

THE HIGH COURT

2022 / No.

IN THE MATTER OF

THE COMPANIES ACT 2014 (AS AMENDED)

AND IN THE MATTER OF

**A SCHEME OF ARRANGEMENT
PURSUANT TO PART 9 OF THE COMPANIES ACT 2014**

BETWEEN

ROYAL LONDON INSURANCE DAC

AND

**THE INCLUDED RLI DAC LIVER POLICYHOLDERS (AS DEFINED IN
THE SCHEME)**



Pinsent Masons

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INTRODUCTION

1. BACKGROUND

- 1.1 RLMIS (the parent company of RLI DAC) is undertaking a project to, *inter alia*, simplify its fund structure by combining and therefore reducing the number of separate closed funds (the "**Closed Funds**") that it maintains (the "**Fund Consolidation Project**"). This Scheme is being proposed by RLI DAC as part of the Fund Consolidation Project.
- 1.2 RLI DAC is an Irish incorporated designated activity company. RLI DAC is authorised to carry on life insurance business in Ireland in classes I (Life assurance and contracts to pay annuities on human life, but excluding classes II and III), class III (Life assurance and contracts to pay annuities on human life, which are linked to investment funds), class IV (Permanent health insurance contracts) and class VII (Management of group pension funds) under the 2015 Regulations.
- 1.3 Business underwritten by Liver was transferred from Liver to RLMIS, on 1 July 2011 pursuant to the RLMIS IoT. All of the policies (and the assets and liabilities arising pursuant to the terms and conditions of those policies) transferred pursuant to the RLMIS IoT were allocated to the Liver Sub-Fund. The Liver Sub-Fund has been closed to new business since 1 July 2011.
- 1.4 On 7 February 2019, and as part of RLMIS' preparation for the United Kingdom's exit from the European Union, the RLI DAC Liver Policies were transferred to the Liver Ireland Sub-Fund of RLI DAC under the terms of the RLI DAC Part VII Transfer and reinsured back to the Liver Sub-Fund pursuant to the terms of the Liver Reinsurance Agreement.
- 1.5 Under the Liver Reinsurance Agreement, RLMIS, through the Liver Sub-Fund, reinsures the liabilities relating to the RLI DAC Liver Policies. The Liver Reinsurance Agreement was put in place between RLMIS and RLI DAC in order to, among other things, ensure the equitable distribution of the Liver Sub-Fund Estate as between those eligible policies allocated to RLMIS' Liver Sub-Fund and RLI DAC's Liver Ireland Sub-Fund. Policies allocated to the Liver Ireland Sub-Fund have no direct contractual rights, as against RLMIS, in respect of the distribution of amounts representing the Liver Sub-Fund Estate; however, RLI DAC has such a right pursuant to the Liver Reinsurance Agreement and that right inures for the benefit of RLI DAC Liver Policyholders.
- 1.6 This Scheme is being undertaken as a scheme of arrangement pursuant to Part 9 of the Companies Act and seeks to compromise the rights of certain policies of RLI DAC allocated to the Liver Ireland Sub-Fund which are eligible for distributions from the Liver Sub-Fund Estate (such policies being the Eligible RLI DAC Liver Policies).
- 1.7 Separately, it is intended that RLMIS will undertake the RLMIS Scheme in order to compromise the rights of Eligible RLMIS Liver Policies held by Eligible RLMIS Liver Policyholders which also have an entitlement to participate in distributions of the Liver Sub-Fund Estate. In particular, the Scheme Contribution to be deducted from the Liver Sub-Fund Estate pursuant to the RLMIS Scheme has been calculated in respect of both Eligible RLI DAC Liver Policyholders and Eligible RLMIS Liver Policyholders.
- 1.8 Paragraph 31.3 of the RLI DAC Part VII Transfer provides that RLMIS and RLI DAC shall consult with each other in relation to any proposed distributions of the Liver Sub-Fund Estate having regard to the interests and fair treatment of With-Profits Policies and Contingent Bonus Policies allocated to the Liver Ireland Sub-Fund and With-Profits Policies and Contingent Bonus Policies allocated to the Liver Sub-Fund. This Scheme and the RLMIS Scheme shall each be undertaken on terms such that the Eligible RLI DAC Liver Policyholders and the Eligible RLMIS Liver Policyholders shall be treated equivalently in respect of the distribution of the Liver Sub-Fund Estate.
- 1.9 This Scheme and the RLMIS Scheme are interconditional such that neither scheme may be implemented unless (i) this Scheme is sanctioned by the Court and (ii) the RLMIS Scheme is sanctioned by the UK High Court and following the sanction of the respective courts referred to in (i) and (ii) having been obtained, this Scheme and the RLMIS Scheme shall be implemented simultaneously on the Implementation Date in accordance with their respective terms.

1.10 RLI DAC and RLMIS have entered into an implementation deed (the “**Implementation Deed**”) pursuant to which they have each agreed to perform (or procure the performance of) all further acts and things as may be required by law or as the other may reasonably require, to implement and/or give effect to the Scheme and the RLMIS Scheme and the transactions contemplated by them. The obligations of RLMIS and RLI DAC pursuant to the Implementation Deed are conditional upon RLI DAC and RLMIS upon the implementation of this Scheme and the RLMIS Scheme. It is proposed that RLI DAC will provide its consent (on behalf of the Eligible RLI DAC Liver Policyholders) within the Implementation Deed to the deduction of the Scheme Contribution from the Liver Sub-Fund Estate pursuant to the RLMIS Scheme.

1.11 Upon implementation of this Scheme and the RLMIS Scheme, the Liver Sub-Fund will be merged into the Royal London Open Fund. The merger of the Liver Sub-Fund into the Royal London Open Fund will be undertaken in accordance with the terms of the RLMIS IoT.

1.12 If this Scheme and the RLMIS Scheme are implemented, then RLMIS and RLI DAC intend to make certain amendments to the Liver Reinsurance Agreement, to reflect the distribution of the Liver Sub-Fund Estate pursuant to this Scheme and the RLMIS Scheme.

2. **THE PROPOSALS TO ELIGIBLE RLI DAC LIVER POLICYHOLDERS**

2.1 RLI DAC is offering each Eligible RLI DAC Liver Policyholder an Uplift to their Eligible Benefits by way of an acceleration of the distribution of the Liver Sub Fund Estate (less the Scheme Contribution) and (in respect of any Eligible RLI DAC Liver Policy which is a With-Profits Policy) to increase (by the Percentage Increase) any Premium Amounts paid in respect of Eligible Contractual Regular Premiums on or after the Implementation Date.

2.2 Any additional amounts payable to an Eligible RLI DAC Liver Policyholder by RLI DAC in accordance with paragraph 2.1 above will constitute a reinsured liability, subject to the terms of the Liver Reinsurance Agreement.

2.3 If this Scheme becomes effective in accordance with its terms (and in particular subject to the condition in paragraph 12.1):

2.3.1 the Liver Sub-Fund Estate shall be reduced by the amount of:

- (a) the payment of the Scheme Contribution to the Royal London Open Fund;
- (b) the Uplift applied by RLI DAC to the Eligible Benefits in respect of each Included RLI DAC Liver Policy;
- (c) the RLMIS Uplift applied by RLMIS to RLMIS Eligible Benefits in respect of each Included RLMIS Liver Policy;

2.3.2 all the Included RLI DAC Liver Policies allocated to the Liver Ireland Sub-Fund immediately prior to the Implementation Date shall remain allocated to the Liver Ireland Sub-Fund; and

2.3.3 the Royal London Open Fund shall assume the reinsurance obligations set out in, and subject to the terms of, the Liver Reinsurance Agreement.

2.4 RLI DAC proposes that:

2.4.1 in consideration of the Royal London Open Fund assuming the Capital Requirements, the Closed Fund Contribution (which forms part of the Scheme Contribution) shall, on and with effect from the Scheme Contribution Date, be debited from the Liver Sub-Fund and credited to the Royal London Open Fund pursuant to the RLMIS Scheme;

2.4.2 the Project Costs Allowance (which forms part of the Scheme Contribution) shall, on and with effect from the Scheme Contribution Date, be debited from the Liver Sub-Fund and credited to the Royal London Open Fund pursuant to the RLMIS Scheme and the Royal London Open Fund shall, on and with effect from the Scheme Contribution Date pursuant

to and in accordance with paragraph 8, assume any and all liability for Project Costs and the Eligible Benefits of the Included RLI DAC Liver Policies shall have no further liability for Project Costs;

- 2.4.3 the Payment Uplift Contribution (which forms part of the Scheme Contribution) shall, on and with effect from the Scheme Contribution Date, be debited from the Liver Sub-Fund and credited to the Royal London Open Fund pursuant to the RLMIS Scheme;
- 2.4.4 RLI DAC shall provide its consent to the RLMIS Scheme within the Implementation Deed and in accordance with the terms of paragraph 4.1 of this Scheme; and
- 2.4.5 RLI DAC shall, in respect of each Eligible Contractual Regular Premium, on each Premium Date increase the Premium Amount by the Percentage Increase and apply the Premium Amount (as so increased) to the relevant Asset Share of an Included RLI DAC Liver Policy which is a With-Profits Policy pursuant to and in accordance with paragraph 5.3.

3. **INTERPRETATION**

Save as otherwise provided, definitions and other provisions relating to interpretation of this Scheme are set out in the Schedule.

THE COMPROMISE

4. THE COMPROMISE

4.1 RLI DAC shall consent to the implementation of the RLMIS Scheme in accordance with the terms of the Implementation Deed so that on and with effect from the Scheme Contribution Date, the following actions shall be each undertaken pursuant to the RLMIS Scheme:

4.1.1 the Liver Sub-Fund Estate shall be debited with the full amount of the Scheme Contribution; and

4.1.2 the full amount of the Scheme Contribution shall be credited to the Royal London Open Fund,

so that upon implementation of the RLMIS Scheme, the liability for the Scheme Contribution shall notwithstanding any term and condition of an Included RLI DAC Liver Policy or any provision of any other document (including the RLMIS Scheme, the RLMIS IoT, the RLI DAC Part VII Transfer, the WPOP and the Liver Sub-Fund PPFM) to the contrary be allocated to, and assets equal to such liability shall be deducted from, the Liver Sub-Fund Estate and credited to the Royal London Open Fund.

4.2 On and with effect from the Implementation Date and in accordance with the Scheme:

4.2.1 the Liver Sub-Fund Estate shall be debited with the aggregate of the Uplift Amounts and each Uplift Amount shall be applied by RLI DAC to the Eligible Benefits in respect of each Included RLI DAC Liver Policy in accordance with paragraphs 5.1 and 5.2;

4.2.2 in respect of any Eligible Contractual Regular Premium, on each Premium Date, RLI DAC shall increase the Premium Amount by the Percentage Increase, and the Premium Amount, as so increased, shall be applied to the Asset Share of the relevant Included RLI DAC Liver Policy on the relevant Premium Date in accordance with paragraph 5.3;

and in order to give effect to paragraph 4.2.1, the liability for the aggregate of the Uplift Amounts shall in accordance with the terms and conditions of the Included RLI DAC Liver Policies be borne by RLI DAC and allocated to the Liver Ireland Sub-Fund, and assets equal to such liability shall pursuant to the RLMIS Scheme be deducted from, the Liver Sub-Fund Estate and credited to the Royal London Open Fund to meet any reinsured liability of RLMIS to RLI DAC pursuant to the Liver Reinsurance Agreement,

(the compromise set out in paragraphs 4.1 and 4.2 being the "**Compromise**").

5. THE UPLIFT AND INCREASES TO THE PREMIUM AMOUNTS

5.1 On and with effect from the Implementation Date, RLI DAC shall apply the Uplift to each Included RLI DAC Liver Policy by increasing the Eligible Benefits attributable to that Policy as at the Implementation Date by the Uplift Amount, calculated in accordance with paragraph 5.2.

5.2 The Uplift Amount in respect of an Included RLI DAC Liver Policy shall be calculated as the value of that Included RLI DAC Liver Policy's Eligible Benefits as at the Implementation Date multiplied by the Percentage Increase, and for the purposes of such calculation, the Uplift Amount shall be rounded to the nearest cent, with such rounding applied on the basis that amounts of 0.5 cents or more shall be rounded upward to the nearest cent and any amounts less than 0.5 cents rounded downward to the nearest cent.

5.3 On and with effect from the Implementation Date, on each Premium Date, RLI DAC shall increase the Premium Amount by the Percentage Increase, and the Premium Amount, as so increased, shall be applied and allocated to the relevant Included RLI DAC Liver Policy's Asset Share as at the relevant Premium Date. For the purposes of the calculation of any such increase to the Premium Amount, such increase shall be rounded to the nearest cent with such rounding applied on the basis

that amounts of 0.5 cents or more shall be rounded upward to the nearest cent and any amounts less than 0.5 cents rounded downward to the nearest cent.

5.4 For the avoidance of doubt:

5.4.1 the application of paragraph 5.3 shall not result in any increase in the amount of Eligible Contractual Regular Premium payable under a relevant Included RLI DAC Liver Policy; and

5.4.2 the Liver Ireland Sub-Fund shall assume liability for any Percentage Increase in respect of any Premium Amount applied pursuant to paragraph 5.3.

6. NO RE-ALLOCATION

All of the Included RLI DAC Policies (including all assets, liabilities, rights, powers and benefits relating thereto) allocated to the Liver Ireland Sub-Fund immediately prior to the Implementation Date shall remain allocated to the Liver Ireland Sub-Fund upon the implementation of this Scheme on the Implementation Date.

ONGOING RIGHTS AND MANAGEMENT

7. MANAGEMENT OF INCLUDED RLI DAC LIVER POLICIES

7.1 On and with effect from the Implementation Date:

7.1.1 the Liver Ireland Sub-Fund shall retain all liability and responsibility to the Eligible RLI DAC Liver Policyholders for the Cost of Smoothing in relation to the Included RLI DAC Liver Policies which are With-Profits Policies;

7.1.2 Smoothing of pay-outs in respect of With-Profits Policies in the Liver Ireland Sub-Fund (including, for the avoidance of doubt, the Included RLI DAC Liver Policies which are With-Profits Policies) shall be calculated and applied in accordance with the WPOP; and

7.1.3 RLI DAC:

(a) shall continue to have recourse to all management actions with respect to the Included RLI DAC Liver Policies that it considers appropriate (acting reasonably and in good faith) in order to facilitate the effective management of the RLI DAC Liver Sub- Fund; and

(b) without prejudice to paragraph 7.1.3(a), may make charges in respect of exceptional events to the Eligible Benefits of the Included RLI DAC Liver Policies in accordance with Schedule 4 - Part 3 of the Amended RLI DAC Part VII Transfer,

provided that RLI DAC shall not take any management action (including that referred to at paragraph (b)) to reduce the Eligible Benefits of the Included RLI DAC Liver Policies nor make any change to the WPOP in relation to the determination of benefits payable under the Included RLI DAC Liver Policies unless (i) the Head of Actuarial Function and (ii) the RLI DAC Board is satisfied that such action is fair and reasonable taking into account the advice of the Head of Actuarial Function, the rationale for this Scheme and for the calculation of the Closed Fund Contribution and the associated representations made by RLI DAC in respect of this Scheme to Included RLI DAC Liver Policyholders.

7.2 For a period of 12 months following the Implementation Date, Smoothing shall not apply to any Uplift Amount.

8. PROJECT COSTS

8.1 On and with effect from the Implementation Date:

8.1.1 the Royal London Open Fund shall assume any and all liability for Project Costs (whether incurred before, on or after the Implementation Date); and

8.1.2 the Included RLI DAC Liver Policies (in respect of their Eligible Benefits or otherwise) shall have no further liability for Project Costs.

9. RIGHTS TO OPEN FUND ESTATE

9.1 On and with effect from the Implementation Date, the Included RLI DAC Liver Policyholders shall have no interest, entitlement, right or expectation to any distributions from the Open Fund Estate.

MISCELLANEOUS PROVISIONS

10. MODIFICATIONS, AMENDMENTS OR ADDITIONS

10.1 RLI DAC may consent for and on behalf of itself and all other persons concerned (other than the Regulator) to any modification of or addition to this Scheme or to any further condition or provision affecting the same which, prior to the sanction of this Scheme, the Court may approve or impose (for the avoidance of doubt, without prejudice to the position which the Regulator may take in relation to any such modification or addition).

10.2 The consent of the Court shall not be required in relation to clerical and/or typographical amendments to the terms of this Scheme (including amendments to correct manifest errors), which may be approved by the RLI DAC Board upon:

10.2.1 RLI DAC having consulted with the RLMIS Board a reasonable period in advance of the implementation of the proposed amendment to the Scheme and taken into account the reasonable comments of the RLMIS Board with respect to the proposed amendment; and

10.2.2 the RLI DAC Board having taken account of advice from the Head of Actuarial Function;

provided that the Regulator has been notified of the terms of the amendment proposed at least 60 days in advance of the amendment being made and have not objected thereto (unless the Regulator has confirmed its non-objection prior to that date).

11. EFFECTIVE DATE OF THE SCHEME

11.1 RLI DAC may, in its absolute discretion, withdraw this Scheme at any time prior to its sanction by the Court.

11.2 This Scheme shall become effective when a copy of the Court Order has been delivered for registration to the Registrar of Companies in accordance with section 454(1) of the Companies Act.

12. IMPLEMENTATION OF THIS SCHEME

12.1 Save as expressly stated otherwise, the Compromise and other provisions of this Scheme shall apply on and from the Implementation Date subject to:

12.1.1 this Scheme having been sanctioned by the Court; and

12.1.2 the RLMIS Scheme having been sanctioned by the UK High Court.

12.2 The Implementation Date shall be 23:59:01 on 31 December 2022 (or such later date and time specified by RLI DAC being no later than the date referred to in paragraph 12.3) (the "**Implementation Date**") and provided that, if the equivalent Implementation Date of the RLMIS Scheme is delayed for any reason pursuant to paragraph 12.2 thereof, the Implementation Date for the purposes of this Scheme shall occur on the same date and time as (and for the avoidance of doubt, shall occur no earlier than) the equivalent Implementation Date of the RLMIS Scheme. If the Implementation Date for the purposes of this Scheme is to be delayed from 23:59:01 on 31 December 2022 pursuant to this paragraph 12.2, RLI DAC shall notify the Regulator and comply with its requirements, if any, as to notification of Included RLI DAC Liver Policyholders of the delay.

12.3 Unless the Implementation Date shall have occurred on or before 23:59:00 on 31 March 2023, this Scheme shall lapse and none of its terms shall apply.

13. CONFLICTS

In the event of any conflict between the provisions of this Scheme and the RLMIS IoT, the provisions of this Scheme shall prevail.

14. **GOVERNING LAW**

14.1 This Scheme shall be governed by, and construed in accordance with, Irish law. Subject to paragraph 14.2, the Included RLI DAC Liver Policyholders agree that the Court shall have exclusive jurisdiction to hear and determine any Proceedings and to settle any dispute which may arise out of or in connection with this Scheme and any documents sent to or any communications with any of the Included RLI DAC Liver Policyholders in relation to:

14.1.1 the Compromise between RLI DAC and the Included RLI DAC Liver Policyholders to be implemented pursuant to this Scheme; and

14.1.2 any action taken or omitted to be taken under this Scheme or the administration of this Scheme,

and for such purposes the Included RLI DAC Liver Policyholders irrevocably submit to the jurisdiction of the Court provided however that nothing in this paragraph 14 shall affect the validity of any provisions determining governing law and/or jurisdiction between RLI DAC and any of the Included RLI DAC Liver Policyholders whether or not contained in any Policy.

14.2 Nothing in this Scheme shall limit or otherwise affect any rights which any person (including any Included RLI DAC Liver Policyholder) may have to refer any complaint to the Financial Services and Pension Ombudsman or any jurisdiction which the Financial Services and Pension Ombudsman may have to consider and determine any such complaint or any complaint currently with the Financial Services and Pension Ombudsman. Accordingly, and without prejudice to the generality of the foregoing, Included RLI DAC Liver Policyholders shall be entitled to submit any complaint to the Financial Services and Pension Ombudsman regarding the application of this Scheme by RLI DAC (including any action taken or determination made by RLI DAC pursuant to this Scheme) which falls within the jurisdiction of the Financial Services and Pension Ombudsman.

SCHEDULE

DEFINITIONS AND INTERPRETATION

1. DEFINITIONS

In this Scheme, unless the context otherwise requires or otherwise expressly provides, the following terms bear the following meanings:

"2015 Regulations"	means the European Union (Insurance and Reinsurance) Regulations 2015;
"Amended RLI DAC Part VII Transfer"	means the amended version of the RLI DAC Part VII Transfer which shall be effective from 23.59.02 on the Implementation Date;
"Asset Share(s)"	in relation to an Eligible RLI DAC Liver Policy which is a With-Profits Policy, means (in respect of that Policy's With-Profits Benefits) a retrospective accumulation, at the rates of investment return earned on the assets backing such Asset Share, of the premiums paid under the Policy less the costs and charges attributable to the Policy and allowance for Taxation, enhancements and deductions as determined by the RLI DAC Board in a manner consistent with the terms of the Amended RLI DAC Part VII Transfer Scheme. Such an Asset Share may be an estimate of the Asset Share of the relevant With-Profits Policy derived from the Asset Share of one or more specimen With-Profits Policies, which have been selected to represent a group of the With-Profits Policies. References to Asset Share shall also include, where appropriate, references to an alternative measure of benefits as permitted by the provisions of paragraph 9 of the Core Principles of Financial Management contained in schedule 3 of the Amended Part VII Transfer Scheme;
"Calculation Date"	means 31 March 2022;
"Capital Requirements"	means the capital required to be held by RLMIS from time to time in respect of the business allocated or reassured to the Liver Sub-Fund immediately prior to the Implementation Date and in accordance with the UK Solvency II Requirements;
"CB Claim Value"	in relation to an Eligible RLI DAC Liver Policy which is a Contingent Bonus Policy, means the total value of any guaranteed benefits together with any attaching contingent bonuses allocated to such Policy;
"Closed Fund Contribution"	means the amount of STG £43,240,000 (forty-three million two hundred and forty thousand pounds Sterling) which, as a component of the overall Scheme Contribution, is to be debited from the Liver Sub-Fund Estate and credited to the Royal London Open Fund pursuant to the RLMIS Scheme;
"Closed Funds"	has the meaning given to it at paragraph 1.1;
"COBS"	means the Conduct of Business Sourcebook issued by the FCA and forming part of the FCA Rules;
"Companies Act"	means the Companies Act 2014 (as amended);
"Compromise"	has the meaning given to it in paragraph 4.2;

“Contingent Bonus Policy”	means a non-profit Policy under which the holder has eligibility to participate in discretionary distributions from the Liver Sub-Fund Estate, payable by the addition of final bonuses to such Policy, as documented in the RLMIS IoT and the Liver Sub-Fund PPFM and provided for in paragraph 31.1 of the RLI DAC Part VII Transfer Scheme;
“Cost of Smoothing”	means any additional liability that arises as a result of Smoothing;
“Court”	means the High Court of Ireland;
“Court Order”	means an order made by the Court sanctioning this Scheme (including any subsequent order);
“Cut-off Date”	means 23:59:00 on 31 December 2021;
“Eligible Benefits”	means: <ul style="list-style-type: none"> (a) in respect of an Eligible RLI DAC Liver Policy which is a With-Profits Policy, such Policy’s Asset Share as at the Implementation Date which shall (i) include any regular premium paid in accordance with the terms of the Eligible RLI DAC Liver Policy following the Cut-Off Date and prior to the Implementation Date and (ii) disregard any additional premium paid or top-ups, increments or switches made after the Cut-Off Date or in respect of any period after the Cut-Off Date; and (b) in respect of an Eligible RLI DAC Liver Policy which is a Contingent Bonus Policy, such Policy’s CB Claim Value as at the Implementation Date;
“Eligible Contractual Regular Premiums”	means any regular premium due and paid on or after the Implementation Date pursuant to the terms and conditions of an Included RLI DAC Liver Policy which is a With-Profits Policy, and excluding; <ul style="list-style-type: none"> (a) any additional premium paid, or top-ups, increments or switches made, after the Cut-Off Date or in respect of any period after the Cut-Off Date; and (b) any premium paid in respect of any unit-linked or other benefit that does not relate to With-Profits Benefits;

“Eligible RLI DAC Liver Policy”	<p>means a With-Profits Policy or a Contingent Bonus Policy allocated to the Liver Ireland Sub-Fund which is not an Excluded Policy and:</p> <ul style="list-style-type: none"> (a) which will not have reached its scheduled maturity prior to the Reference Date; (b) which has not been claimed in full (or come into payment in full) on maturity, retirement, surrender, transfer or death (in each case in accordance with the terms of the Policy) as at the Calculation Date or as at the date of the Policyholder Meeting; and (c) in respect of which the Eligible RLI DAC Liver Policyholder has not (in accordance with the terms of the Policy) ceased to be entitled to receive benefits as at the Calculation Date or as at the date of the Policyholder Meeting, <p>and excluding, for the avoidance of doubt, any policy allocated to the Liver Sub-Fund;</p>
“Eligible RLI DAC Liver Policyholders”	means any person who is the legal holder of an Eligible RLI DAC Liver Policy as at the Calculation Date,
“Eligible RLMIS Liver Policy”	shall have the meaning given to it in the RLMIS Scheme;
“Eligible RLMIS Liver Policyholders”	shall have the meaning given to it in the RLMIS Scheme;
“Encumbrance”	means any mortgage, charge, pledge, security assignment, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, any other encumbrance or security interest of any kind and any other type of preferential arrangement (including title transfer and retention agreements) having a similar effect;
“Excluded Policy”	<p>means:</p> <ul style="list-style-type: none"> (a) a With-Profits Policy allocated to the Liver Ireland Sub-Fund immediately prior to the Calculation Date in respect of which, based on RLI DAC's best estimate assumptions applied as at the Calculation Date, the projected value of the benefits payable under the With-Profits Policy as at the expected date of claim is not expected to be increased by the application of the Uplift and, if applicable, the increase in the Premium Amounts under this Scheme; and (b) any other Policy allocated to the Liver Ireland Sub-Fund which is not an Eligible RLI DAC Liver Policy;
“FCA”	means the Financial Conduct Authority, or such other governmental, statutory or other authority as shall from time to time carry out such functions in relation to long-term insurance business carried on in the United Kingdom as were at the date of this Scheme allocated to the Financial Conduct Authority under FSMA;
“FCA Rules”	means the rules and guidance contained in the FCA Handbook of Rules and Guidance;

“FSMA”	means the Financial Services and Markets Act 2000 of the United Kingdom;
“Fund Consolidation Project”	has the meaning given to it in paragraph 1.1;
“Head of Actuarial Function”	means the head of actuarial function of RLI DAC appointed in accordance with the “ <i>Domestic Actuarial Regime and Related Governance Requirements</i> ” issued by the Central Bank of Ireland;
“Implementation Date”	has the meaning given to it in paragraph 12.2;
“Implementation Deed”	has the meaning given to it in paragraph 1.10;
“Included RLI DAC Liver Policy”	<p>means an Eligible RLI DAC Liver Policy;</p> <p>(a) which has not been claimed in full (or come into payment in full) on maturity, retirement, surrender, transfer or death (in each case in accordance with the terms of the Policy); and</p> <p>(b) in respect of which the Eligible RLI DAC Liver Policyholder has not (in accordance with the terms of the Policy) ceased to be entitled to receive benefits;</p> <p>in each case as at the Reference Date;</p>
“Included RLI DAC Liver Policyholder”	means any person who is the legal holder of an Included RLI DAC Liver Policy as at the Reference Date;
“Included RLMIS Liver Policy”	has the meaning given to it in the RLMIS Scheme;
“Liver”	means Royal Liver Assurance Limited, a friendly society originally incorporated under the Friendly Societies Act, 1992 of the United Kingdom which had its registered office at Royal Liver Building, Pier Head, Liverpool L3 1HT and which was an original party to the RLMIS IoT and which was dissolved on 6 March 2012;
“Liver Ireland Sub-Fund”	means the with-profits sub-fund of RLI DAC bearing the name “ <i>Liver Ireland Sub-Fund</i> ”;
“Liver Reinsurance Agreement”	means the reinsurance agreement entered into between RLMIS (as reinsurer) and RLI DAC (as cedant) dated 6 February 2019 (with an effective date of 1 January 2019) in relation to the 100% quota share reinsurance by RLMIS of the RLI DAC Liver Policies, and as amended from time to time;
“Liver Sub-Fund”	means the with-profits sub-fund of RLMIS established pursuant to the RLMIS IoT in connection with the transfer of the business of Liver to RLMIS and bearing the name “ <i>Royal Liver Sub-Fund</i> ”;
“Liver Sub-Fund Estate”	means an amount representing the total realistic value of the aggregate of the assets within the Liver Sub-Fund less the total realistic value of the aggregate of the liabilities of the Liver Sub-Fund and excluding any surplus in respect of any employee pension schemes allocated to the Liver Sub-Fund;

“Liver Sub-Fund PPFM”	means the Principles and Practices of Financial Management of the Liver Sub-Fund, dated October 2020;
“Open Fund Estate”	means the excess of the assets realistically required to meet the current expectations of policyholders with policies allocated to the Royal London Open Fund and to settle other liabilities relating to each class of business allocated to the Royal London Open Fund;
“Payment Uplift Contribution”	means the amount of STG £3,300,000.00 (three million three hundred thousand pounds Sterling), which, as a component of the overall Scheme Contribution, is to be debited from the Liver Sub-Fund Estate and credited to the Royal London Open Fund pursuant to the RLMIS Scheme;
“Percentage Increase”	means 23.1 per cent;
“Policy”	means a contract of life insurance or a contract effected to provide pension (including an annuity), lump sum, gratuity or other like benefit given or to be given on or in relation to retirement, death or by virtue of a pension sharing order or provision, underwritten by (i) RLMIS and allocated to the Liver Sub-Fund (whether originally written by, or transferred to, RLMIS) or (ii) RLI DAC and allocated to the Liver Ireland Sub-Fund (as appropriate) and as amended from time to time;
“Policyholder”	means the holder of a Policy;
“Policyholder Meeting”	means the meeting of Eligible RLI DAC Liver Policyholders convened by the Court for the purpose of considering and, if thought fit, approving, this Scheme;
“PPFM”	means the principles and practices of financial management document prepared and maintained by RLMIS from time to time in respect of, <i>inter alia</i> , the Royal London Open Fund as required by COBS 20.3.1R;
“PRA”	means the Prudential Regulation Authority or such other governmental, statutory or other authority as shall from time to time carry out such functions in relation to providers of long-term insurance business carried on in the United Kingdom as were at the date of this Scheme allocated to the Prudential Regulation Authority under FSMA;
“PRA Rulebook”	means the rules and guidance contained in the rulebook issued by the PRA;
“Premium Amount”	means the amount of any Eligible Contractual Regular Premium;
“Premium Date”	means any date on or after the Implementation Date upon which any Eligible Contractual Regular Premium is paid;

“Proceedings”	means any action or other legal or administrative proceedings or step (whether direct or indirect, by way of a claim, demand, legal proceedings, execution of judgment, arbitration, complaint or otherwise) including arbitration, mediation, adjudication, any other dispute resolution procedure (whether or not it involves submission to any court), any judicial, quasi-judicial, administrative or regulatory review or process or any complaint or claim to any court, authority or ombudsman, including the Financial Services and Pension Ombudsman, or other proceedings for the resolution of a dispute or claim, in each case whether current, future, pending, threatened or otherwise (including those not yet in contemplation);
“Project Costs”	means the costs, expenses and liabilities (actual or best estimated) in respect of, <i>inter alia</i> , actuarial, legal, communications and project management costs and regulatory fees incurred or to be incurred in respect of the Fund Consolidation Project and certain product changes applicable to the Closed Funds;
“Project Costs Allowance”	means the amount of STG £7,200,000 (seven million two hundred thousand pounds Sterling), being the portion of the Project Costs, including an amount in consideration of the assumption by the Royal London Open Fund of liability pursuant to paragraph 8.1.1, which as a component of the overall Scheme Contribution, is to be debited from the Liver Sub-Fund Estate and credited to the Royal London Open Fund pursuant to the RLMIS Scheme;
“Reference Date”	means 23:59:00 on 31 December 2022;
“Registrar of Companies”	means the Registrar of Companies in Ireland;
“Regulator”	means the Central Bank of Ireland;
“RLI DAC”	means Royal London Insurance D.A.C, a designated activity company registered in Ireland with number 630146, whose registered office is at 47-49 St. Stephen’s Green, Dublin 2 Ireland;
“RLI DAC Board”	means the board of directors of RLI DAC or any duly constituted committee or representative thereof;
“RLI DAC Liver Policies”	means those Policies allocated to the Liver Ireland Sub-Fund at the Calculation Date;
“RLI DAC Liver Policyholders”	means the holders of RLI DAC Liver Policies;
“RLI DAC Part VII Transfer”	means the scheme of transfer pursuant to Part VII of the Financial Services and Markets Act 2000, between RLMIS and RLI DAC which took effect on 1 January 2019 and, for the avoidance of doubt, disregarding any amendments made to the terms of that scheme of transfer proposed to be made by way of separate application in conjunction with this Scheme;
“RLMIS”	means The Royal London Mutual Insurance Society Limited, a company limited by guarantee and not having a share capital and incorporated in England and Wales with registered number 99064, whose registered office is at 55 Gracechurch Street, London EC3V 0RL;

“RLMIS Eligible Benefits”	has the meaning given to the term “ <i>Eligible Benefits</i> ” in the RLMIS Scheme;
“RLMIS IoT”	means the instrument of transfer under the Friendly Societies Act 1992 between Liver and RLMIS with an effective date of 1 July 2011 (as amended and restated with effect from 7 February 2019 and as further amended and restated with effect from 23:59:02 on the Implementation Date), pursuant to which all of the long-term business of Liver was transferred to RLMIS;
“RLMIS Scheme”	means the scheme of arrangement to be made pursuant to Part 26 of the UK Companies Act 2006 in the UK High Court by RLMIS in respect of Eligible RLMIS Liver Policies allocated to the Liver Sub-Fund on or around the date of this Scheme with or subject to any modification, amendment or addition made in accordance with its terms;
“RLMIS Uplift”	means the increase to the RLMIS Eligible Benefits of each Included RLMIS Liver Policy in the Liver Sub-Fund calculated in respect of and allocated to each Included RLMIS Liver Policy in accordance with the RLMIS Scheme;
“Royal London Open Fund”	means the with-profits fund of Royal London that bears the name “ <i>Royal London Open Fund</i> ”;
“Scheme”	means this scheme of arrangement made pursuant to Part 9 of the Companies Act with or subject to any modification, amendment or addition made in accordance with its terms;
“Scheme Contribution”	means the aggregate of the Closed Fund Contribution, the Project Costs Allowance and the Payment Uplift Contribution;
“Scheme Contribution Date”	means 23:58:00 on the day on which the Implementation Date occurs;
“Smoothing”	means the mechanism by which surpluses are distributed fairly and smoothly amongst With-Profits Policies from one period to the next, as applied in accordance with the WPOP and the PPFM;
“UK High Court”	means the High Court of Justice of England and Wales;
“UK Solvency II”	means Directive 2009/138/EC of the European Parliament and the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance as enacted in the law of the United Kingdom by the European Union (Withdrawal Agreement) Act 2020 and subordinate legislation;
“UK Solvency II Requirements”	means UK Solvency II and any legislation, regulation, decision, order, decree, determination, award, standard, guidance or rule which implements, gives effect to or is made pursuant to UK Solvency II including the PRA Rulebook or any such other legislation or enactment as shall from time to time enact the same provisions as any of the foregoing in the United Kingdom;
“Uplift”	means the increase to the Eligible Benefits of each Included RLI DAC Liver Policy calculated, in respect of each Included RLI DAC Liver Policy, in accordance with paragraph 5.2 and allocated to each Included RLI DAC Liver Policy pursuant to paragraph 5.1;

“Uplift Amount”	means, in respect of an Included RLI DAC Liver Policy, the amount of the Uplift;
“With-Profits Benefits”	in respect of a With-Profits Policy, means that part of such Policy which confers an entitlement to participate in discretionary distributions from a with-profits fund;
“With-Profits Policy”	means a Policy (or part thereof) which is not a Contingent Bonus Policy which entitles the holder to participate in discretionary distributions based on profits arising from the Liver Ireland Sub-Fund’s business and distributions from the Liver Sub-Fund Estate, payable by the addition of bonuses to the Policy; and
“WPOP”	means the With-Profits and Operating Principles of the Liver Ireland Sub-Fund prepared by RLI DAC in accordance with the “ <i>Domestic Actuarial Regime and Related Governance Requirements under Solvency II</i> ” issued by the Central Bank of Ireland.

2. INTERPRETATION

In this Scheme and its Schedule, unless the context otherwise requires or otherwise expressly provides:

- 2.1 **"asset"** includes assets, loans, real property, cash, Encumbrances, causes of actions, rights and powers of every description (whether present or future, actual or contingent), including income or interest accrued but unpaid, and includes property held on trust and securities, benefits, powers of any description and any interest whatsoever in any of the foregoing;
- 2.2 any reference to "including" or "includes" means "including without limitation" or "includes without limitation" (as the case may be);
- 2.3 any reference to the singular shall include a reference to the plural and vice versa and any reference to the masculine shall include a reference to the feminine and neuter and vice versa;
- 2.4 any reference to an enactment, a statutory provision or any subordinate legislation shall be deemed to include a reference to that enactment, statutory provision or subordinate legislation as amended, replaced or re-enacted from time to time whether before or after the Implementation Date (as applicable) and to any instrument or order made whether before or after the Implementation Date (as applicable) under such enactment, statutory provision or subordinated legislation;
- 2.5 any reference to any rules or regulations issued by the Regulator shall be deemed to include a reference to such rules or regulations as amended, replaced or re-enacted from time to time whether before or after the Implementation Date (as applicable);
- 2.6 any reference to this Scheme shall include the Schedule to it and, unless otherwise specified, references to paragraphs, Parts or the Schedule are to paragraphs, Parts or Schedule to this Scheme;
- 2.7 any reference to (or to any specified provision of) this Scheme shall be construed as a reference to this Scheme (or that provision) as in force for the time being and as modified in accordance with the terms of this Scheme;
- 2.8 any reference to a calculation, decision, determination or opinion of any of the RLI DAC Board (or any similar expression) shall be deemed to include a calculation, decision, determination or opinion of a duly constituted committee or duly authorised representative of the RLI DAC Board;
- 2.9 if a period of time is specified from a given day or date or from the day or date of an actual event, it shall be calculated exclusive of that day or date;

- 2.10 any reference to a time shall be construed as a reference to that time according to GMT or (if applicable) BST;
- 2.11 the expression "**variation**" shall include any variation, supplement, deletion, replacement or termination, however effected;
- 2.12 headings are inserted for convenience only and shall not affect the interpretation of this Scheme;
- 2.13 any reference to a person shall include a reference to an individual, firm, partnership (whether or not having separate legal personality), company, body corporate, an unincorporated association or body of persons, or to a person's executors or administrators, and for the avoidance of doubt, shall include a trustee;
- 2.14 any reference to writing shall include any modes of reproducing words in a legible and non-transitory form; and
- 2.15 any reference to an amount shall be exclusive of any applicable value added or other tax.

End.