

# SUMMARY OF THE SCHEME

## **Introduction**

The Scheme brings together, and in certain places amends, the provisions in the existing schemes which apply to the companies. This has been done to simplify operation of the Scheme and reflect recent developments, for example in relation to law and regulation.

The summary of the Scheme also applies to the Jersey Scheme and the Guernsey Scheme, except that these schemes do not affect SLPF and the relevant courts are the Royal Court of Jersey and the Royal Court of Guernsey, rather than the High Court.

## **Transfer of business**

Subject to approval of the High Court, on the transfer date, expected to be 27 October 2023, the three transferring companies (PLAL, SLAL and SLPF) will transfer all their policies and business to Phoenix. For accounting and financial reporting purposes, the Scheme will be treated as effective between Phoenix and the transferring companies from 30 September 2023. However, this will not affect policyholders or their rights against the transferring companies.

## **Treatment of existing schemes**

The Scheme will replace a number of existing schemes covering Phoenix and the transferring companies. In certain places the Scheme amends the provisions in the existing schemes to simplify operation of the Scheme and reflect recent developments, for example in relation to law and regulation. Certain other schemes will continue, including the SLAL 2019 Scheme which will be amended to replace SLAL with Phoenix. The replacement of the Phoenix and PLAL schemes is subject to the approval of the High Court. The replacement of the SLAL Schemes and the continuation of the SLAL 2019 Scheme are subject to the approval of the Court of Session.

## **Allocation of policies**

Policies in PLAL and SLAL with-profits funds will transfer to corresponding new with-profits funds to be established in Phoenix. All other SLAL and PLAL policies will transfer to the Phoenix Non-Profit Fund.

The policies of SLPF are currently reinsured to the Heritage With-Profits Fund and Proprietary Business Fund in SLAL. These policies will transfer to the new Heritage With-Profits Fund in Phoenix and the Phoenix Non-Profit Fund respectively.

No business will transfer into the existing Phoenix with-profits funds, and no Phoenix policies will transfer under the Scheme.

## **Reinsurance**

Phoenix will replace the relevant transferring company in all external third party reinsurance arrangements that the transferring companies are currently party to, and these will continue to operate in the same way as they did before the transfer.

Reinsurance agreements between Phoenix and PLAL, or between SLAL and SLPF, will either stop where they are not needed, or will be replaced by inter-fund agreements between the funds of Phoenix to achieve the same financial effect. Similarly, arrangements between funds in the transferring companies or Phoenix, will be replicated between the equivalent successor funds in Phoenix.

## **Capital policy**

The Scheme will set out a capital policy which underpins the amount of capital Phoenix will hold over that required by regulation. The capital policy will include three tests: a capital quantity test, a capital quality test and a capital event test, sometimes called a 'capital event business requirement'. Phoenix must hold enough additional capital to satisfy all of the tests.

The capital policies set out in the current Phoenix and PLAL schemes contain a capital test which has a similar purpose to the capital quantity test, but the capital quality test and capital event test are additional policyholder protections. In practice SLAL already holds capital to meet all three tests.

## **Costs**

The costs and expenses will be met by the Phoenix Shareholders' Fund. No costs will be passed on to customers.

## **Amendments to the Scheme**

Phoenix and the transferring companies are allowed to make amendments or additions to the Scheme if they follow a specific process. This process involves making an application to the High Court, notifying the regulators, publicising the amendment if so directed by the High Court and obtaining a certificate from an independent actuary, stating that in their opinion the proposed amendments will not materially adversely affect the security or reasonable expectations of policyholders. However, this process does not have to be followed if only minor or technical amendments are being made or if the Scheme specifically permits an amendment without going through this process.