

THE HIGH COURT

2012 / No.

IN THE MATTER OF **HALIFAX ASSURANCE IRELAND LIMITED**

AND IN THE MATTER OF **ST ANDREW'S LIFE ASSURANCE PLC**

AND IN THE MATTER OF **THE ASSURANCE COMPANIES ACT 1909, THE INSURANCE ACT 1989, AND  
THE EUROPEAN COMMUNITIES (LIFE ASSURANCE) FRAMEWORK REGULATIONS 1994 (AS  
AMENDED)**

**To:** The High Court

The Humble Petition of the Directors of Halifax Assurance Ireland Limited (**HAIL**) and St Andrew's Life Assurance plc (**SALA**) (together, the **Petitioners**) whose respective names and addresses are set out in the First Schedule to this Petition shows as follows:

**INTERPRETATION**

In this Petition, all words and expressions shall have the meanings set out in the Appendix to the Life Scheme attached at the Second Schedule to this Petition, which documents the arrangement for the transfer of the life assurance business currently being carried out by HAIL (the **Life Scheme**), unless expressly defined in this document.

**OBJECT OF PETITION**

1. This Petition seeks the sanction of this Honourable Court, in accordance with the provisions of Section 13 of the Assurance Companies Act 1909 (as amended) (the **1909 Act**), Section 36 of the Insurance Act 1989 (the **1989 Act**) and Article 35 of the European Communities (Life Assurance) Framework Regulations 1994 (as amended) (the **1994 Regulations**), to an arrangement for the transfer of the life assurance business currently carried out by HAIL (as more particularly described in the Life Scheme as the Transferring Business, incorporating the Transferring Policies, the Transferring Assets, the Records and the Transferring Liabilities), to SALA, pursuant to the terms of the Life Scheme.

**INTRODUCTION**

2. As described in more detail in this Petition, the majority of the Transferring Policies are not "stand alone" life insurance policies issued by HAIL. The Transferring Policies comprise the life assurance risks of payment protection insurance business (**PPI**) underwritten by HAIL. Most of the PPI underwritten by HAIL also included a non-life insurance component, underwritten by Halifax Insurance Ireland Limited (**HIIL**), a sister company of HAIL, incorporated in Ireland and authorised by the Central Bank of Ireland as a non-life insurance undertaking.

3. At the time of hearing of this Petition, it is intended that HIL will also seek the sanction of this Honourable Court in accordance with the provisions of Section 13 of the 1909 Act, Section 36 of the 1989 Act and Article 12 of the European Communities (Non-Life Insurance) Framework Regulations 1994 (as amended), to an arrangement for the transfer of the non-life insurance business currently carried out by HIL to another group company incorporated in the United Kingdom, St Andrew's Insurance plc (**StAI**). The transfer of the non-life business of HIL to StAI includes the transfer of certain stand alone non-life insurance risks underwritten by HIL and certain PPI policies underwritten by HIL where the life component was underwritten by SALA, (as described in the Petition to be presented to this Honourable Court by HIL and StAI).
4. Subject to the sanction of this Honourable Court to both (i) the Life Scheme, as described herein; and (ii) the sanction of the related proceedings brought by HIL and StAI to approve a scheme transferring the non-life insurance business of HIL to StAI (the **Non-Life Scheme**), the Petitioners intend that from the Effective Date, the Transferring Policies will be jointly underwritten by StAI and SALA.

### **CONSTITUTION AND BUSINESS**

5. The principal objects, pertinent powers and particulars of HAIL are as follows:
  - 5.1. HAIL was incorporated in the State on 28 March 2000 as a private limited company under the name of "Nottan Limited", with company registration number 323922. Nottan Limited changed its name to Halifax Assurance Ireland Limited on 23 August 2000. Shortly after its incorporation, HAIL became a direct and wholly owned subsidiary of Halifax Jersey Holdings Limited, a private limited company incorporated in Jersey under registration number 71245. Halifax Jersey Holdings Limited was part of the Halifax Group, the ultimate parent of which was Halifax Group plc. Halifax Group plc merged with the Governor and Company of the Bank of Scotland in 2001, forming HBOS plc, in 2009 HBOS plc was taken over by Lloyds TSB Group plc, which was subsequently renamed as Lloyds Banking Group plc (**Lloyds Banking Group**). The shares of Lloyds Banking Group are listed on the New York and London Stock Exchanges. Consequently, HAIL is a subsidiary of Lloyds Banking Group and forms part of the group of companies of which Lloyds Banking Group is the ultimate shareholder (referred to herein as the **Group**).
  - 5.2. The registered office of HAIL is at Dromore House, East Park, Shannon, Co. Clare. HAIL has an authorised share capital of STG£2,500,000 divided into 2,500,000 Ordinary Shares of STG £1 each and €2 divided into 2 Ordinary Shares of €1 each, all of which have been issued as described below.
  - 5.3. Upon incorporation, one Ordinary Share of €1 in HAIL was issued to each of the original subscribers: MFSD Holdings Limited an Irish incorporated company with registered number 90163 and MFSD Nominees Limited an Irish incorporated company with registered number 87439. Both of these €1 Ordinary Shares were transferred to Halifax Jersey Holdings Limited,

a private limited company incorporated in Jersey shortly thereafter on 28 July 2000. On 17 November 2000, a further 2,500,000 Ordinary Shares of STG£1 each were issued to Halifax Jersey Holdings Limited. The Ordinary Shares in HAIL were transferred to St Andrew's Group plc (**STAG**) in 2004.

- 5.4. The current shareholder of HAIL is STAG, a public limited company incorporated in the United Kingdom on 13 January 1995 under registration number 03011193. STAG was incorporated as a subsidiary company within the Bank of Scotland Group to act as a marketing vehicle and administrator for STAI and SALA. The issued share capital in STAG was transferred to CHH Holdings plc on 1 March 1996, another company within the Bank of Scotland group. CHH Holdings plc was reregistered as HBOS GI plc on 6 July 2004. HAIL is therefore part of the insurance division of the Group. HAIL's ultimate holding company is Lloyds Banking Group plc. The Group is the largest retail bank in the UK, with strong positions in a number of sectors. HAIL and HAIL form part of the Group's Insurance division along with the following principal underwriters: Scottish Widows plc, Scottish Widows Annuities Limited, Clerical Medical Investment Group Limited, Halifax Life Limited, SALA, Lloyds TSB General Insurance Limited and STAI. The Group's insurance division is made up of both life and general insurance businesses. The combined operation of the Group's insurance businesses place the Group as the leading bancassurance provider in the UK, with one of the largest intermediary sales forces in the industry. It also offers insurance products through its branch network, direct sales force and strategic corporate partners.
- 5.5. On 1 January 2001, HAIL was authorised by the Minister for Enterprise, Trade and Employment (the then competent financial services regulator and a predecessor to the Central Bank of Ireland) to undertake the business of life assurance in classes I and IV as referred to in Annex I to the 1994 Regulations. That authorisation remains in full force and effect.
- 5.6. HAIL is an assurance company for the purpose of the 1909 Act and is subject to the provisions of the Insurance Acts, 1909-2000 and all regulations made under those Acts and all regulations relating to insurance under the European Communities Act 1972 (the **Acts**).
- 5.7. HAIL's principal object as set out in its Memorandum of Association is "to carry on the business of life insurance in any or all of any of the class(es) as authorised by the Minister for Enterprise Trade & Employment as defined in the First Council Directive of the European Economic Community of 5 March 1979 on the co-ordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of direct life assurance".
- 5.8. HAIL began writing business on 1 January 2001 into the United Kingdom under the Halifax brand name. Since its authorisation, HAIL underwrote the life assurance and permanent health insurance components of various different types of PPI. The non-life insurance component of the majority of those policies was underwritten by HAIL, HAIL's sister company. HAIL and HAIL offered PPI to cover the risk of the policyholder becoming unable to repay a credit card, bill or loan debt, mortgage, or overdraft repayment. Different levels and combinations of cover were offered under different products. HAIL wrote a number of stand alone single premium life

insurance products to cover the repayments of unsecured loans in the event of critical illness, death, or (in certain cases, accident and sickness cover where the contract terms exceeded five years). A full description of the different insurance products underwritten by HAIL is set out in the Third Schedule to this Petition.

- 5.9. HAIL only carried on business in the United Kingdom and did not issue products in any other jurisdiction. HAIL offered these products primarily to Group customers through the Group retail network, with a small number of HAIL products being sold by the Group's direct sales force through call centres in Ireland and the UK. HAIL also offered products to customers of SAV Credit Limited, a corporate partner of the Group, under the brand name 'Aqua'
- 5.10. As at 31 December 2011, HAIL's audited accounts indicate total assets of STG£112,993,343 and total funds under management of STG£92,434,112. HAIL's management accounts as at 31 March 2012 indicate total assets of STG£107,733,485 and total funds under management of STG £91,481,936.
- 5.11. As at 31 May 2012, HAIL had a total of 438,499 PPI policies in issue (the **Transferring Policies**). HAIL wrote 435,790 jointly with HIL and 2,709 on a stand-alone basis. All of the Transferring Policies were issued to policyholders who were at the time of issue resident in the United Kingdom. As at 14 May 2012, HAIL's policyholder records indicate that of the Transferring Policies, 2558 are issued to policyholders that now reside outside the United Kingdom as more particularly described in paragraph 9.9 below.
- 5.12. HAIL and HIL issued both single and recurrent single premium PPI policies. The majority of the policies issued were recurrent single premium policies. The last tranche of single premium business was written in January 2009 and both companies ceased to write new recurrent single premium policies at the end of July 2010. This cessation was part of a wider Group decision to cease offering PPI policies, following a period of regulatory uncertainty and scrutiny surrounding PPI.
- 5.13. As at 31 December 2011, the audited accounts of HAIL indicate that HAIL maintained an unearned premium reserve of STG£26,881,253 in respect of approximately 69,000 in-force single premium policies. HAIL's management accounts as at 31 March 2012 indicate that HAIL holds an unearned premium reserve of STG£20,472,560. HAIL received STG£12,462,914 by way of gross premium income in the calendar year 2011, in respect of its in-force recurrent single premium policies. HAIL's management accounts as at 31 March 2012 indicate gross premium income of STG£2,346,979 for the year to date in respect of its in-force recurrent single premium policies.
- 5.14. Following the publication in April 2011 of the High Court of England and Wales judgement to introduce measures affirming the UK FSA's decision regarding the assessment and redress of PPI complaints by all PPI providers and subsequent discussions with the UK FSA, the Group concluded that there were certain circumstances where customer redress may be appropriate. Lloyds Banking Group made a provision of STG£3,200,000,000 in this regard and this provision covers all PPI mis-selling complaints regardless of product type or underwriter. As at 31 May

2012, HAIL maintains a provision / redress reserve of STG£864,000 in respect of PPI mis-selling complaints that may arise on Transferring Policies sold directly by HAIL. As at 14 May 2012, HIIL and HAIL have assessed 5,917 complaints and upheld approximately 3,576 with associated refunds of STG£3,716,819.03. Subject to the Scheme taking effect in accordance with its terms, the Petitioners intend to enter into an indemnity agreement whereby SALA will indemnify HAIL for any liability in respect of mis-selling of Transferring Policies by HAIL's direct sales force. The indemnity agreement will also provide for the transfer of the provision / redress reserve maintained by HAIL as at the Scheme Date, to SALA. Furthermore, it is intended that SALA will enter into an indemnity agreement with its indirect shareholder, wherein SALA will be indemnified in respect of any liability it incurs in relation to PPI mis-selling complaints that exceed the level of the provision / redress reserve, up to a cap of STG£49,000,000. This figure represents a sum that is several multiples of the anticipated potential liability as assessed by HAIL.

- 5.15. As at the Life Scheme date, HAIL has 213 direct employees of which 22 are part-time. All employees are employed under a joint contract of employment with HAIL, HIIL and Halifax Brokerage Ireland Limited (**HBIL**). HBIL is duly authorised by the CBI to conduct insurance mediation under the European Communities (Insurance Mediation) Regulations 2005 and is also authorised as an investment business firm under section 10 of the Investment Intermediaries Act 1995
- 5.16. The administration of the business written by HAIL is undertaken by employees acting on behalf of both HAIL and HIIL under the terms of their employment contract.
- 5.17. The Group's Insurance Division is currently in negotiations with a specialist business process and IT outsourcing company, Wipro Outsourcing Services Ireland Limited (incorporated and registered in Ireland) ("**Wipro**") in relation to a proposal to carry out policy administration services for a number of the Group's underwriters. The proposal includes the outsourcing of the claims handling and policy administration currently carried out through HIIL, HAIL and HBIL in Shannon, Co. Clare in respect of the policies transferring from HIIL and HAIL to STAI and SALA respectively.
- 5.18. It is currently proposed that the outsource provider will, subject to its prior authorisation by the Central Bank and successful negotiation and conclusion of outsourcing and asset transfer arrangements with the Group, carry out the policy administration and claims handling services currently undertaken in respect of the transferring business of HIIL and HAIL. The Group intends that the outsource arrangements will begin on or around 1 September 2012 (the **Service Commencement Date**) and that, subject to the sanction of this Honourable Court, the Transfer will take effect on 31 October 2012.
- 5.19. This proposal will minimise the impact on customers who should see no change in service provided. HAIL will continue to underwrite the Transferring Business until 31 October 2012, the proposed effective date of the Transfer. Subject to the contingencies described above, Wipro will administer the Transferring Business from the Service Commencement Date. Thereafter,

the Transferring Business will be administered by Wipro on behalf of SALA.

- 5.20. The majority of the employees associated with the work to be outsourced will transfer to Wipro in accordance with the European Communities (Protection of Employees on Transfer of Undertakings) Regulations 2003 from the Service Commencement Date in order to commence the provision of the outsourced services by Wipro. A small number of employees will remain in HILL and HAIL until the Transfer is complete and will then be made redundant. A further small number of employees will be made redundant upon transfer of the administration as at the Service Commencement Date, as their roles will no longer be required. The Petitioners do not expect that this will have any impact on the administration of the Policies of HAIL Policyholders.
- 5.21. HAIL is empowered in connection with its objects as at 5.7 above by clause 2(e) of its Memorandum of Association to deal with and dispose of any of its assets, whether by way of gift or otherwise, for any purpose.

6. The principal objects, pertinent powers and particulars of SALA are as follows:

- 6.1. SALA was incorporated on 15 September 1995 as a public limited company under the name Pagran Public Limited Company. It changed its name to SALA on 16 January 1996. SALA was incorporated as a subsidiary of NWS Bank Public Limited Company and In Store Credit Limited, which were subsidiaries of the Governor and Company of Bank of Scotland. Halifax Group plc merged with the Governor and Company of Bank of Scotland in 2001, forming HBOS plc. HBOS plc was taken over by Lloyds TSB Group plc in 2009, which was subsequently renamed Lloyds Banking Group. SALA has an authorised share capital of 360,000,000 Ordinary Shares of STG£1 each. 359,999,999 Ordinary Shares are held by Halifax Life Limited, another insurance provider within the Group. One Ordinary Share is held by another Group company, TSB Group Nominees Limited. Accordingly, SALA is part of the Group, as is HAIL.
- 6.2. SALA's registered office is at 33 Old Broad Street, London, EC2N 1HZ, England.
- 6.3. SALA is authorised by the Financial Services Authority of the United Kingdom, the competent financial services regulator in the United Kingdom) as an "authorised person" to effect contracts of life assurance of the types referred to in classes I, III and IV in Annex I to the Consolidated Life Directive. That authorisation remains in full force and effect. SALA commenced writing life assurance business in late 1995. SALA is permitted to carry on life insurance business in classes I, III and IV of the Consolidated Life Directive in the following EEA States on a freedom of services basis: Austria, Belgium, Cyprus, Czech Republic, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Norway, Portugal, Spain and Sweden. SALA is also authorised to carry on business in classes I and IV of the Consolidated Life Directive in France on a freedom of establishment basis.
- 6.4. SALA's principal object as set out in clause 4(a) of its Memorandum of Association is, *inter alia*, "to engage in and carry out throughout the world all kinds of insurance, reinsurance and co-

*insurance business”.*

- 6.5. Accordingly SALA is an assurance company for the purpose of the 1909 Act.
- 6.6. As at 31 December 2011, SALA had total assets of STG£11,600,000,000 and had funds under management of STG£10,900,000,000. SALA has no direct employees. SALA's management accounts as at 31 March 2011 show that SALA has total assets of STG£11,538,400,000 and had funds under management of STG£10,920,000,000. SALA's gross earned premium income was STG£94,400,000. SALA's total gross earned premium income in 2011 was STG£548,000,000.
- 6.7. As at 31 May 2012, SALA had a total of 956,550 life policies in issue. These policies were issued predominantly to UK policyholders. A small number of those policies were issued in Ireland. A summary description of SALA's core products is set out in Part II of the Third Schedule to this Petition.
- 6.8. As a public company limited by shares, SALA is governed by its Memorandum and Articles of Association. SALA is empowered pursuant to clause 4(D) of its Memorandum of Association to “to manage, purchase or otherwise acquire, take on lease or hire lands, houses, buildings, easements, properties, chattels, rights, secret processes, inventions, patents, copyrights, designs and trademarks or all of any of the business, property and liabilities of any person or company carrying on any business similar to that which this Company is authorised to carry on, or possessed of property suitable for the purpose of the Company, and pay for any assets acquired by the Company by shares, debentures, bonds, cash, or otherwise, either in this of any other company, whether fully paid or otherwise”.
- 6.9. For the purposes of Article 35(1)(b) of the 1994 Regulations, SALA will possess the necessary solvency margin after taking into account the transfer described in paragraph 1 of this Petition and will request the CBI to issue a certificate to that effect.
7. HAIL and SALA propose that the Transferring Business be transferred from HAIL to SALA in accordance with the terms of the Life Scheme.

## **BACKGROUND TO THE LIFE SCHEME**

8. The background to the transfer of the Transferring Business is as follows:
  - 8.1. The Group stopped selling PPI products in July 2010 following a period of regulatory uncertainty and scrutiny surrounding PPI. As HIIL and HAIL do not underwrite any other lines of business, both companies' existing books of business are in run-off. As the majority of the PPI written by HIIL and HAIL relate to mortgages and credit cards, it is likely that running off the business in HIIL and HAIL could take a very long time. Maintaining the run-off of business on a longer term basis would lead to operational and regulatory inefficiencies. Lloyds Banking Group considered selling the businesses of HAIL and HIIL to a third party but it was agreed that this

would be more costly, time consuming and disruptive to customers and colleagues than the Transfer option. Furthermore, following extensive discussions within the Group it has been established there are no visible medium-term new business opportunities for either HAIL or HILL arising out of the current strategy. In conjunction with the proposal to outsource, the Transfer will mitigate operational and regulatory risk over time that is associated with a rapidly declining book.

- 8.2. SALA wishes to acquire the Transferring Business.
- 8.3. On that basis, it has been agreed that in accordance with the terms of the Life Scheme, the Transferring Policies will be transferred from HAIL to SALA.
- 8.4. HAIL's Board of Directors (as listed in Schedule 1) consider that SALA's existing infrastructure and experience means that it is well placed to support the Transferring Business and to safeguard policyholder interests. For these reasons, HAIL's Board of Directors believes that the transfer of the Transferring Business to SALA is in the interests of both HAIL and its policyholders.

#### **PRINCIPAL FEATURES OF THE LIFE SCHEME**

- 9. The Life Scheme has the following principal features:
  - 9.1. On the Life Scheme Date, the Transferring Business (including the Transferring Policies, the Transferring Assets, the Records and the Transferring Liabilities), shall be transferred to and vested in SALA. Any payment or property accruing to the Transferring Policies after the Life Scheme Date received by HAIL shall be paid or transferred to SALA.
  - 9.2. On the Life Scheme Date, all of the Transferring Liabilities (which shall not include the liabilities that relate to the Excluded Policies) shall be transferred to, and shall become liabilities of, SALA.
  - 9.3. All premiums referable to the Transferring Policies shall as from the Life Scheme Date, be receivable and received by SALA.
  - 9.4. From the Life Scheme Date, every holder of a Transferring Policy shall become entitled to the same rights against SALA as the holder had against HAIL, and subject to the same obligations or liabilities to SALA as the holder had to HAIL, and with effect from the Life Scheme Date, shall account to SALA for any premiums or other sums payable under that policy as and when the same become due and payable.
  - 9.5. Except where the context otherwise requires, references in any Transferring Policy to HAIL, its board of directors, the HAIL Appointed Actuary or any other officers, employees or agents of HAIL shall from and after the Life Scheme Date, be read as references to SALA, the SALA board of directors, and the SALA Actuarial Function Holder or any other officers, employees or



agents of SALA, as the case may be.

- 9.6. Any judicial, quasi-judicial, disciplinary, administrative, arbitration or other proceedings pending by or against, or commenced by or against, HAIL in relation to the Transferring Business shall, from the Life Scheme Date, be continued by or against SALA and SALA shall be entitled to any defences, claims, counterclaims and rights of set off that would have been available to HAIL.

- 9.7. From the Life Scheme Date:

9.7.1. any mandate or other instruction in force on the Life Scheme Date as to the manner of payment by HAIL of any sum payable under a Transferring Policy (as defined in the Life Scheme) shall take effect and continue in force as if it were an effective authority to SALA;

9.7.2. any mandate or any other instruction in force on the Life Scheme Date (including, without limitation, direct debits or standing orders) as to the manner of payment by a bank or any other intermediary of any premiums or other sums payable under or in respect of a Transferring Policy, shall take effect and continue in force as if it had provided for and authorised such payment to SALA;

and where any such mandate or instruction is in respect of a Foreign Bank which does not recognise the order made by the High Court of Ireland giving its sanction to the Life Scheme, HAIL shall act in respect of such mandates or other instructions as agent for SALA until such time as a replacement mandate or instruction has been obtained.

- 9.8. On the Life Scheme Date, SALA shall allocate assets representing technical reserves, calculated in accordance with INSPRU 1.1.16 R of the UK Financial Services Authority's Handbook of Rules and Guidance, to the Transferring Policies.
- 9.9. As HAIL sold exclusively into the United Kingdom, the Transferring Policies constitute the life insurance component of Policies that were sold by HAIL to policyholders that were habitually resident in the United Kingdom at the time of issue of those policies. As at 14 May 2012, HAIL's policyholder records indicate of all the Transferring Policies, **2558** of those are issued to policyholders that are now habitually resident outside of the United Kingdom:

HAIL's policyholders currently resident in the following EEA jurisdictions:

COUNTRY	HAIL TOTAL
Austria	5
Belgium	27
Bulgaria	7
Cyprus	30
Czech Republic	10
Denmark	14

COUNTRY	HAIL TOTAL
Latvia	2
Lithuania	1
Luxembourg	5
Malta	5
Netherlands	50
Norway	24

Finland	9
France	206
Germany	129
Greece	22
Hungary	5
Iceland	2
Ireland	279
Italy	47

Poland	29
Portugal	19
Romania	2
Slovakia	10
Spain	269
Sweden	30
<b>TOTAL</b>	<b>1238</b>

HAIL's policyholders currently resident in the following non-EEA jurisdictions:

COUNTRY	HAIL TOTAL
Albania	1
Argentina	1
Australia	342
Bahamas	1
Bahrain	5
Bangladesh	1
Bermuda	3
Botswana	3
Brazil	12
British Virgin Isles	1
Brunei	4
Cameroon	1
Canada	147
Caribbean	1
Chile	3
China	53
Columbia	2
Croatia	1
Egypt	3
Ghana	1
India	27
Indonesia	2
Iraq	2
Israel	7
Japan	8
Jordan	0
Kenya	4
Kuwait	2
Macedonia	1
Malaysia	22

COUNTRY	HAIL TOTAL
Namibia	1
Nepal	2
New Zealand	130
Nigeria	2
Oman	6
Pakistan	11
Peru	2
Philippines	1
Qatar	7
Reunion	0
Saudi Arabia	18
Seychelles	3
Singapore	33
South Africa	61
Sri Lanka	10
Switzerland	37
Taiwan	1
Tanzania	2
Thailand	12
Tunisia	1
Turkey	10
Uganda	1
Ukraine	3
United Arab Emirates	56
USA	224
Vietnam	1
West Africa	2
West Indies	11
Zambia	2
Zimbabwe	4

Mauritius	2
Monaco	1
Morocco	1
Mozambique	1

<b>TOTAL</b>	<b>1320</b>

10. The Life Scheme also provides for Excluded Policies. The Excluded Policies shall include the Transferring Policies in respect of which (for the purpose of Section 35(2)(a) of the 1994 Regulations) another Member State other than Ireland is regarded as the Member State of the commitment, and if, on the Life Scheme Date, the supervisory authority of that Member State of the commitment has not agreed to the assignment of such a Policy (pursuant to Article 35(2)(a) of the 1994 Regulations) or is not deemed to have so agreed (pursuant to Article 35(2)(b) of the 1994 Regulations), then:

10.1. those Policies shall not transfer as a Transferring Policies on the Life Scheme Date, but the life assurance risks shall remain liabilities of HAIL for so long as those policies remain Excluded Policies;

10.2. on and from the Life Scheme Date, all liabilities of HAIL referable to the Excluded Policies shall be reinsured in their entirety by SALA, in consideration of which HAIL shall pay to SALA all premiums received on or after the Life Scheme Date in respect of the Excluded Policies;

10.3. HAIL shall be responsible for all aspects of the administration of the Excluded Policies with effect from the Life Scheme Date;

10.4. if on or after the Life Scheme Date, the relevant supervisory authority consents (or is deemed to have consented by virtue of the 1994 Regulations), those Excluded Policies in respect of which that supervisory authority has authority shall thereafter transfer to SALA and constitute Transferring Policies in all respects. However, until such time as such consent is obtained, the Excluded Policies shall remain with HAIL.

10.5. The Life Scheme is conditional on the occurrence of each of the following:

10.5.1. the Central Bank having been consulted in accordance with Article 35 of the 1994 Regulations, and having confirmed in writing that it has no objection to the Life Scheme;

10.5.2. this Honourable Court making an order sanctioning the proposed Life Scheme,

10.5.3. this Honourable Court making an order sanctioning the proposed Non-Life Scheme.

The Life Scheme and the Non-Life Scheme shall take effect on the Scheme Date (or such other date as the parties may agree and this honourable Court shall allow).

## **ACTUARIES' REPORTS**

11. Ms Rosemary Commons, of Towers Watson, a Fellow of the Society of Actuaries in Ireland has reviewed the Life Scheme in her capacity as the HAIL Appointed Actuary. Mr. Richard McIntyre, of the Lloyds Banking Group, has reviewed the Life Scheme in his capacity as the SALA Actuarial Function Holder. The Independent Actuary, Mr. Brian Morrissey of KPMG, has also reviewed the Life Scheme. They have considered the Life Scheme in light of the assets and liabilities of HAIL and SALA and its effect on the holders of the Transferring Policies and the policyholders of SALA. Mr. Morrissey, a Fellow of the Society of Actuaries in Ireland, does not hold a Policy with and has no interest in either HAIL or SALA. Mr. Morrissey, has acted as an independent actuary in connection with a previous transfer of life assurance business in Ireland.
12. Subject to clause 12.3 below, each of the said actuaries have concluded that the Life Scheme:
  - 12.1. will not have a material adverse effect on the security of benefits of the transferring HAIL policyholders or on the existing SALA policyholders; and
  - 12.2. will not have a material adverse effect on the reasonable benefit expectations of each of the transferring HAIL policyholders and the existing SALA policyholders.
  - 12.3. the conclusions of the HAIL Appointed Actuary in this Clause 12 relate to the HAIL policyholders only. The conclusions of the SALA policyholder relate to the SALA policyholders only.

## **PUBLICITY, COSTS AND CONSULTATION**

13. It is intended to publish notice of the intention to make this application in Iris Oifigiúil, two daily newspapers circulating in each of Ireland and the United Kingdom, the Belfast, Edinburgh and London Gazettes, and such other publications as this Court should direct. It is intended that the notice or the intention to make this application shall be made jointly with HAIL and StAI's notice of intention to make an application to request this Honourable Court sanction the Non-Life Scheme.
14. The costs incurred by your Petitioners in seeking the sanction of this Honourable Court, for the proposed transfer and in giving effect to the said transfer will be borne by the Group.
15. For the purpose of Article 35 of the 1994 Regulations, HAIL has consulted with the Central Bank of Ireland as to the Life Scheme.

## **APPLICATION TO COURT**

16. Your Petitioners do not believe that there is any sufficient basis for an objection to be made to the Life Scheme. Your Petitioners believe that, for the reasons outlined above, the interests of holders of Transferring Policies would be best served by the Life Scheme. Moreover, based on the reports of the

HAIL Appointed Actuary and the SALA Actuarial Function Holder and the report of the Independent Actuary, Mr. Morrissey, your Petitioners believe that neither the security nor the fair treatment and reasonable benefit expectations of the holders of the Transferring Policies or other policies in HAIL or SALA will be materially adversely affected by the Life Scheme.

17. Your Petitioners are unaware of, or of any basis for, any sufficient objection to the Life Scheme.
18. In the premises, it is just and equitable that the Life Scheme be sanctioned.
19. The Petitioners therefore pray as follows:
  - 19.1. an Order pursuant to the provisions of Section 13 of the 1909 Act sanctioning the Life Scheme;
  - 19.2. such Orders pursuant to the provisions of Section 36 of the 1989 Act and Article 35 of the 1994 Regulations as may be appropriate to transfer those assets and liabilities of HAIL the subject matter of the Life Scheme to SALA as and to the extent intended by the terms of the Life Scheme;
  - 19.3. an Order pursuant to Section 36(1)(c) of the 1989 Act providing for the continuation by or against SALA of any legal proceedings pending or commenced, by or against HAIL on the Life Scheme Date, relating to the Transferring Business;
  - 19.4. such orders as the circumstances may require to provide for any incidental, consequential or supplementary matters as are necessary to secure that the intended transfer should be fully and effectively carried out; and
  - 19.5. such or other directions as may be appropriate.

Dated this     day of [     ] 2012.

**Signed** \_\_\_\_\_  
**A&L Goodbody**  
**Solicitors for the Petitioners**

**NOTE:** It is intended to serve a copy of this Petition together with the Schedules on such parties as this Honourable Court may direct.

Duly presented in the Central Office on the     day of     2012 by A & L Goodbody, Solicitors,  
International Financial Services Centre, North Wall Quay, Dublin 1, Solicitors for the Petitioners.

## **FIRST SCHEDULE**

**HALIFAX ASSURANCE IRELAND LIMITED** having its registered office at Dromore House, East Park, Shannon, Co. Clare

### **DIRECTORS' NAMES AND ADDRESSES**

James Daniel Murphy  
29 Garrán na Coille  
Shanaway Road  
Ennis  
Co. Clare

Cian Quilty  
10 Ashville  
Ballysheedy  
Co. Limerick

Malachy Paul Smith  
7 Old Rathmichael  
Quarry Road Rathmichael  
Dublin 18

Richard Labassee Beaven  
210 Bermondsey Street  
London SE1 3TQ  
United Kingdom

Ian Charles Robert Stuart  
Dromore House  
East Park  
Shannon  
Co. Clare

**ST ANDREW'S LIFE ASSURANCE PLC** having its registered office at 33 Old Broad Street, London, EC2N 1HZ, England

**DIRECTORS' NAMES AND ADDRESSES**

Andrew Michael Peck  
33 Old Broad Street  
London  
EC2N 1HZ

Toby Emil Strauss  
Insurance Division Secretariat Lloyds Banking Group  
The Mound  
Edinburgh  
EH1 1YZ  
Scotland.

David James Walkden  
Insurance Division Secretariat Lloyds Banking Group  
The Mound  
Edinburgh  
EH1 1YZ  
Scotland.

Norval MacKenzie Bryson  
Insurance Division Secretariat Lloyds Banking Group  
The Mound  
Edinburgh  
EH1 1YZ  
Scotland.

Robert James MacKenzie Bulloch  
69 Morrison Street,  
Edinburgh,  
Midlothian,  
EH3 8YF,  
United Kingdom.

Michael Christophers  
14d Melville Avenue  
South Croydon  
Surrey  
CR2 7HY  
United Kingdom

Jeremy Goford  
45 Clapham Common West Side  
London  
SW4 9AR  
United Kingdom

Gregor Ninian Stewart  
Insurance Division Secretariat Lloyds Banking Group  
The Mound  
Edinburgh  
EH1 1YZ  
Scotland.

Dr Cornelius Antonius Carolus Schrauwens  
Insurance Division Secretarial Lloyds Banking Group  
69 Morrison Street  
Edinburgh  
United Kingdom  
EH3 8YF



## **SECOND SCHEDULE**

### **THE HIGH COURT**

**2012 / No.**

**IN THE MATTER OF HALIFAX ASSURANCE IRELAND LIMITED**

**AND IN THE MATTER OF ST ANDREW'S LIFE ASSURANCE PLC**

**AND IN THE MATTER OF THE ASSURANCE COMPANIES ACT, 1909, THE INSURANCE ACT, 1989, AND  
THE EUROPEAN COMMUNITIES (LIFE ASSURANCE) FRAMEWORK REGULATIONS 1994 (AS  
AMENDED)**

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## **SCHEME**

**(pursuant to Section 13 of the Assurance Companies Act 1909, Section 36 of the Insurance Act 1989 and Article 35 of the European Communities (Life Assurance) Framework Regulations 1994 for the transfer to St Andrew's Life Assurance plc of the life assurance business of Halifax Assurance Ireland Limited)**

### **1. INTRODUCTION**

- 1.1. Halifax Assurance Ireland Limited (**HAIL**) was incorporated in the State under the name of "Nottan Limited" as a private limited company on 28 March 2000, under Certificate No. 323922. On 23 August 2000, Nottan Limited changed its name to HAIL. Shortly after its incorporation, HAIL became a direct and wholly owned Irish registered life assurance subsidiary of Halifax Jersey Holdings Limited, a member of the Halifax group of companies. Halifax Group plc merged with the Governor and Company of Bank of Scotland in 2001, forming HBOS plc (the **HBOS Group**). HBOS plc was taken over by Lloyds TSB Group plc in 2009, which was subsequently renamed as Lloyds Banking Group plc (**Lloyds Banking Group**). The shares of Lloyds Banking Group are listed on both the London and New York Stock Exchanges. HAIL is currently a wholly owned subsidiary of St Andrew's Group plc, a public limited company incorporated in 1995 in the United Kingdom under registration number 03011193, the ultimate shareholder of which is Lloyds Banking Group. Consequently, HAIL is a subsidiary of Lloyds Banking Group, and forms part of the group of companies of which Lloyds Banking Group is the

ultimate parent company (referred to herein as the **Group**). HAIL's registered office is at Dromore House, East Park, Shannon, Co Clare.

- 1.2. On 1 January 2001, HAIL was granted its authorisation as a life assurance undertaking by the Minister for Enterprise, Trade and Employment (the then competent financial services regulator and a predecessor of the Central Bank) to undertake the business of life assurance in Classes I and IV of Annex I to the 1994 Regulations. HAIL is authorised to carry on business in the aforementioned classes in the United Kingdom on a freedom of services basis.
- 1.3. St Andrew's Life Assurance plc (**SALA**) was incorporated in the United Kingdom, as a public limited company under the name "Pagran Public Limited Company" under company number 03104670 on 15 September 1995. On 16 January 1996, SALA changed its name to St Andrew's Life Assurance plc. SALA is an "authorised person" under the UK Financial Services and Markets Act 2000 (**FSMA**). It is authorised to effect contracts of life assurance of the types referred to in classes I, III and IV of Annex I of the Consolidated Life Directive, as implemented in the UK by the FSMA. It is regulated by the Financial Services Authority of the United Kingdom (**the FSA**). SALA is permitted to carry on business in classes I, III and IV of Annex I of the Consolidated Life Directive, in each of the following EEA jurisdictions on a freedom of services basis: Austria, Belgium, Cyprus, Czech Republic, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Norway, Portugal, Spain and Sweden. SALA is also permitted to carry on business in France in classes I and IV of Annex I of the Consolidated Life Directive on a freedom of establishment basis. The prudential supervision of SALA in relation to its activities in each of the EEA jurisdictions listed above is carried out by the FSA pursuant to Part III of Schedule 3 to the FSMA.
- 1.4. HAIL and SALA have agreed that, subject to sanction by the Court of this Scheme, HAIL will transfer to SALA all of the life assurance business carried on by HAIL in accordance with this Scheme.
- 1.5. HAIL and SALA have agreed to appear by Counsel on the hearing of the Petition to sanction this Scheme and have undertaken to be bound by the Scheme and to take all reasonable steps (including the execution of documents) which may be necessary or expedient to give effect to the Scheme.
- 1.6. At the time of hearing of these proceedings, it is intended that HAIL's sister company Halifax Insurance Ireland Limited (**HIIL**) will bring related proceedings to seek the sanction of this Honourable Court to the transfer of its entire non-life insurance business to St Andrew's Insurance plc (**StAI**). Together HIIL and HAIL offered customers of the HBOS Group, and in later years, customers of the Group, payment protection insurance to cover the inability of a policyholder to repay their credit card or loan debt. HIIL and HAIL also offered payment protection insurance to customers of SAV Credit Limited, a corporate partner of the Group,

under the brand name “Aqua”. Different levels and combinations of cover were offered under different products. HAIL offered protection against risks such as the policyholder’s death, permanent disability or critical illness, while HILL offered protection against risks such as unemployment, mortgage, carer cover and hospital cover.

## **2. INTERPRETATION**

- 2.1. In this Scheme (including the Schedules and Appendix hereto) words and expressions shall, save where the context otherwise requires, have the meanings set out in Appendix 1.
- 2.2. In this Scheme, liabilities include liabilities, duties and obligations of every description (whether present or future, actual or contingent). Rights, benefits and powers include rights, benefits and powers of every description (whether present or future, actual or contingent).
- 2.3. Any reference to this Scheme shall include the Appendix to it and, except as the context may otherwise require, references to paragraphs or the Appendix are to paragraphs or the Appendix to this Scheme.
- 2.4. The headings in the Scheme are for convenience only and shall not affect its interpretation.
- 2.5. The word “including” is to be construed as not importing any limitation.
- 2.6. Any references to legislation:
  - 2.6.1. shall be to Irish legislation, unless otherwise stated; and
  - 2.6.2. shall include a reference to any legislation subordinate to such legislation,

and save where the context otherwise requires, words and expressions used in the Acts and any regulations made under any of the foregoing shall have the same meanings in this Scheme.

- 2.7. Any reference in this Scheme to an enactment, a statutory provision or any subordinate legislation shall be deemed to include a reference to that enactment, statutory provision or subordinate legislation as amended, replaced or re-enacted from time to time and to any instrument or order made from time to time under such enactment, statutory provision or subordinate legislation.

## **OPERATIVE PROVISIONS**

### **3. Transfer of the Transferring Business**

On the Scheme Date, the Transferring Business shall be transferred to and vested in SALA and dealt with in accordance with this Scheme.

### **4. Transfer of the Transferring Policies, Transferring Assets and the Records**

- 4.1. On and with effect from the Scheme Date, the Transferring Policies (other than the Excluded Policies), the Transferring Assets (other than those assets relating to the Excluded Policies) and the Records shall in accordance with this Scheme and by virtue of the Order and without any further act or instrument be transferred to and vested in SALA, and SALA shall succeed and become responsible for, and entitled to, all the rights, discretions, authorities, benefits and powers of HAIL whatsoever subsisting on the Scheme Date under the terms of the Transferring Policies (other than the Excluded Policies), the Transferring Assets (other than those assets relating to the Excluded Policies) and the Records. SALA shall be entitled to any and all defences, claims, counterclaims and rights of set-off against or under the Transferring Policies (other than the Excluded Policies) which would have been available to HAIL.
- 4.2. HAIL and SALA shall each take all such steps and do all such things (including the execution and delivery of any documents) as may be required to effect or perfect the transfer to and vesting in SALA of the Transferring Policies (other than the Excluded Policies), the Transferring Assets (other than those assets relating to the Excluded Policies) and the Records in accordance with the terms of this Scheme.
- 4.3. In the event of any payment being made to, or property being received by, or right being conferred upon HAIL after the Scheme Date in respect of the Transferring Policies (other than the Excluded Policies) or the Transferring Assets (other than those assets relating to the Excluded Policies), which payment or property accrued to those Transferring Policies (other than the Excluded Policies) or the Transferring Assets (other than those assets relating to the Excluded Policies), HAIL shall as soon as is reasonably practicable after its receipt, pay over the amount of such payment or (to the extent that it is legally able to do so) transfer such property or right to, or in accordance with the directions of, SALA.
- 4.4. On and from the Scheme Date, every person who is a holder of a Transferring Policy (other than an Excluded Policy) shall become entitled, in substitution for and to the exclusion of any right which he may have or have had against HAIL under that Transferring Policy (from which HAIL shall be entirely released), to the same rights against SALA as were available to him against HAIL under that Transferring Policy and as regards Transferring Policies (other than the Excluded Policies) under which premiums or other sums attributable or referable thereto

continue to be payable shall on and with effect from the Scheme Date, account to SALA for any further or additional premiums or other sums attributable or referable thereto as and when the same becomes due and payable.

- 4.5. Every holder of a Transferring Policy (other than an Excluded Policy) shall, from and after the Scheme Date, in substitution for any liability or obligation owed by him thereunder to HAIL, be under the same liability or obligation to SALA.
- 4.6. Except where the context otherwise requires, all references in any Transferring Policy (other than an Excluded Policy) to HAIL, the HAIL board of directors, the HAIL Appointed Actuary or any other officers, employees or agents of HAIL shall from and after the Scheme Date be read as references to SALA, the SALA board of directors, and SALA Actuarial Function Holder or any other officers, employees or agents of SALA. In particular, but without limitation, all rights and/or duties exercisable or expressed to be exercisable or responsibilities to be performed by HAIL, the HAIL board of directors, the HAIL Appointed Actuary or any other officers, employees or agents of HAIL in relation to any Transferring Policy (other than an Excluded Policy) or any Transferring Asset (other than an asset relating to an Excluded Policy) shall, from and after the Scheme Date, be exercisable or performed by SALA, the SALA board of directors, and the SALA Actuarial Function Holder or any other officers, employees or such agents of SALA, as the case may be.

## **5. Transfer of the Transferring Liabilities**

- 5.1. On and with effect from the Scheme Date, each Transferring Liability (other than liabilities relating to the Excluded Policies) shall in accordance with this Scheme and by virtue of the Order and without any further act or instrument (but subject to the terms of this Scheme and the Order) be transferred to and become a liability of SALA, with the effect that HAIL shall be wholly released from, and SALA shall succeed to, any liability in respect of such Transferring Liability (other than liabilities relating to the Excluded Policies), and HAIL shall be indemnified by SALA against any liability in respect of the Transferring Liabilities (other than liabilities relating to Excluded Policies).
- 5.2. HAIL and SALA shall each take all such steps and do all such things (including the execution and delivery of any documents) as may be required to effect or perfect the assumption by SALA of any Transferring Liabilities (other than a liability in respect of the Excluded Policies) to which this Scheme applies.
- 5.3. SALA shall discharge on HAIL's behalf or, failing that, shall indemnify HAIL from and after the Scheme Date against:

- 5.3.1. all Transferring Liabilities (including liabilities in relation to Excluded Policies) which

(notwithstanding paragraph 5.1 above) are not, or are not capable of being, transferred on the Scheme 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 Transferring Liability is effectively transferred to or becomes the liability of SALA in accordance with the terms of this Scheme and the Order; and

5.3.2. save as otherwise provided in this Scheme, any other liability (other than taxation) accruing on or after the Scheme Date in connection with the Transferring Business or arising as a direct result of the Transfer or any document executed to give effect to the Transfer.

5.4. Where HAIL is entitled to receive an amount pursuant to the indemnity at paragraph 5.3, it shall be entitled to receive such amount as, after payment of or provision for any liability to taxation in respect of the amount receivable, will result in the receipt of an amount equal to the liability indemnified against.

## **6. Continuity**

If any judicial, quasi-judicial, disciplinary, administrative, arbitration or other proceedings shall be pending by or against HAIL on the Scheme Date in connection with the Transferring Business (other than the Excluded Policies), the same shall by and subject to the Order be continued by or against SALA with effect from the Scheme Date. On and from the Scheme Date, SALA shall be entitled to any and all defences, claims, counterclaims and rights of set-off that would have been available to HAIL in relation to such proceedings.

## **7. Excluded Policies**

7.1. The Excluded Policies shall not be transferred to SALA by this Scheme on the Scheme Date and, subject to paragraphs 5.3.1, 7.2 and 7.4, the liabilities under the Excluded Policies shall remain liabilities of HAIL pending their transfer.

7.2. On and with effect from the Scheme Date, all liabilities of HAIL referable to the Excluded Policies will be reinsured in their entirety by SALA, in consideration of which HAIL shall pay to SALA all premiums received in respect of the Excluded Policies on or after the Scheme Date.

7.3. With effect from the Scheme Date, SALA shall, at its own cost, be responsible for all aspects of the administration of the Excluded Policies.

7.4. On the date which is no earlier than the Scheme Date but which is after the date on which at least one of the following applies in respect of each Excluded Policy:

7.4.1. the supervisory authority of the Member State which, in relation to that Excluded Policy,

is the Member State of the commitment, has consented, or is deemed to have consented, to the Scheme for the purposes of the 1994 Regulations; or

7.4.2. HAIL has procured agreement to a specific novation of such Excluded Policy to SALA;

all rights and liabilities relating to such Excluded Policies shall be transferred to SALA. Such Policies shall thereafter be dealt with by SALA under the provisions of this Scheme in all respects as if such Policies were Transferring Policies, and the liabilities under those Policies shall thereafter be dealt with by SALA under the provisions of this Scheme in all respects as if such liabilities were Transferring Liabilities.

## **8. Asset Allocation**

On the Scheme Date, assets representing technical reserves (determined in accordance with INSPRU 1.1.16 R in the UK Financial Services Authority's Handbook of Rules and Guidance) in respect of the Transferring Policies (other than the Excluded Policies) shall be allocated by SALA to the Transferring Policies (other than the Excluded Policies).

## **9. Premiums and mandates**

- 9.1. All premiums and other amounts attributable or referable to the Transferring Policies shall on and after the Scheme Date be payable to SALA and shall be receivable and received by SALA.
- 9.2. Any mandate or other instruction in force on the Scheme Date as to the manner of payment by HAIL of any sum payable under any Transferring Policy, shall continue in force on and from the Scheme Date as an effective authority to SALA provided that where such mandate is in respect of a Foreign Bank which does not recognise the Order and accept the instructions, HAIL shall act in accordance with such mandate or other instruction as agent for SALA, provided that it is first put in funds to do so by SALA and provided that SALA meets its costs of so acting, until such time as a replacement mandate or instruction has been obtained.
- 9.3. Any mandate or other instruction in force on the Scheme Date (including without limitation any instruction given to a bank by its customer in the form of a direct debit or standing order) as to the manner of payment by a bank or other intermediary of any premiums or other sums payable under or in respect of a Transferring Policy, shall take effect and continue in force as if it had provided for and authorised such payment to SALA, provided that where such mandate is in respect of a Foreign Bank which does not recognise the Order and accept the instructions, HAIL shall account to SALA for any payment received pursuant to such mandate, and shall act in accordance with such mandate or other instruction as agent for SALA, provided that SALA meets its costs of so acting, until such time as a replacement mandate or instruction has been obtained.

**10. Data Protection and Other Authority**

On and with effect from the Scheme Date, the Records, which may include personal data protected under the Data Protection Acts 1988 and 2003, may be used by SALA for and disclosed by SALA to, and used by, any agent or contractor of SALA to the same extent that they were used by HAIL and its agents or contractors prior to the transfer for all purposes in connection with the Transferring Policies including, in particular, administration thereof and all matters relevant or incidental thereto, and no consent from the individual Policyholders in respect of such disclosure, transfer and use shall be required.

To the extent that an authority has been given to HAIL in connection with a Transferring Policy by the holder thereof, whether pursuant to the Data Protection Acts 1988 and 2003 or otherwise, such authority shall, on and after the Scheme Date be deemed to have been given to SALA.

**11. Costs and Expenses**

The costs of and incidental to the preparation and negotiation of this Scheme, its presentation to the Court and its implementation shall not be borne by policyholders of either HAIL or SALA. It is intended that such costs shall be borne by the Group.

**12. Scheme Date**

12.1. Subject to clause 12.2, this Scheme shall take effect at 11.59PM on the Scheme Date, or such other date as the parties may agree and the Court shall allow.

12.2. This Scheme is subject to this Honourable Court making an Order in the related proceedings hereto, sanctioning the proposed transfer of the non-life insurance business currently carried out by HAIL to StAI.

**13. Amendments, Modifications or Additions**

13.1. On or before the Scheme Date, subject to the sanction of the Court, any amendments, modifications and additions (including any further condition or provision that the Court may approve or impose) may be made to this Scheme on the prior agreement of each of HAIL and SALA provided that the Central Bank shall have been notified of any proposal to make such an amendment, modification or addition and may appear and be heard at the Court.

13.2. If at any time after the date of the Order the provisions of this Scheme prove impossible or impractical to implement, SALA shall be at liberty to apply to the Court for consent to amend its terms provided that:



- 13.2.1. any such application shall be accompanied by a report from an independent actuary to the effect that in his opinion the proposed amendment will not adversely affect the reasonable expectations of or reduce the protection conferred by this Scheme on the holders of Transferring Policies and all other policyholders of SALA; and
- 13.2.2. the Central Bank and HAIL (unless in circumstances where HAIL has been previously dissolved pursuant to Irish law) shall have been notified of any such application and have given their consent thereto and may appear and be heard at the Court.
- 13.3. If, at any time after the date of the Order, any of the Acts or any tax legislation shall be amended, modified or re-enacted, and the SALA Actuarial Function Holder is of the opinion that the effect of such amendment, modification or re-enactment causes or might cause the provisions of this Scheme to operate differently from the manner in which they would have continued to operate without such amendment or re-enactment, SALA shall be at liberty to apply to the Court for consent to make such modification or addition to this Scheme as SALA may propose and the Central Bank may approve as being appropriate to limit the extent to which the provisions of this Scheme would or might operate in such a different manner.

14. **Governing Law**

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

## **APPENDIX 1**

### **DEFINITIONS**

<b>Acts</b>	means the Insurance Acts 1909-2000 and all regulations made under those Acts and all regulations relating to insurance made under the European Communities Act, 1972;
<b>1909 Act</b>	means the Assurance Companies Act, 1909;
<b>1936 Act</b>	means the Insurance Act, 1936;
<b>1989 Act</b>	means the Insurance Act, 1989;
<b>1994 Regulations</b>	means the European Communities (Life Assurance) Framework Regulations 1994
<b>Central Bank</b>	means the Central Bank of Ireland;
<b>Consolidated Life Directive</b>	means Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance
<b>Court</b>	means the High Court of Ireland;
<b>Excluded Policy</b>	means any Transferring Policy in relation to which any competent EEA regulator has not provided a necessary certificate as to consent (and such consent is not otherwise deemed to have been given) or which the Court for any reason determines shall not be transferred by virtue of the Scheme or the Order;
<b>Foreign Bank</b>	means any bank, building society or credit institution or branch thereof which is situated in and is operating from a jurisdiction other than Ireland;
<b>HAIL Appointed Actuary</b>	means the actuary from time to time appointed by HAIL pursuant to Section 34 of the 1989 Act;
<b>Ireland</b>	means Ireland excluding Northern Ireland;
<b>Life Assurance</b>	means the business of life assurance as such expression is defined in Article 2(1) of the 1994 Regulations;

<b>Order</b>	means the order made by the Court granting the sanction of the Court to this Scheme pursuant to Section 13 of the 1909 Act and Article 35 of the 1994 Regulations, and making such further orders as the parties shall seek as the Court shall deem appropriate pursuant to Section 36 of the 1989 Act;
<b>Policy</b>	has the meaning assigned to it by Section 3 of the 1936 Act;
<b>Records</b>	means all books and records of HAIL relating to the Transferring Business including (without limitation) all data, manuals and instructions and internal quotation software, actuarial models, client lists, sales information, business plans and forecasts, compliance records, commission schedule and records, accounting and tax (including VAT) records, correspondence, proposals, Policy records and enquiries from clients;
<b>Scheme</b>	means this Scheme in its original form or with or subject to any modification, addition or condition which may be approved or imposed by the Court;
<b>Scheme Date</b>	means 11:59pm on 31 October 2012 or such other date as HAIL and SALA may agree and to which the Court consents, upon which the Order takes effect;
<b>SALA</b>	means St Andrew's Life Assurance Public Limited Company;
<b>SALA Actuarial Function Holder</b>	means the actuary from time to time appointed by SALA pursuant to the Financial Services and Markets Act 2000 to fulfil the role of Actuarial Function Holder;
<b>Transfer</b>	means the transfer of the Transferring Business;
<b>Transferring Asset</b>	means (i) all premium, monies, pre-payments, sundry receivables, properties and other assets (if any) due in respect of or representing or held on account of the Transferring Policies and all balances due on foot of the Transferring Policies, and all balances due on foot of the Transferring Policies as at the Scheme Date and (ii) the benefit of all commissions and charges received or receivable in respect of a Transferring Policy;
<b>Transferring Business</b>	means all of the business carried on by HAIL as at the Scheme Date, incorporating <i>inter alia</i> , the Transferring Policies, the Records, the Transferring Assets and the Transferring Liabilities;
<b>Transferring Liabilities</b>	means all debts, obligations and liabilities whatsoever of HAIL at the Scheme Date

arising from, allocated or attributable to the Transferring Policies or the Records, in accordance with generally accepted accounting and actuarial principles; and

**Transferring  
Policy**

means for the purpose of this Scheme, the life insurance risks (under classes I and IV of the 1994 Regulations) underwritten by HAIL arising under a Policy underwritten by HAIL in force on the Scheme Date, and the rights, powers, obligations or liabilities of HAIL under or by virtue of that Policy.

### THIRD SCHEDULE

#### PART I: DESCRIPTION OF HAIL LIFE ASSURANCE PRODUCTS

Product Grouping	Product Name	Product Description	Brand	Underwriter	Premium	Sales Channel	Number of Policies (Approximate Figures)
Credit Card							
1. Halifax, Bank of Scotland and Aqua Credit Card PPI	Credit Cards Repayment Cover	Fully bundled credit card PPI including, life, critical illness cover	Halifax	Halifax Assurance Ireland Limited	Recurrent Single Premium	Retail Bank, Internet, UK BOS Call Centre. Sold from April 2002 to 2008	400,000
			Bank of Scotland				
			Aqua (offered by SAV Credit Ltd, a corporate partner)				
	Credit Cards Repayment Cover Refresh - Lifestyle	Fully bundled credit card PPI including life, critical Illness covers.	Halifax	Halifax Assurance Ireland Limited	Recurrent Single Premium	Retail Bank, Internet, UK BOS Call Centre. Sold from June 2008 to 2010	
			Bank of Scotland				
			Aqua				
	Credit Cards Repayment Cover Modular Refresh - Lifestyle; Standard; Health; Basic	Modular credit card PPI including life, critical illness covers	Halifax	Halifax Assurance Ireland Limited	Recurrent Single Premium	Irish and UK BOS Call Centres. Sold from May 2008 to 2009	
			Bank of Scotland				
			Aqua				
	Preference Creditcare	Fully bundled revolving credit product including Life cover.	Bank of Scotland	Halifax Assurance Ireland Limited	Recurrent Single Premium	UK BOS Call Centres and Card Services. Sold from June 2003 to July 2010	

Loan							
1. Halifax and Bank of Scotland Loan PPI	Unsecured Personal Loans Repayments Cover	Bundled Unsecured Loan PPI including life, critical illness cover	Halifax	Halifax Assurance Ireland Limited	Single	Retail Banks UK BOS Call Centres. Sold from 2001 to January 2009	100,000
			Bank of Scotland				
			Halifax				
	Creditcare Gold, silver, Bronze & Mastercare	Modular Unsecured Loan PPI products including combinations of life, critical illness, covers.	Bank of Scotland / Halifax	Halifax Assurance Ireland Limited (as the Sole Underwriter where accident policies have terms of 5 years or more.)	Single	UK BOS Call Centre, Internet. Sold from July 2003 to January 2009	
	Premiercare	Unsecured Loan PPI covering life and critical illness	Bank of Scotland	Halifax Assurance Ireland Limited (as the Sole Underwriter)	Single		
Secured Personal Loans Repayments cover	Secured Loan PPI including life cover	Halifax	Halifax Assurance Ireland Limited	Recurrent Single Premium	Retail Bank and Irish Call Centre. Sold from January 2001 to 2006		
Other							
3. Overdraft Repayments Cover	Overdraft Repayments Cover	Life cover to protect an overdraft facility	Halifax	Halifax Assurance Ireland Limited	Recurrent Single Premium	Irish Call Centre. Sold from May 2003 to 2006	15,000

## PART 2: DESCRIPTION OF SALA LIFE ASSURANCE PRODUCTS

Product Name	Property Linked / Index-Linked / Non-linked / With profits	Product Description	Comment
Annuities (Life & Temp)	Non-linked	Annuity providing specified payments until the death of the life or lives assured or at expiry of a specified term. Annuity options are with or without proportion, protected period of 5 or 10 years, purchase money protection cover, escalation at fixed pre-chosen rate, reduction of annuity on first death.	Fixed rate increase option (3%, 5% or 8.5% pa)
Convertible Term (CLP)	Non-linked	Non linked conventional convertible term assurance, may include waiver benefit. Can be converted in whole or part to an Existing Arrangement or Whole Life policy on current terms (new plans issued).	Term Assurance
Critical Illness Plan (CIP)	Property Linked	Critical Illness assurance plan, may include waiver benefit. Critical illness cover is the sum assured. The sum assured is chosen within a specified range and can subsequently be varied within this range. Automatic inflation option available for premiums and the sum assured.	Product will have significant CI cover at some stage, therefore is insurance.
Flexible for Life (FWL)	Property Linked	Whole Life assurance policy, may include waiver and critical illness benefit. Death benefit is sum assured or unit value if greater. Sum assured is chosen within a specified range and can subsequently be varied within this range. Premiums can be altered. Plan is reviewed after 10 years and more frequently thereafter. Automatic inflation option available for premiums and sum assured.	Product will have significant life cover at some stage, therefore is insurance.
Flexible Investment Plan (RIP)	Property Linked	Unit linked endowment assurance. 10 year term, may include waiver. Death benefit is sum assured or value of units if greater. Sum assured is 75% of premiums payable to maturity. Option to extend for another 10 years at maturity. If extended, loyalty bonus units will apply. Premium escalation option (5% pa simple).	Assumes sum assured is considered significant.

Product Name	Property Linked / Index-Linked / Non-linked / With profits	Product Description	Comment
Flexible Protection Plan / Maximum Investment Plan (FPP / MIP)	Property Linked	Unit linked 10 year endowment assurance with options to extend for further 10 year periods. May include waiver and critical illness. Death benefit is sum assured or value of units if greater. Can change sum assured level subject to certain constraints.	Sum at risk on death will be significant, especially at outset.
Funeral Plan (OGLP)	Non-linked	Whole of Life over 50s plan with guaranteed acceptance terms	Whole of life over 50s plan with guaranteed acceptance terms
Leeds Mortgage Protection	Non-linked	Non linked conventional decreasing term assurance, may include waiver of premium, waiver of mortgage, permanent disability benefit and critical illness benefit. Increase option available.	Sum at risk on death will be significant, especially at outset.
Leeds Term	Non-linked	Non linked conventional level term assurance, may include waiver of premium, waiver of mortgage, permanent disability benefit and critical illness benefit. Increase option available.	Sum at risk on death will be significant, especially at outset.
Essential Protection Plan (EPP)	Non-linked	Non linked conventional level term assurance, may include waiver and critical illness benefit. Premiums for life cover and waiver of premium are guaranteed but reviewable for critical illness cover.	Term Assurance
Level Term Assurance (CHLTAP)	Non-linked	Non linked conventional reducing term assurance may include waiver and critical illness benefit. There is also an increase option. Premiums for critical illness cover are reviewable.	Term Assurance
Loan Assurance Plan (CH_LAP)	Non-linked	Non linked conventional reducing term assurance may include waiver and critical illness benefit. There is also an increase option. Premiums for critical illness cover are reviewable.	Term Assurance
Loan Protection Plan (CH_LPP)	Non-linked	Non linked conventional reducing term assurance may include waiver and critical illness benefit. There is also an increase option. Premiums for critical illness cover are reviewable.	Term Assurance
LS Mort Repay (Low Start S&P Mort Plan)	Property Linked	Unit linked endowment assurance, may include waiver and critical illness benefit, increase or term extension options. Death benefit is sum assured or value of units if greater. Nil allocation period and loyalty bonus units apply.	Product will have significant life cover at some stage, therefore is insurance.



Product Name	Property Linked / Index-Linked / Non-linked / With profits	Product Description	Comment
Mort Repay (Savs & Prot Mort Plan)	Property Linked	Unit linked endowment assurance, may include waiver and critical illness benefit, increase or term extension options. Death benefit is sum assured or value of units if greater. Nil allocation period and loyalty bonus units apply.	Product will have significant life cover at some stage, therefore is insurance.
Mortgage Protection (MCP)	Non-linked	Non linked conventional reducing term assurance may include waiver and critical illness benefit. Premiums for life cover and waiver of premium are guaranteed but reviewable for critical illness cover. Increase option on current premium rates.	Term Assurance
Mortgage repayment (MRP)	Property Linked	Unit linked endowment assurance, may include waiver and critical illness benefit, increase or term extension options. Death benefit is sum assured or value of units if greater. Nil allocation period and loyalty bonus units apply.	Sum at risk on death will be significant, especially at outset.
Protection Plan (CH_PP)	Non-linked	Non linked conventional level term assurance may include waiver and critical illness benefit. Increase option available. Premiums for critical illness cover are reviewable.	Term Assurance
Secure Life Plan (SLP) (*)	Non-linked	Whole of Life policy with guaranteed premiums. Limited death cover in first year	Term Assurance
Tax Free Home Plan (HPB)	Non-linked	A term assurance policy with a variable sum assured. May include critical illness benefit. Death benefit is the sum assured less the value of the Personal Equity Plan/ Individual Savings Account benefits. Life cover premium fixed for first 5 years, risk premium thereafter. Various options incl change to term, premium holidays and increase of the sum assured.	Decreasing Term Assurance
Temporary Term Assurance (CH_TTA)	Non-linked	Non linked conventional level term assurance. No other benefits available under this policy.	Term Assurance
Term Assurance (BOSIC)	Non-linked	Non linked reviewable decreasing term assurance may include waiver benefit.	Term Assurance
Creditor	Non-linked	Non linked reviewable level or decreasing term assurance may include accident and sickness benefit.	Term Assurance
TMPP - DTA (TMPD)	Non-linked	Non linked conventional decreasing term assurance. May include critical illness benefit. May choose no life cover in which case compulsory life cover of £500 on a "Joint Life	Decreasing Term Assurance

Product Name	Property Linked / Index-Linked / Non-linked / With profits	Product Description	Comment
		Second Death” basis. Reviewable premium rates. Increase option on current premium rates.	
TMPP - LTA (TMPP)	Non-linked	Non linked conventional level term assurance. May include critical illness benefit. May choose no life cover, in which case compulsory life cover of £500 on a “Joint Life Second Death” basis. Reviewable premium rates. Increase option on current premium rates.	Term Assurance
Whole of Life (FWOL)	Property Linked	Whole life assurance policy with reviewable premiums, may include waiver and critical illness benefit. Death benefit is greater of sum assured and of unit value.	Product will have significant life cover at some stage, therefore is insurance.
Level Cover Life Plan (LLCP)	Non-linked	Non linked conventional level term assurance may include waiver and critical illness benefit.	Term Assurance
Decreasing Cover Life Plan (DLCP)	Non-linked	Non linked conventional decreasing term assurance may include waiver and critical illness benefit.	Decreasing Term Assurance
Family Income Benefit Plan (FILP)	Non-linked	Non linked conventional family income benefit may include waiver and critical illness benefit.	Decreasing Term Assurance

**THE HIGH COURT**

M . JUSTICE

2012 / No.

No:

**IN THE MATTER OF HALIFAX ASSURANCE IRELAND  
LIMITED**

**AND IN THE MATTER OF ST ANDREW'S LIFE ASSURANCE  
PLC**

**AND IN THE MATTER OF THE ASSURANCE COMPANIES  
ACT, 1909, THE INSURANCE ACT, 1989 AND THE  
EUROPEAN COMMUNITIES (LIFE ASSURANCE)  
FRAMEWORK REGULATIONS, 1994 (AS AMENDED)**

**PETITION**

A&L Goodbody  
Solicitors  
IFSC  
North Wall Quay  
Dublin 1