

Appendix 1: Independent Expert Terms of Reference

Scope of the work of the Independent Expert in relation to the proposed scheme (the "Scheme")

The Scheme Reports are to consider the terms of the Scheme generally and the effect which the Scheme will have on the holders of long-term policies of the Companies.

In preparing the Scheme Reports, the Independent Expert must have regard to the duty that he owes to assist the High Court on those matters within his expertise. This duty overrides any obligations to the Companies. The Scheme Reports apply equally to business written by the Companies in Jersey and Guernsey as they do to business written in the UK, and may therefore be used to satisfy the requirement for a report by an independent actuary on the terms of the local schemes in those jurisdictions (to the extent that any such local schemes are required).

In particular the Scheme Reports should consider the following specific matters:

- The matters listed in SUP 18.2.33G, 18.2.36G and 18.2.39G.
- The impact of the Scheme on the security of the different groups of policyholders involved in the Scheme.
- The impact of the Scheme on the benefit expectations of the different groups of policyholders involved in the Scheme.
- Consideration of any change in tax that may be charged to policies or policyholder funds, or other loss of favourable tax status.
- A review of, and opinion on the adequacy of, the communications made to policyholders concerning the Scheme.
- The impact of the Scheme on the level of service (including administration and investment management services) provided to the different groups of policyholders involved in the Scheme.
- The adequacy of any safeguards in the Scheme to protect the ongoing interests of different groups of policyholders.
- Any other matters drawn to the attention of the Independent Expert by the Regulators or required by the Regulators to be addressed within the Scheme Reports.

The Scheme Reports will be prepared with due regard to the guidance set out in SUP 18.32G, 18.34G, 18.35G, 18.37G, 18.40G and 18.41G and other relevant guidance.

The review and Scheme Reports will address generally the way in which the Companies have conducted their long-term business but taking into account the particular circumstances of the class of business to be transferred. It will consider inter alia the following aspects of each Company:

- The Memorandum and the Articles of Association, at least insofar as these affect the rights, expectations and interests of policyholders.
- To the extent potential concerns arise, consideration of the terms of policies issued by each Company or otherwise held by policyholders of each Company.

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- The existing and proposed internal working arrangements relating to the financial management of the long-term business funds of each Company, including the operational and administrative arrangements which will apply to the policies to be transferred under the terms of the Scheme.
- The terms and conditions expected to be imposed by the Scheme to be presented to the Court and the terms and conditions of any other schemes or arrangements in overseas jurisdictions which may be required to transfer certain policies, including the views expressed by the governing body or management of each Company.
- The terms of any previous schemes of transfer that created particular rights or protections for a class of policyholders within one or more of the Companies.

The above list is not intended to be exclusive of any other aspects which may be identified during the completion of the project and which are considered to be relevant.

The Independent Expert shall not be directly involved in the formulation of the proposed transfer although he will be expected to give guidance during the evolution of the detailed proposals on those issues which are of concern to him, or which he considers unsatisfactory.