. Accordingly the following sums shall be paid out of the Provident Mutual Fund namely:
- (1) the entire cost of the Pensions Compensation Liabilities; and
  - (2) a sum equal to one ninth of the amount of the Pensions Compensation Liabilities paid in each calendar year from the Transfer Date, which sum shall be paid into the shareholders' fund of GA Linked Life or otherwise transferred in accordance with paragraph 7.3(C).
- (B) For the purposes of this paragraph 7.3 "Pensions Compensation Liabilities" shall mean:



(1) the Costs, other than Investigation Costs, incurred after the Transfer Date by GA Linked Life:

(a) which result from any complaint, claim, legal action or proceedings (including disciplinary proceedings) brought against GA Linked Life (or brought against Provident Mutual prior to the Transfer Date) or any of the Subsidiaries by:

(i) any regulatory body or authority;

(ii) any Customer to whom Provident Mutual or any of the Subsidiaries issued a Personal Pension or a Group Product or who applied for a Personal Pension from Provident Mutual or applied for a Group Product; or

(iii) any Complainant,

including any compensation paid to any Customer or Complainant or paid into an Occupational Pension Scheme on behalf of any Customer or Complainant whether as a result of any judgment of any court, any direction of any regulatory body or any agreed settlement or compromise with any Customer or any Complainant; or

(b) which otherwise result from GA Linked Life (or, prior to the Transfer Date, Provident Mutual) or any Subsidiary complying with written directions or guidance given by any regulatory body or authority (including the Insurance Ombudsman, the PIA Ombudsman and the Pensions Ombudsman), in relation to any Customer or Complainant,

in each case

- (i) as a result of a breach, or alleged breach, prior to the Transfer Date, of the Financial Services Act 1986 or the LAUTRO Rules, PIA Rules or SIB Rules by Provident Mutual, an existing or former Marketing Associate of Provident Mutual, an existing or former Appointed Representative of Provident Mutual or an existing or former Representative of Provident Mutual; or
- (ii) relating to any advice given or sales or marketing activity by any such person at a time when Provident Mutual was responsible for the activities of any such person which resulted in the sale by Provident Mutual or such Marketing Associate, Appointed Representative or Representative prior to the Transfer Date of any Personal Pension or Group Product issued by Provident Mutual or any Subsidiary or any application being completed by such Customer for any such Personal Pension or Group Product which was not subsequently issued or sold; and

which has in each such case involved:

- (aa) a Customer who was a member of an Occupational Pension Scheme opting out of such scheme or transferring from such scheme (including cases where the Customer remained in that Occupational Pension Scheme for life insurance purposes) in connection with entering into or applying to enter into a Personal Pension or Group Product (whether or not such Customer was to continue in employment with the company to which such Occupational Pension Scheme related); or
- (bb) a Customer who was a person eligible for membership of an Occupational Pension Scheme declining or failing to join that Occupational Pension Scheme and

taking out or applying to take out instead a  
Personal Pension or Group Product; or

(cc) a Customer who gave up active membership of or  
declined to join the State Earnings Related Pension  
Scheme in connection with entering into or applying  
to enter into a Personal Pension or Group Product;  
and

(2) an amount equal to any levy (or the appropriate part of  
any levy as determined in accordance with this sub  
paragraph) (a "**Levy**") imposed at any time after the  
Transfer Date on GA Linked Life or any other member of the  
GA Linked Life Group by the PIA or other regulatory  
authority or competent body which is made for the purpose  
of funding the Investors Compensation Scheme in respect of  
any compensation paid or payable by the Investors  
Compensation Scheme to any person to the extent that the  
compensation relates to matters which are the same as  
those referred to in sub-paragraph 7.3(B)(1) but the  
breach of the relevant rules was committed by a person  
other than Provident Mutual, its Marketing Associates,  
Appointed Representatives or Representatives prior to the  
Transfer Date (whether or not such compensation relates to  
policies issued by Provident Mutual) provided that:

(a) if the Levy imposed on GA Linked Life (or the  
aggregate levy imposed on the GA Linked Life Group),  
or in relation to the business of GA Linked Life or  
the GA Linked Life Group, is higher than it would  
have been had no other business been written by GA  
Linked Life (or, as applicable the members of the GA  
Linked Life Group) except that attributable to  
business written prior to the Transfer Date by  
Provident Mutual then the Provident Mutual Fund  
shall not be liable to meet the excess; and

- (b) if any such Levy shall not relate entirely to matters of a type described in sub-paragraph 7.3(B)(1) then the Appointed Actuary of GA Linked Life shall determine the appropriate portion of the Levy which does so relate to such matters and for these purposes the Appointed Actuary of GA Linked Life shall take into account any relevant guidance given by the regulatory authority in relation to the Levy concerned and such other matters as he considers appropriate. The Appointed Actuary of GA Linked Life shall obtain a certificate from an independent actuary appointed by GA Linked Life that the Appointed Actuary's apportionment of the relevant Levy is reasonable.
- (C) Sums due to the shareholders' fund of GA Linked Life under sub-paragraph 7.3(A)(2) shall be transferred into the shareholders' fund or, to the extent that such transfer is prohibited under section 29(7) of the Act, transferred to another part of the long term fund of GA Linked Life as follows:
  - (1) the Appointed Actuary shall determine the amount of any surplus in the Provident Mutual Fund at the end of the relevant calendar year in accordance with section 29(2) of the Act;
  - (2) such surplus shall be applied, in priority to the distribution of surplus to holders of With Profits Policies of the Provident Mutual Fund and to the shareholders' fund in accordance with paragraph 6.2(B), in satisfying any sums due to the shareholders' fund under sub-paragraph 7.3(A)(2) in respect of such calendar year or in respect of any previous calendar year to the extent that they have not previously been satisfied;
  - (3) the transfer of sums to the shareholders' fund or other transfer in accordance with this paragraph 7.3(C) shall

take place during the period permitted under section 29(3) of the Act and, save to the extent that the DTI shall have issued an order under section 68 of the Act disapplying the same, shall comply within any applicable restrictions under section 30 of the Act;

- (4) if in any calendar year there shall be a deficit in the Provident Mutual Fund or insufficient surplus to permit the transfer of sums to the shareholders' fund or other transfer in accordance with this paragraph 7.3(C) in full then any amount which remains unpaid shall be carried forward to following calendar years until such time as such sum can be paid in full or in part in accordance with this paragraph 7.3(C); and
- (5) in no circumstances shall the total amount transferred to the shareholders' fund or otherwise transferred under this paragraph exceed £170 million.

(D) In incurring Costs in respect of the Pensions Compensation Liabilities, GA Linked Life shall use all reasonable endeavours to:

- (1) comply in all material respects with any applicable guidelines for dealing with and/or settling any pension claims which are imposed from time to time by the PIA or any other competent statutory or regulatory authority (including in relation to the timing of dealing with the claims, the basis of calculation of any compensation payment and the timing of its settlement and payment); and
- (2) deal with all Pensions Compensation Liabilities on a comparable basis in all material respects to claims of a similar nature being dealt with by GA Linked Life or any other member of the GA Linked Life Group (including as to expedition, basis and principles of compensation).

(E) For the purposes of this paragraph 7.3;

- (1) **"Complainant"** means a person who:
  - (a) is a Dependant; or
  - (b) is a member of the family of a Customer or Dependant, or is another suitable representative of a Customer or a Dependant who is a minor child or otherwise unable to act for himself; or
  - (c) is the personal representative of a Customer or of a Dependant who has died; or
  - (d) has otherwise acquired from a Customer (but not for value) legal title to a Personal Pension or Group Product to which the claim relates;
- (2) **"Costs"** includes all costs, liabilities, claims and expenses howsoever and whensoever incurred;
- (3) **"Customer"** has the meaning ascribed to that term in the Glossary to the PIA Rules;
- (4) **"Dependant"** means a widow or widower, or any surviving dependant, of a Customer;
- (5) **"Group Product"** means any product capable of being issued to or acquired by an individual and issued or managed by Provident Mutual or any of the Subsidiaries;
- (6) **"Investigation Costs"** means costs and expenses (whether internal or external) incurred by any member of the GA Linked Life Group in reviewing or investigating business carried out before the Transfer Date by Provident Mutual or any Subsidiary in accordance with PIA guidance of the type referred to in paragraph 7.3(B)(1), which costs and expenses shall be charged to the Provident Mutual Fund as provided in Schedule 3;

- (7) **"Occupational Pension Scheme"** has the same meaning as in section 1 of the Pension Schemes Act 1993;
- (8) **"Personal Pension"** means (i) a personal pension scheme approved under Chapter IV Part XIV of the Taxes Act; (ii) a buyout policy approved under section 32 of the Finance Act 1981 (now incorporated in Chapter 1 Part XIV of the Taxes Act) or (iii) a Retirement Annuity;
- (9) **"Retirement Annuity"** means an annuity contract approved under Chapter III, Part XIV of the Taxes Act;
- (10) **"Marketing Associate", "Appointed Representative" and "Representative"** shall have the same meanings as set out in the Glossary to the PIA Rules (or in respect of periods prior to the adoption of the PIA Rules the same meaning in each case as the nearest equivalent term which was defined for the purposes of the LAUTRO Rules).

## 8. PROTECTION OF POLICYHOLDERS

8.1 No amendment shall be made to Schedule 3 other than in accordance with the terms of that Schedule unless:-

- (A) the Appointed Actuary of GA Linked Life and an independent actuary appointed by GA Linked Life for this purpose have each certified in writing that in their respective opinion the proposed amendment is necessitated by exceptional circumstances (including changes in legislation or levels of taxation) having a material impact on the costs of operating or administering the Provident Mutual Fund and that such amendment will protect as far as possible the reasonable expectations of the holders of Transferred Policies (taking into account statements made in the Circular to policyholders of Provident Mutual issued by Provident Mutual in connection with this Scheme and the provisions of this Scheme); and

- (B) the DTI, having been supplied with certificates in the terms required by sub-paragraph (A) above, has approved the amendment.

8.2 (A) General Accident plc and General Accident Life Holdings Limited shall procure that forthwith after the Transfer Date the articles of association of GA Linked Life are amended to incorporate articles in the form of articles 9 and 10 as set out in Schedule 2 and, save to the extent that amendment is made to paragraph 4.2 pursuant to sub-paragraph (B) below, shall:-

- (1) procure that articles in the said form so far as they relate to the Provident Mutual Fund remain in force at all times;
- (2) procure that (a) any proposed transferee of shares in GA Linked Life or any interest therein shall, prior to any transfer of such shares or any interest therein to him, and (b) any proposed transferee of shares in General Accident Life Holdings Limited or any interest therein shall, prior to any transfer of such shares or any interest therein to him shall (provided that General Accident Life Holdings Limited shall then hold any or any interest in any shares in GA Linked Life) undertake to General Accident plc to be bound by this paragraph (including sub-paragraphs (1) to (3)); and
- (3) take all available steps to enforce any undertaking given pursuant to sub-paragraph (2).

- (B) No amendment shall be made to paragraph 4.2 unless the Appointed Actuary of GA Linked Life and an independent actuary appointed by GA Linked Life for this purpose have each certified in writing that in their respective opinion the proposed amendment will not have an adverse effect on the reasonable expectations of the holders of Transferred Policies (taking into account the aforementioned circular and the provisions of this Scheme) and the DTI, having been supplied with certificates in the terms mentioned, has approved the amendment.



- 8.3 GA Linked Life shall cause there to be delivered to the DTI, on or prior to the date in each year in which the annual return is made to the DTI by GA Linked Life in respect of its UK business in accordance with section 22 of the Act, a certificate in writing from the Appointed Actuary of GA Linked Life as to whether the Provident Mutual Fund has been operated in accordance with the terms of this Scheme since the date of the last such certificate or, in the case of the first such certificate, since the Transfer Date.
- 8.4 If at any time the Appointed Actuary of GA Linked Life considers that the Board is taking, or has failed to take, action which act or failure to act in his opinion is prejudicial to the proper implementation of this Scheme in accordance with its terms, then he shall forthwith notify his concerns in writing to the Board and shall afford the Board a reasonable opportunity to respond to his concerns. If notwithstanding any such response the Appointed Actuary of GA Linked Life is still of the view that the Scheme has not been properly implemented (or in the absence of a response within a reasonable period), then he shall forthwith notify the Secretary of State for Trade and Industry in writing.
- 8.5 For the avoidance of doubt nothing in paragraphs 8.1 or 8.2 is to be construed as permitting any provision of this Scheme other than the Entrenched Provisions to be amended save as provided for in paragraph 14.

9. CHARGES AND SERVICE STANDARDS

- 9.1 Charges for services, including the services mentioned in Part II of Schedule 3, to the Provident Mutual Fund and, where applicable, the Subsidiaries shall be payable only in accordance with the provisions of Schedule 3.
- 9.2 The level of administration and management charges to the holders of Linked Policies comprised in the Provident Mutual Fund (being Transferred Policies) shall for a period of 5 years following the Transfer Date not be increased beyond the levels respectively applying

at the Transfer Date except (where applicable) by a percentage equal to the annual increase in the NAE.

- 9.3 The standard of services provided by General Accident plc or any subsidiary thereof for the benefit of the Provident Mutual Fund or any of the Subsidiaries shall be equivalent to the standard of similar services as from time to time provided to any other sub-fund of GA Linked Life or to any other subsidiary of General Accident plc which carries on Long Term Business in the United Kingdom.

10. **CLOSURE TO NEW BUSINESS**

- 10.1 As from the Transfer Date and save (a) for Incremental Business (including for these purposes business of a type referred to in paragraph 5.2(A)) and (b) as permitted by paragraphs 11.1 and 11.2 GA Linked Life shall not market or sell new life assurance, pensions or analogous insurance products from or into the Provident Mutual Fund.
- 10.2 Notwithstanding the provisions of paragraph 10.1, if GA Linked Life is able to procure the novation of any Excluded Policy to GA Linked Life with the consent of the relevant policyholder then the assets and liabilities relating to such policy shall, to the extent not previously transferred, be allocated to and form part of the Provident Mutual Fund and such policy shall be dealt with by GA Linked Life in all respects as if it were a Transferred Policy subject to the provisions of this Scheme including in the case of any Excluded Policy which is eligible therefor, the payment of the Special Bonus.
- 10.3 For the avoidance of doubt nothing in this paragraph 10 shall prevent or restrict GA Linked Life from marketing or selling life assurance, pensions or analogous insurance products where the assets and liabilities relating thereto form part of the long term fund of GA Linked Life provided that no such business shall be allocated to or form part of the Provident Mutual Fund.

11. EXCLUDED AND NON-TRANSFERRED POLICIES

- 11.1 (A) On or prior to the Transfer Date Provident Mutual shall enter into a reinsurance agreement with GA Linked Life pursuant to which, with effect from the Transfer Date, all the liabilities of Provident Mutual attributable to the Excluded Policies will be 100 per cent. reinsured by GA Linked Life. The liability of GA Linked Life in respect of such agreement and the premiums payable thereunder (which shall comprise the reserves relating to the Excluded Policies as at the Transfer Date and all subsequent premium payments received by Provident Mutual in respect of such Excluded Policies) shall be allocated to the Provident Mutual Fund. Provident Mutual and GA Linked Life shall maintain in force at all times after the Transfer Date 100 per cent. reinsurance arrangements on terms equivalent to those set out in such reinsurance agreement in respect of the Excluded Policies, so long as such policies continue in force as policies of Provident Mutual.
- (B) If any Excluded Policies are With Profits Policies, Provident Mutual will declare bonuses in respect of such policies to ensure that such policy holders participate in profits arising in the Provident Mutual Fund including, for the avoidance of doubt, the Special Bonus as if they were holders of Transferred Policies and to this end the reinsurance arrangements will provide that GA Linked Life will indemnify Provident Mutual accordingly.
- (C) In the case of Linked Policies which are Excluded Policies the reinsurance arrangements will be in such terms as will enable Provident Mutual to provide a return to such policyholders which will be the same as the return to a policyholder whose Transferred Policy has allocated to it an equivalent number of units in the equivalent Linked Fund of GA Linked Life.
- (D) If an Excluded Policy confers the right to effect a new policy and the policyholder seeks to exercise such right GA Linked Life shall offer in substitution for such right an equivalent policy

with GA Linked Life and if that right is exercised such policy shall be deemed to be a Transferred Policy for the purposes of this Scheme. For the purposes of paragraphs 6.5, 6.13 and 6.14 each Excluded Policy shall be treated as if it were a Transferred Policy.

- 11.2 If it is determined that there are any long term insurance policies written by Provident Mutual which do not fall within the definition of Transferred Policies as at the Transfer Date (other than the Excluded Policies) arrangements similar to those referred to in paragraph 11.1 will be entered into for the period up to the Subsequent Transfer Date or Dates for such policies. When the policies referred to in this paragraph 11.2 are transferred to the Provident Mutual Fund, such transfer will be effected in accordance with this Scheme, save that references to the Transfer Date shall be deemed to be references to the Subsequent Transfer Date applicable to such policies. Paragraph 11.1(D) shall apply (*mutatis mutandis*) to the policies referred to in this paragraph.

## 12. TRANSFER DATE

- 12.1 Subject to paragraph 12.2 below, this Scheme shall become operative at 00.01 a.m. on 1st January 1996 or such other time and/or date as may be specified in the Order and unless this Scheme shall become operative on or before 1st April 1996, or such later date as the Court may allow upon the application of Provident Mutual and GA Linked Life, it shall lapse.

- 12.2 Notwithstanding paragraph 12.1 above, the Scheme shall not become operative unless the following conditions shall have been satisfied and remain satisfied as at the Transfer Date:

- (A) the Transfer Agreement has not been validly terminated and all conditions therein are satisfied except the Scheme itself becoming operative;
- (B) Provident Mutual and GA Linked Life have received in terms satisfactory to each of them (or which neither could reasonably

claim to be in unsatisfactory terms) confirmations from the Inland Revenue (or in relation to sub-paragraph (9), HM Customs & Excise) that:-

- (1) the transfers effected pursuant to this Scheme will not, by virtue of sections 139 and 211 Taxation of Chargeable Gains Act 1992, or otherwise, give rise to chargeable gains;
- (2) unrelieved management expenses and Schedule D Case VI losses carried forward in Provident Mutual at the Transfer Date may be carried forward and set against the appropriate taxable income of GA Linked Life under section 444A of the Taxes Act;
- (3) there will be no change as a result of the Scheme to the existing eligibility for Life Assurance Premium Relief of policies comprised in the Transferred Business and issued on or before 13th March, 1984;
- (4) taxation relief deducted at source from personal pension scheme contributions under section 639(3) of the Taxes Act will not cease to be available as a result of the transfer of the Transferred Business and the Pension Schemes Office provides a confirmation to the effect that where any of the Transferred Policies have been written under the trusts of an occupational pension scheme, implementation of this Scheme will not prejudice the exempt approved status for taxation purposes of that occupational pension scheme;
- (5) this Scheme will not constitute a breach of a qualifying policy or a variation in any of the terms of any qualifying policy, and it will not affect the approval of any scheme or arrangement approved by the Board of Inland Revenue for the purposes of Part XIV of the Taxes Act or any corresponding earlier enactment;

- (6) the Order and any other documents necessary or desirable for perfecting the title of GA Linked Life to the Transferred Assets will not be liable to ad valorem stamp duty;
- (7) the United Kingdom taxation consequences of the exercise after the Transfer Date of any option to vary a policy or contract or to effect an additional or substituted policy on favourable terms conferred by policies or contracts issued or granted by Provident Mutual will not (by virtue of the Scheme) be different from the United Kingdom taxation consequences which would have ensued from such exercise before the Transfer Date;
- (8) no part of this Scheme will give rise to a distribution for taxation purposes;
- (9) none of the transfers effected pursuant to this Scheme will constitute a taxable supply for the purposes of value added tax;
- (10) section 152A of the Capital Allowances Act 1990 will apply in respect of the transfers effected pursuant to this Scheme;
- (11) following implementation of this Scheme, GA Linked Life will be entitled to transitional relief in respect of general annuity business transferred by the Scheme in the same way as Provident Mutual is immediately prior to the Transfer Date; and
- (12) there will be no change as a result of the Scheme to the existing eligibility for Mortgage Interest Relief at Source in respect of mortgages comprised in the Transferred Assets,

or the requirement for any such confirmation is waived in whole or in part by Provident Mutual and GA Linked Life with the written approval of the Independent Actuary and the DTI.

13. **COSTS AND EXPENSES**

GA Linked Life and Provident Mutual will each bear costs and expenses respectively incurred by each of them in the preparation and carrying into effect of this Scheme up to the Transfer Date.

14. **MODIFICATIONS OR ADDITIONS**

- 14.1 Provident Mutual and GA Linked Life may, at any hearing to sanction this Scheme, jointly 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 the Court may approve.
- 14.2 If at any time as a result of changes in circumstance the provisions of this Scheme (other than the Entrenched Provisions) prove impossible or impracticable to implement, then GA Linked Life shall be at liberty to apply to the Court for consent to amend its terms provided that any such amendment shall be approved in writing by the DTI and such application shall be accompanied by a certificate from an independent actuary to the effect that the proposed amendment will not adversely affect the reasonable expectations of or reduce the protections conferred by this Scheme on the holders of Transferred Policies within the Provident Mutual Fund.

Dated this 4th day of October 1995.

## SCHEDULE 1

### The Special Bonus

Special Bonuses shall be awarded to all Eligible Policies as set out below.

An Eligible Policy shall be a With Profits Policy which was in force at close of business on 27th September 1995 and which remains in force on the Transfer Date. The Special Bonus will accrue as provided below, subject to the policy remaining in force. If there is any dispute as to whether or not a policy qualifies for the Special Bonus, the determination of the Appointed Actuary of GA Linked Life will be final and binding.

Special Bonuses will participate in future profits in the same way as reversionary bonuses.

The Special Bonus will be awarded as an addition to the rates of reversionary bonuses declared in respect of 1995, 1996 and 1997 (for life assurances) and in respect of 1996, 1997 and 1998 (for other policies) to Eligible Policies remaining in force and will follow the practice of Provident Mutual at the Transfer Date as regards the timing of bonus additions.

The rates of Special Bonus for each year will be as described below (being 1/10th the 1995 interim bonus rates).

### Assurances

- (i) Whole life and endowment assurances (excluding those covered in (ii)) entitled to participate at the full rate: 0.225 per cent. per annum calculated on participating sum assured plus 0.4 per cent. per annum calculated on reversionary bonuses already declared and still attaching.

Bonuses will be allotted at the above rates in respect of the year up to the policy anniversary in 1996, 1997 and 1998. The corresponding rates for certain low cost endowment assurances (designated as Series B) will be 0.15 per cent. less than the rates shown above.



(ii) Flexible Endowment Assurances beyond their early maturity date:

- (a) Bonus interest at the rate of 0.045 per cent. for each month during 1996, 1997 and 1998 which falls after the early maturity date, on the participating sum assured plus all bonuses already declared and still attaching.

(iii) For policies incorporating provision for the sum assured to be payable in the event of disability they shall receive Special Bonus at reduced rates. The Special Bonus shall be calculated as for endowment assurances expect that:

- (a) for policies other than those issued under the Flightdeck Scheme the amount of each year's Special Bonus shall be reduced by the following percentages of the sum assured (exclusive of any bonuses) payable on disability:

Year less year of First participation	>39	30-39	20-29	10-19	<10
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(counted up to the  
policy anniversary)

Percentages	0.025	0.05	0.075	0.09	0.1
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- (b) for policies under the Flightdeck Scheme the amount of each year's Special Bonus shall be reduced by 0.125% of sum assured and attaching bonus.

(iv) For policies issued by Lamont Life Insurance Company Limited ("Lamont") and by Colonial Life Company (UK) Limited ("CLICO"). which are wholly reinsured with Provident Mutual (or, after the Transfer Date, with GA Linked Life), the Special Bonus shall be:

	On Participating Sum Assured	On Attaching Bonus
Lamont whole life and Value Added endowment (Classes 405-9, 455)	0.0375%	0.125%
Lamont Security & Investment endowment (Classes 456-458)	0%	0.0875%
CLICO	0.075%	0.25%

- (v) Income benefit policies: The rate of Special Bonus for 1996, 1997 and 1998 will be 0.5 per cent. compounded annually, or if lower, 1/10th of the rate of bonus specified in the contract.

#### Annuities

- (vi) Rate of Special Bonus (%) for Relevant Dates in the years 1996, 1997 and 1998 (compounded annually)

#### Type of Annuity

A	B	C	D
0.40	0.20	0.35	0.55

The amounts will be calculated at each relevant date on which a bonus is due and are based on the amount of the with-profit annuity (including all previous bonus additions thereto) secured at and purchased before the relevant date.

In addition group deferred annuities without individual allocation of benefits attract an additional 0.1% Special Bonus making a total rate of 0.5%.

- (vii) Annuities of type A comprise (a) deferred annuities with individual allocation of benefits which are not included in type C below (whether the contract is documented under an individual policy

or under a group policy) and (b) group deferred annuities without individual allocation of benefits which are subject to the surrender conditions introduced in January 1975 or later (including contracts issued earlier which elect to adopt one of such surrender conditions). Where the surrender condition is varied after 31 December 1977 the policy shall continue to be treated as type B until such year as is agreed by Provident Mutual (or after the Transfer Date, by GA Linked Life) as the year from which it shall be treated as type A.

Annuities of type B comprise other group deferred annuities without individual allocation of benefit where the contract remains subject to a pre-1975 surrender condition.

Annuities of type C comprise retirement annuities (whether the contract is documented under an individual policy or under a group policy) approved under Chapter III of Part XVI of the Income and Corporation Taxes Act 1988 (formerly section 226 of the Income and Corporation Taxes Act 1970) provided they are not in possession. In the application of these bonuses to a type C policy which provides for bonuses to be allocated by way of bonus interest, references to bonus are taken as references to bonus interest.

Annuities of type D comprise annuities in possession where the contract explicitly provided for participation in possession.

(viii) The relevant dates are:

Definition	Applicable to policies in	
	deferment	possession (type D)
(a) the anniversary of the date of assurance falling in 1996, 1997 and 1998	(1) type A or B (2) group policy of type C	(1) previously type A or B (2) previously group policy of type C which vested before 1 January 1980

(b) the policyholder's birthday in 1996, 1997 and 1998	individual policy type C (excluding) policies covered in (d) below	N/A
(c) the date of the first payment after 5 April falling in 1996, 1997 and 1998	N/A	(1) previously individual policy of type C (2) previously group policy of type C which vested on or after 1 January 1980
(d) daily during the calendar years 1996 1997 and 1998	individual policy of type C which receives bonus interest	N/A

(ix) Where appropriate, for annuities newly commencing the annuitant will receive from the date the annuity commences a proportionate Special Bonus, at the rate applicable to annuities in deferment, in respect of the period from the last relevant date in deferment up to the date the annuity commences; the annuitant will receive from the new relevant date in possession a further proportionate Special Bonus, at the rate applicable to annuities in possession, in respect of the period from the date the annuity commences up to the first relevant date in possession.

(x) For type A policies involving in one contract with-profit annuities and with-profit sum assured, the Special Bonus applicable to the sum assured is calculated (unless the policy provides otherwise for reversionary bonus) so that it is the same proportion of the sum assured as the Special Bonus is of the annuity assured by the contract. The foregoing arrangements do not apply to certain type A

annuities to the extent that the contract explicitly provides for participation to be in a modified form or at rates derived from the aforesaid bonus rates. In such cases the Special Bonus will be at 1/10th of the 1995 rates of interim bonus.

## SCHEDULE 2

### Articles 9 and 10 of the Articles of Association

9. (A) For the purposes of this Article 9 and Article 10 the following terms shall have the following meanings:-

**"the Scheme"** means the scheme for the transfer of the long term business of Provident Mutual Life Assurance Association ("Provident Mutual") to the company in accordance with Schedule 2C to the Insurance Companies Act 1982 which has been sanctioned by an Order of the High Court dated [     ] December 1995;

**"the Provident Mutual Policies"** means all life and pensions policies issued by Provident Mutual which fall within the definition of Transferred Policies in the Scheme together with any policy defined in the Scheme as an Excluded Policy which is subsequently novated to the company with the consent of the policyholder and which falls to be dealt with as part of the Provident Mutual Fund in accordance with the Scheme and any additional or replacement policy issued to a person who is the holder of a Provident Mutual Policy which is a Transferred Policy upon the exercise by such person of any contractual right or expectation deriving from or under the terms of such Transferred Policy to take out a new policy or to make an additional investment in an existing Transferred Policy or to extend the terms of such

Transferred Policy or to reinvest the proceeds of such a Transferred Policy on maturity.

(B) The Directors shall maintain no fewer than three funds in respect of the life assurance business of the company to be known as "the participating life fund", "the non-participating life fund" and "the Provident Mutual Fund" respectively and shall keep separate and distinct accounts of the receipts and expenditure of each of the said funds. All receipts in respect of policies, whose holders by the terms of their contracts are entitled to participate in a portion of the company's profits, other than the Provident Mutual Policies, shall be carried to the participating life fund and all moneys expended by the company in respect of such policies shall be paid out of that fund. All receipts in respect of policies, other than the Provident Mutual Policies, whose holders by the terms of their contracts are not entitled to participate in a portion of the company's profits, shall be carried to the non-participating life fund and all moneys expended by the company in respect of such policies shall be paid out of that fund. All receipts in respect of the Provident Mutual Policies shall be carried to the Provident Mutual Fund and all monies expended by the company in respect of the Provident Mutual Policies shall be paid out of the Provident Mutual Fund. The Provident Mutual Fund shall be maintained as a separate fund and segregated from all other assets and liabilities relating to the long term business of the company in accordance with the Scheme (save that Provident Mutual Policies which are unit-linked policies may be allocated units in the company's internal linked funds alongside unit-linked policies written in other sub-funds of the company as provided in the Scheme) until such time as there is no longer any requirement to do so under the terms of the Scheme.

10. (A) The holder of each policy conferring the right to participate in the profits of the company, other than the holder of a Provident Mutual Policy, shall be entitled in accordance with the terms of such policy to a percentage of the profits arising in the

participating life fund which are derived in the judgment of the directors from such policy and set apart for distribution. The balance of the distributable profits derived from the participating life fund and the whole of the profits from the non-participating life fund shall be transferred to the shareholders' fund of the company.

- (B) The holder of each Provident Mutual Policy which is a policy conferring the right to participate in the profits of the company shall be entitled in accordance with the terms of such policy to a percentage of the profits arising in the Provident Mutual Fund which are in the judgment of the directors to be set apart for distribution, provided that in making such judgment the directors shall have regard to the terms of the Scheme and provided further that having first made any payment into the shareholders' fund of the company or any other sub-fund of the company which is required to be made under paragraph 7.3 of the Scheme no less than 90 per cent. of the remaining distributable profits of the Provident Mutual Fund in any relevant period shall be so applied for the benefit of holders of such Provident Mutual Policies and that no more than 10 per cent. of the remaining distributable profits of the Provident Mutual Fund in any such relevant period shall be transferred to the shareholders' fund of the company.
- (C) If the directors so determine any sum which would otherwise be available for distribution to the shareholders' fund of the company pursuant to paragraphs (A) or (B) above may in lieu of such distribution be transferred into any other sub-fund within the long term fund of the company to be applied for the purposes of such sub-fund.



### SCHEDULE 3

#### PART I

#### Administration and Investment Management Charges

1. Subject to paragraphs 1.3 and 1.4 of this Schedule, the annual policy fees referred to in paragraph 1.1 and the charges referred to in paragraph 1.2 shall apply and shall be charged to the Provident Mutual Fund for the period of ten years commencing on the Transfer Date:

##### 1.1 **POLICY FEES**

##### Non-Linked Policy fees (per policy) £

Regular premium life	15
Immediate annuity	12
including with profit immediate annuity	
Personal Pension Plan	20
Impact, Individual Pension Arrangement	75
Compact, Additional Voluntary Contribution	25

##### Linked Policy fees (per policy)

Regular premium life	25
Single premium life	20
Individual Investment Account, Company	
Investment Account and Free Standing	
Investment Account	39
Protected Rights Investment Account	20
Executive Investment Account and	
Trustee Investment Account	95

Group policy fees (per record in force)

Group Self Employed Retirement Annuity	6
Non-profit buyout	1.75

1.2 **OTHER CHARGES**

Group Charges

Group life and sickness	6.5% of premiums received and 2% of Group Sickness claims paid (both gross of reinsurance).
Deferred Allocation Funding	Scheme charges plus 0.6% of average reserves over relevant 12 month period.
British Rail Staff Scheme	Scheme charges (excluding extra Pension Assured Fund charge).

Investment charges

(Excluding segregated funds, PEPs, Unit Trusts and Off-balance sheet funds, British Rail Staff Scheme and Managed Pensions Fund Subsidiary)

0.12% of average value of invested total assets of Provident Mutual Fund in relevant 12 month period.

Increments (being additional regular or single premiums paid under regular premium policies and additional single premiums paid under any other policy)

Increments will be charged at the following rates (without clawback of charges on early termination):

<u>Contract</u>	<u>Increment Charge</u>
With Profit Immediate Annuity	Nil
Protected Rights Investment Account	Nil
British Rail Staff Scheme	Nil
Deferred Allocation Funding regular premiums	Nil
Compact regular premiums	3.5% of incremental Regular Premium ("RP") and Recurrent Single Premium ("RSP")*
Group Self Employed Retirement Annuities regular premiums	13.5% of incremental RP and RSP*
Group Self Employed Retirement Annuities	3.5% of Additional Single Premium ("ASP")
Other RSP pensions	5.5% of incremental RSP*
Other pensions RP	75% of LAUTRO Maximum Commissions Agreement ("MCA") initial commission on indemnity terms
Other pensions ASP	2.3% of ASP

Life single premiums

3% of ASP

Life regular premiums

75% of LAUTRO MCA  
initial commission on  
indemnity terms

\*One-off payment at the time the increment is effected.

For the purpose of paragraphs 1.1 and 1.2 of this Schedule, the definition of "policy" and "record" shall in the future be determined by the Appointed Actuary having proper regard to the past practice of Provident Mutual in defining these terms for the purpose of allocating expenses.

- 1.3 Policy fees payable during 1996 will be the non-linked, linked and group policy fees detailed in paragraph 1.1 increased to reflect the percentage increase in the RPI for the period of twenty-four months immediately preceding 30th June 1996.
- 1.4 Policy fees payable in each calendar year commencing in 1997 up to and including 2005 will be the policy fees for 1996 calculated in accordance with paragraph 1.3 increased to reflect any percentage increase in the RPI over the period from 30th June 1996 to 30th June in the relevant calendar year.
- 1.5 Policy fees for each calendar year will be calculated by reference to the average number of policies or records in force (as applicable) in the relevant calendar year.
- 1.6 Payments will be made monthly in each calendar year based on one twelfth of the total estimated annual fee. Within six weeks of the end of each calendar year any over or under payment will be corrected.
- 1.7 Policy fees and charges payable in each calendar year from year 2006 onwards and charges made under paragraph 1.10.2 below will be based on total costs incurred based on an equitable allocation of costs as between the principal companies in the GA Linked Life Group

transacting Long Term Business in the UK as certified by the GA Linked Life Appointed Actuary increased by a profit margin of 15%.

- 1.8 The level of charges provided for in paragraph 1.7 shall be subject to adjustment if, in the reasonable opinion of the Appointed Actuary of GA Linked Life, the basis which would otherwise apply would (taking account of the level of charges in respect of such services applied by third party competitors) unfairly prejudice the interests of holders of Transferred Policies to any material extent and the basis as proposed to be adjusted would not so prejudice such holders.
- 1.9 In addition to the policy fees and charges specified in paragraph 1.1 and 1.2 and subject always to paragraph 7.3 of the Scheme the Provident Mutual Fund will bear such equitable proportion of any cost or levy imposed by law or regulatory authority after the Transfer Date on GA Linked Life as the Appointed Actuary of GA Linked Life may reasonably determine and 50% of the Investigation Costs (as defined in paragraph 7.3) incurred after the Transfer Date (as determined by the Appointed Actuary of GA Linked Life).
- 1.10 Charges will be made for administration and investment services provided by members of the GA Linked Life Group to the Subsidiaries as follows for the period of 10 years after the Transfer Date and in the case of charges under paragraph 1.10.1, thereafter:-
  - 1.10.1 in the case of services provided to Provident Mutual Developments Limited, Provident Mutual Plan Managers Limited, Provident Mutual Stevenage Estates Limited, Provident Mutual Trustees Limited, Provident Mutual Unit Trust Managers Limited and Provident Mutual Nominees Limited such charges shall be based on total costs incurred as certified by the GA Linked Life Appointed Actuary plus, in the case of GA Linked Life Group internal costs only, a profit margin of 15%;
  - 1.10.2 in the case of services provided to Provident Mutual Managed Pension Funds Limited and its subsidiary Provident Mutual Investment Advisors Limited such charges shall be based on scheme administration charges plus 0.22% of the ordinary long

term insurance fund of Provident Mutual Managed Pension Funds Limited under management at the start of each relevant 12 month period.

- 1.11 The charges payable by the Provident Mutual Fund under Schedule 3 shall be reduced in respect of each calendar year by an amount equal to 6.2% of the amounts applied during the calendar year to secure new With-Profits Immediate Annuities (Dynamic Annuities) in the Provident Mutual Fund.
- 1.12 The charges payable by the Provident Mutual Fund under this Schedule 3 shall be adjusted from time to time to reflect sums due to the Provident Mutual Fund in respect of any value which accrues to the benefit of the GA Linked Life Group out of the Provident Mutual Life Assurance Association Staff Superannuation Fund as provided for in and in accordance with clause 6.12 of and Part II of Schedule 4 (and the annex thereto) to the Transfer Agreement.
- 1.13 Until such time as leased operational premises and contractual agreements in respect of operational assets have been transferred from the Provident Mutual Fund to other companies in the GA Linked Life Group or terminated or disposed of, subsequent to the Transfer Date the Provident Mutual Fund shall continue to meet all contractual, rental and other associated costs thereof. The Provident Mutual Fund will receive reimbursement from a member of the GA Linked Life Group (other than the Subsidiaries) in full for such expenditure incurred within 30 days of incurring the same.

### Schedule 3

#### Part II

#### Services to be Included

The charges set out in Part I of this Schedule 3 shall cover all services required to operate or administer the Provident Mutual Fund including but not restricted to those listed below.

Accounting Services

Administration of Banking

Administration of reinsurance and insurance

Actuarial Services (including valuation)

Catering and Entertainment

Company Secretarial Duties

Compliance Duties

Provision of Computer Facilities and Services

Executive Management

Fund Management, including research and dealing in all permitted instruments

Investment accounting (including taxation and unit pricing)

Legal Services

Marketing

Office Services, including cleaning, maintenance, provision of fixtures and fittings, premises and security

Personnel

Premium Income Administration

Processing/Administration of Existing Business, Increments and Claims

Sales Management

Sales Force

Taxation Services

Training

Underwriting



SECOND SCHEDULE

Austria  
Belgium  
Denmark  
France  
Germany  
Greece  
Iceland  
Irish Republic  
Italy  
Luxembourg  
Netherlands  
Norway  
Portugal  
Spain  
Sweden

NO 006178 of 1995

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

COMPANIES COURT

MR JUSTICE BLACKBURNE

**IN THE MATTER of PROVIDENT MUTUAL LIFE  
ASSURANCE ASSOCIATION**

**- and -**

**IN THE MATTER of GENERAL ACCIDENT LINKED  
LIFE ASSURANCE LIMITED**

**- and -**

**IN THE MATTER of THE INSURANCE COMPANIES  
ACT 1982**

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**ORDER**

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**Solicitors for the Petitioner**