

IN THE ROYAL COURT OF THE ISLAND OF JERSEY

(Samedi Division)

IN THE MATTER OF

SLFC ASSURANCE (UK) LIMITED
("SLFC")

- and -

IN THE MATTER OF

SUN LIFE ASSURANCE COMPANY OF CANADA (U.K.) LIMITED
("SLOC")

AND IN THE MATTER OF AN APPLICATION PURSUANT TO ARTICLE 27 OF AND
SCHEDULE 2 TO THE INSURANCE BUSINESS (JERSEY) LAW 1996

SCHEME

(pursuant to Article 27 of and Schedule 2 to the Insurance Business (Jersey) Law 1996
for the transfer of part of the business of (1) SLFC Assurance (UK) Limited to (2) Sun
Life Assurance Company of Canada (U.K.) Limited

1. Interpretation

Definitions

1.1 In this scheme (the "**Jersey Scheme**"), unless inconsistent with the subject or context, the following expressions bear the meanings respectively set opposite them:

"**Excluded Jersey Policies**" means those Jersey Insurance Policies comprised in or relating to the Transferring Jersey Business under which any liability remains unsatisfied or outstanding at the Jersey Effective Time and which the Royal Court for any reason determines not to transfer by virtue of the Jersey Order together with the rights, benefits, powers, liabilities and obligations under such Jersey Insurance Policies;

"**Jersey Effective Date**" means the date ascribed to it in paragraph 5.1 of this Jersey Scheme;

"**Jersey Effective Time**" 23.59 on the Jersey Effective Date;

"**Jersey Insurance Policies**" means all Insurance Policies written in whole or in part by SLFC (or a predecessor company to and transferred to SLFC):

- (a) in respect of which any liability remains unsatisfied or outstanding at the Jersey Effective Time; and
- (b) which was effected or carried out as part of the insurance business carried on in or from within Jersey (as such expression is interpreted for the purpose of the Jersey Law and which the Royal Court has jurisdiction to transfer pursuant to the Jersey Law);

"**Jersey Law**" means the Insurance Business (Jersey) Law 1996;

"**Jersey Order**" means an order made by the Royal Court pursuant to Article 27 of and Schedule 2 to the Jersey Law sanctioning this Jersey Scheme and any order (including any subsequent order, which is ancillary thereto) in relation to this Jersey Scheme made by the Royal Court pursuant to Schedule 2 to the Jersey Law;

"**Residual Jersey Asset**" means in relation to the Transferring Jersey Business:

- (a) any Asset comprised in or relating to the Transferring Jersey Business, the transfer of which:
 - (i) is agreed by SLOC and SLFC, or is proved by any third party, to be subject to the law of any country or territory outside Jersey and that further steps, in addition to the Jersey Order, are required to secure that its transfer is fully effective under the law of that country or territory;
 - (ii) requires, at the Jersey Effective Time, the waiver by any third party of any right to acquire, or be offered the right to, or to offer to, acquire or procure the acquisition by some other person of, all or any part of such Asset, being a right which directly or indirectly arises or is exercisable as a consequence of such transfer being proposed or taking effect; or
 - (iii) would result in a third party having a right to terminate an agreement with SLFC or SLOC or to claim compensation in damages or otherwise,

and which the Royal Court either does not have jurisdiction to transfer pursuant to Article 27 of, and Schedule 2 to, the Jersey Law without such steps being taken as are referred to in (a)(i) or the rights referred to in (a)(ii) and (a)(iii) being waived, or which the Royal Court determines not so to transfer by virtue of the Jersey

Order, but in any case to the extent only of that part of the interest of SLFC in any such Asset the transfer of which requires such steps and/or waiver;

- (b) any interest of SLFC in any Asset comprised in the Transferring Jersey Business the transfer of which SLOC and SLFC agree prior to the Jersey Effective Time is to be delayed until after the Jersey Effective Time, including the rights and interest of SLFC in any Reassurance Contract which covers Residual Jersey Policies;
- (c) any interest of SLFC in any Asset comprised in the Transferring Jersey Business which SLOC and SLFC shall agree prior to the Jersey Effective Time is more conveniently to be transferred pursuant to this Jersey Scheme after the Jersey Effective Time in conjunction with any Assets referred to in paragraphs (a) and (b) of this definition or in conjunction with a Residual Jersey Liability;
- (d) any proceeds of sale or income or other accrual or return whatsoever, whether or not in any case in the form of cash, from time to time earned on or received after the Jersey Effective Time in respect of any such Assets referred to in paragraphs (a) to (c) of this definition,

but excluding the rights, benefits and powers under the Residual Jersey Policies;

"Residual Jersey Liabilities" means in relation to the Transferring Jersey Business:

- (a) any Liability comprised in or relating to the Transferring Jersey Business, the transfer of which:
 - (i) is agreed by SLOC and SLFC, or is proved by any third party, to be subject to the law of any country or territory outside Jersey and that further steps, in addition to the Jersey Order, are required to secure that its transfer is fully effective under the law of that country or territory; or
 - (ii) would result in a third party having a right to terminate an agreement with SLFC or SLOC or to claim compensation in damages or otherwise,

and which the Royal Court either does not have jurisdiction to transfer pursuant to Article 27 of, and Schedule 2 to, the Jersey Law, without the necessary steps being taken or the termination and/or compensation rights being waived or which the Royal Court determines not so to transfer by the virtue of the Jersey Order, but in any case to the extent only of that part of the Liability the transfer of which requires such steps and/or waiver or which the Royal Court determines not to transfer;

- (b) any other Liability comprised in the Transferring Jersey Business, the transfer of which SLOC and SLFC agree prior to the Jersey Effective Time is to be delayed;
- (c) any other liability comprised in the Transferring Jersey Business which SLOC and SLFC agree prior to the Jersey Effective Time is more conveniently to be transferred pursuant to this Jersey Scheme after the Jersey Effective Time in conjunction with any Liabilities referred to in paragraphs (a) and (b) of this definition or in conjunction with a Residual Jersey Asset;
- (d) any Liability that is attributable to or connected with a Residual Jersey Asset or Residual Jersey Liability that has arisen or arises at any time before the Subsequent Transfer Date applicable to that Residual Jersey Asset or Residual Jersey Liability,

but excluding any Liability under the Residual Jersey Policies;

"Residual Jersey Policies" means Excluded Jersey Policies and, pending the taking of the relevant steps, further agreement between SLFC and SLOC, or a further determination by the Royal Court, the Retained Jersey Policies;

"Retained Jersey Policies" means any Jersey Insurance Policy comprised in or relating to the Transferring Jersey Business in respect of which:

- (a) it is agreed by SLOC and SLFC, or proved by the relevant Policyholder or the Jersey Financial Services Commission, whether before or after the Jersey Effective Time, that approval by the Royal Court is required in order to effect the transfer of such Jersey Insurance Policy from SLFC to SLOC, and such approval has not been provided at or prior to the Jersey Effective Time;
- (b) its transfer is expressly refused by the Royal Court;
- (c) the Jersey Order requires further steps be taken to make the transfer fully effective; or
- (d) SLOC and SLFC agree prior to the Jersey Effective Time that its transfer is to be delayed until after the Jersey Effective Time;

"Royal Court" means the Royal Court of Jersey;

"Subsequent Transfer Date" in relation to any Residual Jersey Policy, Residual Jersey Asset or Residual Jersey Liability any date, following the Jersey Effective Time, on which such Residual Jersey Policy, Residual Jersey Asset or Residual Jersey Liability is transferred, such date to be determined by:

- (a) in the case of any Residual Jersey Asset or Residual Jersey Liability falling within paragraph (a) of the respective definitions thereof, and of any Residual Jersey Liability which is attributable to or connected with such Residual Jersey Asset or any Residual Jersey Asset which is attributable to or connected with such Residual Jersey Liability - the date on which the requisite consent, or where applicable, the requisite waiver or step to enable the same to be transferred upon the terms of the Jersey Scheme is:
 - (i) obtained or taken; or
 - (ii) no longer required; or
 - (iii) dispensed with by the Royal Court;
- (b) in the case of any Residual Jersey Asset or Residual Jersey Liability falling within paragraph (b) of the respective definitions thereof and of any Residual Jersey Liability which is attributable to or connected with that Residual Jersey Asset – the date agreed in writing by SLOC and SLFC;
- (c) in the case of a Residual Jersey Asset or Residual Jersey Liability falling within paragraph (c) of the respective definitions thereof – the transfer date applicable to the Liability or Asset in conjunction with which it was determined to be a Residual Jersey Asset or Residual Jersey Liability;
- (d) in the case of any Residual Jersey Asset or Residual Jersey Liability falling within paragraph (d) of the respective definitions thereof – the transfer date applicable to the Assets to which such proceeds, income, accrual or return is earned on or received, or the transfer date applicable to the Residual Jersey Asset or Residual Jersey Liability to which the Liability is attributed or connected;

- (e) in the case of any Retained Jersey Policy falling within paragraph (a) or (c) of the definition thereof – the date on which the requisite approval is obtained, or on which such further steps have been taken;
- (f) in the case of any Retained Jersey Policy falling within paragraph (b) of the definition thereof – the date on which the Royal Court makes a further determination or judgment allowing the transfer of such Retained Jersey Policy to SLOC;
- (g) in the case of any Retained Jersey Policy falling within paragraph (d) of the definition thereof – the date agreed in writing by SLOC and SLFC;
- (h) in the case of any Excluded Jersey Policy, the date on which the novation or transfer of all of the rights, benefits and powers, together with all the obligations and Liabilities relating to such Policy becomes effective in Jersey;

"Transferring Jersey Assets" means all or any Transferring Assets relating to or forming part of the Transferring Jersey Business immediately prior to the Jersey Effective Time excluding, until the relevant Subsequent Transfer Date (if any), the Residual Jersey Assets and the rights, benefits and powers of SLFC under the Residual Jersey Policies;

"Transferring Jersey Business" means all or any of the Transferring Business (including the Transferring Jersey Policies, the Transferring Jersey Contracts, the Transferring Jersey Assets and the Transferring Jersey Liabilities relating to or forming part of such business) carried on in or from within Jersey immediately prior to the Jersey Effective Date including in each case all activities carried on in connection with such business;

"Transferring Jersey Contracts" means all or any Transferring Contracts comprised in the Transferring Jersey Business at the Jersey Effective Date, including the Transferring Jersey Policies and the Transferring Reassurance Contracts (insofar as they cover any part of the Transferring Jersey Policies, excluding any part covering Residual Jersey Policies until the transfer of such Residual Jersey Policies);

"Transferring Jersey Liabilities" means all or any Transferring Liabilities to the extent arising from or relating to the Transferring Jersey Business as such business shall exist immediately prior to the Jersey Effective Time and irrespective of whether the Liabilities and commitments shall arise prior to or following the Jersey Effective Time, excluding Liabilities under any Residual Jersey Policies and Residual Jersey Liabilities until the relevant Subsequent Transfer Date, if any, for such Liabilities;

"Transferring Jersey Policies" means the Jersey Insurance Policies comprised in or relating to the Transferring Jersey Business, together or individually as the context may indicate, excluding any Residual Jersey Policy until the relevant Subsequent Transfer Date, if any, for each such Residual Jersey Policy;

"UK Scheme" means the insurance business transfer scheme pursuant to Part VII of the Financial Services and Markets Act 2000 for, *inter alia*, the transfer of certain insurance business of SLFC to SLOC, a copy of which is contained in the Schedule to this Jersey Scheme, as it may be varied or amended from time to time in accordance with its terms.

- 1.2 Other words and expressions used as defined terms shall bear the meanings given to them in the UK Scheme.
- 1.3 Subject to paragraph 1.2 above and except where the context requires otherwise, words and expressions used in the Jersey Law or in any regulations made under it shall have the same meanings in this Jersey Scheme.

Headings

- 1.4 Headings in this Jersey Scheme are inserted for convenience only and shall not affect its construction.

References

- 1.5 Any reference in this Jersey Scheme to "the incorporated terms of the UK Scheme" shall be read to mean "the same terms as the terms of the UK Scheme as incorporated into this Jersey Scheme" in accordance with section 3 of this Jersey Scheme.
- 1.6 Any reference in this Jersey Scheme to an enactment, statutory provision or regulations shall be deemed to include a reference to the enactment or statutory provision or those regulations as from time to time amended, consolidated, modified, replaced or re-enacted by any statute or statutory provision.
- 1.7 Any reference to the singular includes a reference to the plural and vice versa. Any reference to he, she or it includes the others.
- 1.8 Any reference to a time of day is a reference, unless otherwise expressly specified, to London time.
- 1.9 Any reference to this Jersey Scheme shall include the Schedule hereto.

2. Introduction

- 2.1 SLFC Assurance (UK) Limited ("**SLFC**") was incorporated in England and Wales on 9 December 1964 and is a "UK authorised person" as defined in section 105(8) of FSMA.
- 2.2 SLFC has carried on insurance business in the UK and in or from within Jersey.
- 2.3 SLFC holds a Category A permit to conduct insurance business under the Jersey law.
- 2.4 Sun Life Assurance Company of Canada (U.K.) Limited ("**SLOC**") was incorporated in England and Wales on 28 July 1969 and is a "UK authorised person" as defined in section 105(8) of FSMA.
- 2.5 SLOC holds a Category A permit to conduct insurance business under Jersey law.
- 2.6 It is proposed that, by the Jersey Order, the Transferring Jersey Business shall be transferred to SLOC with effect from the Jersey Effective Time on the same terms as the terms of the UK Scheme governing the transfer of the Transferring Business to SLOC and as if the Transferring Jersey Business were part of the Transferring Business as defined in the UK Scheme.
- 2.7 The UK Scheme has the effect that:
- (a) if the transfer of any Transferring Jersey Policies is sanctioned by the Royal Court pursuant to this Jersey Scheme with effect from the Jersey Effective Time, such Policies shall be treated for all purposes of the UK Scheme as if they were Transferring Policies of SLFC with effect from the Effective Time and, to the extent necessary to comply with Part VII of the Financial Services and Markets Act 2000, shall also be transferred pursuant to the terms of the UK Scheme; and
 - (b) if the Royal Court does not sanction the transfer of any Transferring Jersey Policies pursuant to this Jersey Scheme, despite having the jurisdiction to do so, or if this Jersey Scheme is sanctioned by the Royal Court but the transfer of any Transferring Jersey Policies does not become effective by the Jersey Effective Time, then such Policies shall, with effect from the Jersey Effective Time, be

deemed to be Residual Policies under the UK Scheme and shall be reassured by SLOC as Residual Policies as provided for under the terms of the UK Scheme. Such Policies shall cease to be Residual Policies under the UK Scheme, and shall cease to be so reassured to SLOC, on the relevant Subsequent Transfer Date.

- 2.8 SLFC and SLOC have agreed to appear by Counsel at the hearing of the Representation to sanction this Jersey Scheme and undertake to be bound thereby and to execute all such documents and to do all such acts and things as may be necessary or expedient to be executed or done by it for the purposes of giving effect to this Jersey Scheme.

3. Incorporation of the UK Scheme

- 3.1 The terms of the UK Scheme shall apply to the Transferring Jersey Business, Transferring Jersey Policies, Transferring Jersey Assets, Transferring Jersey Contracts, Transferring Jersey Liabilities, Residual Jersey Policies, any Residual Jersey Asset and Residual Jersey Liabilities in the same manner as they apply to the Transferring Business, Transferring Policies, Transferring Assets, Transferring Contracts, Transferring Liabilities, Residual Policies, Residual Assets and Residual Liabilities and, save as otherwise set out in sections 1 to 7 (inclusive) of, and the Schedule to, this Jersey Scheme, the terms of the UK Scheme shall be deemed to be part of this Jersey Scheme as if reproduced herein mutatis mutandis.
- 3.2 This Jersey Scheme is ancillary to the UK Scheme and is intended to transfer business carried on in or from within Jersey and assets and liabilities relating to such business that would not otherwise transfer under the UK Scheme. Nothing in this Jersey Scheme shall operate so as to prevent or conflict with any transfer provided for by the UK Scheme.

4. Transfer of Business

- 4.1 With effect from the Jersey Effective Time, the Transferring Jersey Business, the Transferring Jersey Assets, the Transferring Jersey Liabilities and the Transferring Jersey Contracts shall be transferred to and be vested in SLOC, by the Jersey Order and without any further act or instrument, and shall be treated as if they were Transferring Business, Transferring Assets, the Transferring Liabilities and the Transferring Contracts on the incorporated terms of the UK Scheme.
- 4.2 With effect from the Jersey Effective Time, all rights and obligations whatsoever of SLFC subsisting immediately prior to the Jersey Effective Time under or by virtue of the Transferring Jersey Policies shall be transferred to SLOC under this Jersey Scheme on the incorporated terms of the UK Scheme governing the transfer of Transferring Policies to SLOC. Every person who is a holder of any Transferring Jersey Policies shall from the Jersey Effective Time become entitled, to the exclusion of any rights which he may have had against SLFC, to the same rights against SLOC as were available to him against SLFC under such Policies and as regards Transferring Jersey Policies under which premiums or other sums attributable thereto continue to be payable, shall from the Jersey Effective Time account to SLOC for any such premium as and when the same becomes due and payable.
- 4.3 The Residual Jersey Policies shall, pending their transfer to SLOC (whether pursuant to this Jersey Scheme or otherwise) remain Liabilities of SLFC but shall at all times from and after the Jersey Effective Time be reassured in their entirety into SLOC on terms consistent with those described in the UK Scheme.
- 4.4 SLOC shall not indemnify SLFC against and shall not be obliged to discharge any Liability of SLFC referred to in paragraph 4.3 above, to the extent that SLFC is entitled to recover the same from any third party (including under any applicable Contract of insurance or reinsurance), unless, and only then to the extent that, SLFC has failed to recover, or SLOC has instructed SLFC in writing not to attempt to recover, any such amount.

- 4.5 On and from each Subsequent Transfer Date, each Residual Jersey Policy to which such Subsequent Transfer Date applies and all the Residual Jersey Assets and Residual Jersey Liabilities relating to such Policy shall, to the extent not previously transferred by the Jersey Order and without any further act or instrument be transferred to, and be vested in, SLOC, whereupon it shall constitute a Transferring Policy under the UK Scheme.
- 4.6 Any mandate or other instruction in force immediately prior to the Jersey Effective Time in respect of any of the Transferring Jersey Policies or Residual Jersey Policies shall, from the Jersey Effective Time, continue to be in force as an effective authority to SLOC (in respect of any Residual Jersey Policies, as agent of SLFC) on the incorporated terms of the UK Scheme.
- 4.7 SLFC shall, from the Jersey Effective Time, hold the Residual Jersey Assets (but not the Residual Jersey Policies) as trustee and on trust absolutely for SLOC on the incorporated terms of the UK Scheme. To the extent that giving effect to such a trust would have the effect of transferring to SLOC any beneficial interest in such Residual Jersey Asset falling within paragraph (a) of the definition of Residual Jersey Asset:
- (a) SLFC shall not hold such Residual Jersey Asset as trustee and in trust for SLOC in accordance with this paragraph 4.7; and
 - (b) SLFC shall pay to SLOC an amount equal to any economic benefit which SLFC receives or obtains in connection with such Residual Jersey Asset, in consideration for SLOC agreeing to enter into its obligations to SLFC in accordance with paragraph 4.9 below.
- 4.8 With effect from the Jersey Effective Time (or, in respect of any Residual Jersey Asset, Residual Jersey Policies or Residual Jersey Liabilities, on and from the relevant Subsequent Transfer Date), any proceedings which are pending by or against SLFC in connection with the Transferring Jersey Business shall be continued by or against SLOC on the incorporated terms of the UK Scheme.
- 4.9 With effect from the Jersey Effective Time, until the relevant liability is transferred to SLOC, SLOC shall discharge on behalf of SLFC or, failing that, indemnify SLFC from and after the Effective Time against all Residual Jersey Liabilities and, save as otherwise provided in the UK Scheme, any other cost, claim, loss, damages, Liability or expense (whatsoever) incurred in connection with the Transferring Jersey Business (other than regulatory capital costs) including, without limitation, the conduct of the trust arrangements under paragraph 4.7, and the conduct of claims under paragraph 4.8, whether the same shall arise prior to or following the Jersey Effective Time.

5. Jersey Effective Date

- 5.1 This Jersey Scheme shall become effective, and the Jersey Effective Date shall occur simultaneously with the date upon which the last of the following two conditions is met, namely:
- (a) the Jersey Order by the Royal Court sanctioning this Jersey Scheme being made; and
 - (b) the UK Scheme in relation to the Transferring Business of SLFC becoming effective in accordance with its terms.
- 5.2 Unless the Jersey Effective Time has occurred at 23.59 on or before 30 June 2012 or such later date, if any, as the Royal Court may allow on application of SLFC and SLOC, this Jersey Scheme shall lapse.

6. Modification of this Jersey Scheme

- 6.1 SLFC and SLOC may consent to any amendment, modification or addition to this Jersey Scheme except the Schedule to this Jersey Scheme (modifications or additions to which shall be governed by the terms of the UK Scheme) or to any further condition or provision affecting the Jersey Scheme which the Royal Court may approve or impose prior to the sanction of this Jersey Scheme.
- 6.2 After the Jersey Effective Date, SLOC may vary or amend the terms of this Jersey Scheme except the Schedule to this Jersey Scheme (modifications or additions to which shall be governed by the terms of the UK Scheme) with the consent of the Royal Court, including, without limitation, if at any time, the provisions of this Jersey Scheme, in the opinion of the SLOC Board, prove to be impracticable, inequitable or inappropriate to implement, provided that in any such case:
- (a) the Jersey Financial Services Commission shall be notified of the proposed amendment and has not objected thereto within 30 Business Days to such notification;
 - (b) an expert, being an independent actuary nominated by SLOC and approved by the United Kingdom Financial Services Authority, has certified that, in his opinion the proposed amendment will not materially adversely affect the interests of the holders of Policies affected by the proposed amendment; and
 - (c) to the extent any such variation affects any right, obligation or interest of SLFC, SLFC has consented thereto.

If such consent is granted, SLOC may amend the terms of this Jersey Scheme in accordance with such consent.

- 6.3 After the Jersey Effective Date, SLFC may vary or amend the terms of this Jersey Scheme except the Schedule to this Jersey Scheme (modifications or additions to which shall be governed by the terms of the UK Scheme) with the consent of the Royal Court provided that such variation or amendment relates solely to Residual Jersey Policies, Residual Jersey Assets, Residual Jersey Liabilities, such part of any Reassurance Contract which relates to Residual Jersey Policies, or any rights or obligations of SLFC under this Jersey Scheme, provided that in each such case:
- (a) the steps in paragraph 6.2(a) and 6.2(b) have been taken; and
 - (b) to the extent any such variation affects any right, obligation or interest of SLOC, SLOC has consented thereto.

If such consent is granted, SLFC may amend the terms of the Jersey Scheme in accordance with such consent.

- 6.4 Paragraphs 6.1, 6.2 and 6.3 shall not apply, and the consent of the Royal Court shall not be required, in relation to minor and/or technical amendments to the terms of the Jersey Scheme (including amendments to correct manifest errors) that are agreed in writing by SLOC and SLFC provided that the Jersey Financial Services Commission has been notified of the same and has confirmed it does not object thereto.

7. Governing Law

- 7.1 This Jersey Scheme shall be governed by and construed in accordance with Jersey law.

SCHEDULE

UK Scheme