

CONFIDENTIAL

IN THE HIGH COURT OF JUSTICE

No. 7101 of 2013

CHANCERY DIVISION

COMPANIES COURT

IN THE MATTER OF
ROYAL LONDON (CIS) LIMITED

- and -

IN THE MATTER OF
CIS GENERAL INSURANCE LIMITED

- and -

IN THE MATTER OF
THE FINANCIAL SERVICES AND MARKETS ACT 2000

SCHEME

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1. INTRODUCTION

- 1.1 The definitions set out in paragraph 2 below are used here.
- 1.2 Co-operative Insurance Society Limited ("**CIS**") was an industrial and provident society incorporated on 11 March 1899 and registered under the Industrial and Provident Societies Act 1965 with registered number IP03615R and on 30 July 2013 was re-registered as a company limited by shares under the Companies Act 2006 with the name Royal London (CIS) Limited ("**RLCIS**") having the registered number 8629353 and with its registered office located at 55 Gracechurch Street, London EC3V 0RL.
- 1.3 RLCIS is a "UK authorised person" as defined in Section 105(8) of FSMA with permissions, inter alia, to carry out contracts of general insurance in the UK under Classes of Business 1 to 17, as defined in Part 1 to Schedule 1 of the Regulated Activities Order.
- 1.4 On 31 July 2013 RLCIS became a wholly owned subsidiary of The Royal London Mutual Insurance Society Limited, a company incorporated in England and Wales (registered no. 00099064) whose registered office is at 55 Gracechurch Street, London, EC3V 0RL.
- 1.5 CIS General Insurance Limited ("**CISGIL**") is an industrial and provident society registered in England and Wales under the Industrial and Provident Societies Act 1965 on 20 September 2005 with registered number IP29999R and has its registered office located at Miller Street, Manchester, M60 0AL.
- 1.6 CISGIL is a "UK authorised person" as defined in section 105(8) of FSMA with permissions, inter alia, to effect and to carry out contracts of insurance and reinsurance in the UK under all 18 Classes of Business, as defined in Part 1 to Schedule 1 of the Regulated Activities Order.
- 1.7 Co-operative Banking Group Limited ("**CBG**") is an industrial and provident society registered in England and Wales under the Industrial and Provident Societies Act 1965 on 8 April 2002 with registered number IP29379R and was the direct parent of RLCIS until 31 July 2013. CISGIL is a wholly-owned subsidiary of CBG.
- 1.8 Co-operative Group Limited ("**CGL**") is an industrial and provident society registered in England and Wales under the Industrial and Provident Societies Act 1965 on 11 August 1863 with registered number IP00525R. CBG is a wholly-owned subsidiary of CGL.
- 1.9 Until 15 January 2006, RLCIS wrote both general and long-term insurance business, including general insurance contracts with other members of the Co-operative group. RLCIS also entered into contracts to reinsure the liabilities of other co-operative societies outside the United Kingdom.
- 1.10 RLCIS ceased to write new general insurance business on 15 January 2006, pursuant to an internal group reorganisation, and since that time, all general insurance business within the Co-operative group has been written by CISGIL (the "**2006 Demerger**"). All of the periods in respect of which claims may be made under the general insurance

policies (as defined below) written by RLCIS have now expired, but it remains liable in respect of certain liabilities incurred under general insurance policies written by it before 2006.

- 1.11 As part of the reorganisation, on 15 January 2006, RLCIS and CISGIL entered into an Indemnity Agreement (as defined below) pursuant to which RLCIS' liabilities arising under or in connection with all Policies comprised in the Transferring Business were indemnified by CISGIL.
- 1.12 The operational functions, including responsibility for the day-to-day conduct and management of the Transferring Business, were delegated to CISGIL pursuant to the terms of the Indemnity Agreement. As part of the 2006 Demerger, CISGIL entered into a services agreement with CFS Management Services Limited ("**CFSMSL**") pursuant to which CFSMSL agreed to provide staff and certain assets to CISGIL necessary for the operation of CISGIL's business (including day-to-day conduct and management of the Transferring Business).
- 1.13 Since the Indemnity Agreement came into effect on 15 January 2006, CISGIL has been responsible for the day-to-day conduct and management of the Transferring Business. It is currently intended that CFSMSL will continue to provide the services described above in respect of the Transferring Business to CISGIL following the sanction of the Scheme.
- 1.14 CISGIL is able to conduct general insurance business of a similar nature to the Transferring Business and it has been agreed to transfer the Transferring Business to CISGIL.
- 1.15 The Transferring Policies are reinsured to a number of third-party reinsurers pursuant to the Outwards Reinsurance Contracts.
- 1.16 Within RLCIS there is currently a long-term business fund (the "**LTBF**"), a shareholder owned fund within which is held an amount of £200 million in cash and gilts (designated the "**General Reserve**"), the Transferring Business and Indemnity Agreement, and other shareholder capital of an amount sufficient to cover the minimum capital requirement for the Transferring Business. After the Effective Date of this Scheme, RLCIS will contain only the LTBF (including the RLCIS Support Deed, the Bank Disengagement Agreement, the Exit Deed, the Mortgage Transfer Agreements), the General Reserve of £200 million, the Indemnity Agreement and any residual shareholder capital not explicitly transferred by this Scheme.
- 1.17 It is proposed that the Transferring Business be transferred to CISGIL in accordance with this Scheme and that an Order be sought for the sanction of this Scheme. The Indemnity Agreement, the RLCIS Support Deed, the Bank Disengagement Agreement, the Exit Deed and the Mortgage Transfer Agreements will remain in RLCIS.
- 1.18 RLCIS and CISGIL have agreed to be represented by Counsel on the hearing of the application to sanction this Scheme and have undertaken to be bound by this Scheme and to do all such acts and things as may be necessary or expedient to be executed or done by them for the purposes of giving effect to this Scheme.

2. INTERPRETATION

2.1 In this Scheme, unless inconsistent with the subject or context, the following expressions bear the meanings respectively set opposite them:

“Bank Disengagement Agreement”	the disengagement agreement dated 18 March 2013 between, amongst others, the Co-operative Bank Plc and RLCIS.
"CISGIL"	CIS General Insurance Limited;
"Court"	the High Court of Justice in England and Wales;
"Effective Date"	the time and date when this Scheme shall become operative in accordance with paragraph 12;
"Encumbrance"	any charge, pledge, security assignment, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, any other encumbrance or security interest of any kind and any other type of preferential arrangement (including, without limitation, title transfer and retention agreements) having a similar effect;
"Excluded Policies"	<p>any Policy which would otherwise be a Transferring Policy:</p> <ul style="list-style-type: none">(a) but which is not capable of being transferred under Section 111 of Part VII of FSMA on the Effective Date; or(b) which the Court for any reason determines not to transfer by virtue of the Order; or(c) in respect of which:<ul style="list-style-type: none">1) for the purpose of Part VII of FSMA an EEA State other than the UK is the State of the commitment; and2) the PRA has not prior to the issue of the Order by which the Court sanctions this Scheme delivered a certificate in the form required by paragraph 4 of Part I of Schedule 12 to FSMA in respect of the relevant EEA State which is the State of the commitment, <p>and for these purposes, “State of the commitment” bears the meaning ascribed thereto in paragraph 6 of Part I of Schedule 12</p>

to FSMA and “**EEA State**” bears the meaning ascribed thereto in paragraph 8 of Part I of Schedule 3 to FSMA;

"Excluded Policies Date"	Transfer has the meaning given in paragraph 6.2;
"Exit Deed"	the agreement dated 18 March 2013 between, amongst others, the Co-operative Bank Plc, CBG and RLCIS;
"FCA"	the UK Financial Conduct Authority or any UK successor regulator of insurance and/or reinsurance companies;
"FSMA"	the Financial Services and Markets Act 2000 (together with the rules and regulations implemented pursuant thereto);
"Indemnity Agreement"	the indemnity agreement dated 15 January 2006 entered into between RLCIS and CISGIL as amended and restated last on 31 July 2013 and from time to time;
"Independent Expert"	Derek Newton of Milliman LLP, the independent expert appointed to report on the terms of the Scheme pursuant to Section 109 of FSMA, or any successor appointed to report on the same and approved by the PRA;
"Loss"	means any loss, expense, liability, claim, damages, penalty, fine, cost (including legal costs and experts' and consultants' fees and including, for the avoidance of doubt, Taxation), charges, demands, actions or proceedings and it shall include any costs or expenses incurred for the purpose of settling any complaint or claim or any agreed settlement or compromise (including an ex gratia payment made in the interests of saving or reducing any such loss, costs or expenses);
"Mortgage Transfer Agreements"	the mortgage transfer agreement dated 1 June 2004 between RLCIS, CIS Mortgage Maker Limited and the Co-operative Bank Plc, and the mortgage transfer agreement dated 16 November 2011 between RLCIS and the Co-operative Bank Plc;
"Order"	an order made by the Court pursuant to Section 111(1) of FSMA sanctioning this Scheme and any order (including any subsequent order, which is ancillary thereto) in relation to this Scheme made by the Court pursuant to Section 112 of FSMA;
"Outwards Reinsurance"	the reinsurance or retrocession contracts, policies, treaties, slips or agreements in favour of RLCIS to the

Contracts"	extent covering risks under the Policies comprised in the Transferring Business;
"Policy" and "Policyholder"	the meanings ascribed to "policy" and "policyholder" by Section 424(2) of FSMA and Regulations 2 and 3 of the Financial Services and Markets Act 2000 (Meaning of "Policy" and "Policyholder") Order 2001 (SI 2001/2361) and includes at any time any constituent part of a Policy which gives rise to any separately identifiable benefit and including, for the avoidance of doubt, any liability (whether present or future, actual or contingent) under or in respect of any such Policy which has otherwise expired;
"PRA"	the UK Prudential Regulation Authority or any successor regulator of insurance and/or reinsurance companies;
"Regulated Activities Order"	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended;
"Residual Assets"	<p>all rights, benefits, claims (present or future, actual or contingent) against a third party and powers of RLCIS that arise at any time before the Subsequent Transfer Date under or by virtue of any Policies, property or other assets comprised in the Transferring Business (other than the Excluded Policies):</p> <ul style="list-style-type: none"> (a) in respect of which the Court has declined to order the transfer to CISGIL under Section 112(2) of the Act; (b) which are outside the jurisdiction of the Court; (c) in respect of which the Order requires further steps be taken to make the transfer to CISGIL fully effective; (d) in respect of which the parties agree its transfer should be delayed until a date falling after the Effective Date; (e) which cannot be transferred or vested in CISGIL at the Effective Date for any other reason; (f) which are Outwards Reinsurance Contracts to the extent covering (i) the Policies falling within paragraphs (a) to (e) above; or (ii) the Excluded Policies; and

- (g) which are Policies covered by Outwards Reinsurance Contracts falling within paragraphs (a) to (e) above;

"Residual Liability"

all liabilities (including all Losses whether present or future, actual or contingent, and including, for the avoidance of doubt, any Tax liability) of RLCIS under or by virtue of any Policies, property or other assets comprised in the Transferring Business (other than the Excluded Policies):

- (a) that is attributable to or connected with a Residual Asset and arises at any time before the Subsequent Transfer Date applicable to that Residual Asset;
- (b) in respect of which the Court has declined to order the transfer to RLCIS under Section 112(2) of the Act;
- (c) which are outside the jurisdiction of the Court;
- (d) in respect of which the Order requires further steps be taken to make the transfer to CISGIL fully effective;
- (e) in respect of which the parties agree its transfer should be delayed until a date falling after the Effective Date; and
- (f) any liability of RLCIS which cannot be transferred to or vested in CISGIL at the Effective Date for any other reason;

"Retained Policies"

the Excluded Policies (pending the Excluded Policies Transfer Date) and the Residual Assets which are rights under policies (pending any relevant Subsequent Transfer Date);

"RLCIS"

Royal London (CIS) Limited;

"RLCIS Support Deed"

the deed dated 18 March 2013 between CBG and RLCIS;

"Scheme"

this Scheme in its original form or with, or subject to, any modification or addition thereto;

"Subsequent Transfer Date"

the date after the Effective Date on which any Residual Asset or Residual Liability is transferred to CISGIL, namely:

- (a) in respect of any Residual Asset falling within

paragraphs (a), (b) and (e) of the definition of Residual Assets (and of any Residual Liability which is attributable to or connected with that Residual Asset and of any Residual Liability falling within paragraphs (b), (c) and (f) of the definition of Residual Liability), the date on which any impediment to its transfer shall have been removed or overcome;

- (b) in respect of any Residual Asset falling within paragraph (c) of the definition of Residual Assets (and of any Residual Liability which is attributable to or connected with that Residual Asset) and of any Residual Liability falling within paragraphs (d) of the definition of Residual Liability the date on which the further steps required by the Order have been completed; and
- (c) in respect of any Residual Asset falling within paragraph (d), (f) or (g) of the definition of Residual Assets (and of any Residual Liability which is attributable to or connected with that Residual Asset) and of any Residual Liability falling within paragraph (e) of the definition of Residual Liability the date on which the parties agree the transfer should take effect,

provided that in respect of a Residual Asset falling within paragraph (d) of the definition of Residual Asset, any conditions agreed between RLCIS and CISGIL to make the delayed transfer to CISGIL fully effective have been satisfied;

"Tax" and "Taxation"

any form of taxation including any levy, duty, charge, contribution, withholding or impost in the nature of taxation and shall further include payments on account of tax and reimbursements of or payments in respect of tax (in all cases including any related fine, penalty or interest);

"Transferring Assets"

all rights, benefits, claims (whether present or future, actual or contingent) against any third party and powers of RLCIS (a) under or by virtue of the Transferring Contracts; and (b) otherwise relating to the Transferring Business or arising solely as a result of RLCIS having carried on the Transferring Business but, for the

avoidance of doubt, excluding any assets forming part of the General Reserve;

"Transferring Business"	the whole of the general insurance business effected and/or carried out by RLCIS on the Effective Date, including, without limitation, the Transferring Assets and the Transferring Liabilities, and excluding for the avoidance of doubt the Indemnity Agreement, the RLCIS Support Deed, the Exit Deed, the Bank Disengagement Agreement, the Mortgage Transfer Agreements and any assets forming part of the General Reserve;
"Transferring Contracts"	each Transferring Policy and Outwards Reinsurance Contract (to the extent covering the Transferring Policies);
"Transferring Liabilities"	all Losses (whether present or future, actual or contingent, and including, for the avoidance of doubt, any Tax liability) of RLCIS (a) under or by virtue of the Transferring Contracts; and (b) otherwise attributable to the Transferring Business or arising as a result of it having been carried on;
"Transferring Policies"	every Policy of insurance or reinsurance written by RLCIS or transferred to RLCIS on or prior to the Effective Date comprised in the Transferring Business under which any liability (whether actual or contingent, present or future) remains unsatisfied or outstanding at the Effective Date, but excluding the Retained Policies;
"Transfer Regulations"	the Financial Services and Markets Act 2000 (Control of Business Transfers) (Requirements on Applicants) Regulations 2001 (SI 2001/ 3625); and
"UK"	the United Kingdom of Great Britain and Northern Ireland.

2.2 In this Scheme:

- (a) **"property"** and **"asset"** include (without limitation) property, assets, rights (including, without limitation, contingent rights as to the repayment of tax) and powers of every description (whether present or future, actual or contingent) and includes property held on trust and securities, benefits, powers of any description and any interest whatsoever in any of the foregoing;
- (b) **"liabilities"** includes (without limitation) duties and obligations of every description (whether present or future, actual or contingent);

- (c) "**transfer**" includes (as the context may require) "assign", "assignation" and "assignment", "dispose", "disposal", "novate", "novation", "convey" and "conveyance";
- (d) any reference to the singular shall include a reference to the plural and vice versa and any reference to the masculine shall include a reference to the feminine;
- (e) 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;
- (f) expressions used in this Scheme which have meanings under FSMA shall bear those meanings unless otherwise expressly defined herein;
- (g) any reference to this Scheme shall include the Schedules to it and (unless inconsistent with the subject or context) references in this Scheme to paragraphs, parts or Schedules are to paragraphs of, parts of or the Schedules to this Scheme;
- (h) any reference to writing shall include any mode of reproducing words in a legible and non-transitory form;
- (i) all indemnities (the "**Payment Obligation**") shall be given on an "after-Tax basis" meaning that the amount payable pursuant to such Payment Obligation (the "**Payment**") shall be calculated in such a manner as will ensure that, after taking into account:
 - (i) any Tax required to be deducted or withheld from the Payment;
 - (ii) the amount and timing of any additional Tax which becomes payable by the recipient of the Payment as a result of the Payment being subject to Tax in the hands of the recipient of the Payment; and
 - (iii) the amount and timing of any Tax benefit which is obtained by the recipient of the Payment, and/or any member of the recipient's group, to the extent that such Tax benefit is attributable to the matter giving rise to the Payment Obligations or to the receipt of the Payment,

(which amount and timing are to be determined by the auditors of the recipient at the shared expense of both parties and are to be certified as such to the party making the Payment), the recipient of the Payment (taken together with members of recipient's group) is in the same overall position as that in which it would have been if the matter giving rise to the Payment Obligation had not occurred; and
- (j) where any person is required by the terms of this Scheme to reimburse or indemnify any other person for any cost, charge, expense or other liability, such first person shall reimburse or indemnify such other person for the full amount of such cost, charge, expense or other liability, including such part

thereof as represents value added tax, save to the extent that such other person (or another value added tax group member) is entitled to credit or repayment in respect of such value added tax from any relevant tax authority.

3. TRANSFER

On and with effect from the Effective Date, the Transferring Business shall by the Order and without any further act or instrument be transferred to and be vested in CISGIL in accordance with this Scheme.

4. ASSETS

4.1 On and with effect from the Effective Date, the Transferring Assets shall, subject to paragraph 4.3, by the Order and without any further act or instrument, be transferred to and be vested in CISGIL subject to all Encumbrances (if any).

4.2 CISGIL shall accept without investigation, requisition or objection such title as RLCIS may have at the Effective Date to the Transferring Assets and at each Subsequent Transfer Date, to each Residual Asset transferred on that Subsequent Transfer Date.

4.3 RLCIS shall, on and from the Effective Date, hold any Residual Assets as trustee and in trust for CISGIL absolutely.

4.4 RLCIS shall be subject to CISGIL's directions in respect of any Residual Assets until the relevant Residual Asset is transferred to or otherwise vested in CISGIL or is disposed of whereupon RLCIS shall account to CISGIL for the proceeds of sale thereof (if any) less the costs incurred in effecting such sale (including Tax suffered in relation thereto). CISGIL shall have the authority (with authority to sub-delegate) to act as the attorney of RLCIS in respect of such property for all such purposes.

4.5 In the event of any payment (including of any premium) being made to, property being received by, or a right being conferred upon RLCIS on or after the Effective Date or Subsequent Transfer Date (as the case may be) in respect of the Transferring Business, any Transferring Asset or Residual Asset RLCIS shall, as soon as is reasonably practicable, notify CISGIL thereof and (in each case less any Tax incurred by RLCIS in relation thereto) pay over the full amount of such payment received or (to the extent it is able to do so) transfer such property received or right conferred to, or in accordance with the reasonable directions of CISGIL and CISGIL shall indemnify RLCIS on demand for any Losses associated with doing so.

4.6 RLCIS and CISGIL shall each, as and when appropriate, execute all documents and perform all things within its control as may be required to effect or perfect the transfer to, and vesting in, CISGIL of any Transferring Asset on the Effective Date in accordance with the terms of this Scheme, including without limitation, seeking to obtain any required consent or waiver provided that any Loss incurred by RLCIS solely as a result of meeting its obligations under this paragraph 4.6 shall be indemnified by CISGIL.

5. TRANSFERRING CONTRACTS

5.1 Every person who immediately prior to the Effective Date is a holder of or party to a Transferring Contract shall, from and after the Effective Date, in substitution for any

liability or obligation owed thereunder to RLCIS, be under the same liability or obligation to CISGIL and shall become entitled, to the exclusion of any rights which he may have had against RLCIS under any of the Transferring Contracts, to the same rights against CISGIL as were available to him against RLCIS under such Transferring Contract.

- 5.2 All premiums and other amounts attributable or referable to the Transferring Contracts and Retained Policies shall on and after the Effective Date be payable to CISGIL and shall be receivable and received by CISGIL (in relation to any Retained Policy, as agent for RLCIS but subject to paragraph 6.7) and every person who is a holder of or party to any of the Transferring Contracts or Retained Policies shall be liable to CISGIL for any outstanding, further or additional premiums or other sums attributable or referable to the Transferring Contracts or Retained Policies as and when the same become due and payable.
- 5.3 CISGIL shall be entitled to any and all defences, claims, counterclaims and rights of set-off under the Transferring Contracts which would have been available to RLCIS.
- 5.4 All references in any Transferring Contract and in any contract or Policy forming part of the Residual Assets to RLCIS, the RLCIS board of directors, or any other officers, employees or agents of RLCIS shall from and after the Effective Date or Subsequent Transfer Date (as the case may be) be read as references to CISGIL, the board of directors of CISGIL, or any other officers, employees or agents of CISGIL or, where appropriate, agents of CISGIL to which the administration carried on by CISGIL has been delegated. In particular, but without limitation, all rights and/or duties exercisable or expressed to be exercisable or responsibilities to be performed by RLCIS, the RLCIS board of directors, or any other officers, employees or agents of RLCIS in relation to any of the Transferring Contracts and in any contract or Policy forming part of the Residual Assets shall, from and after the Effective Date or Subsequent Transfer Date (as the case may be) be exercisable or required to be performed by CISGIL, the board of directors of CISGIL or any other officers, employees or agents of CISGIL.
- 5.5 To the extent that the risk under any Retained Policy has been ceded by RLCIS to a third party under any Outwards Reinsurance Contract, any payment in respect of such risk made to the Policyholder by CISGIL on behalf of RLCIS under the relevant Retained Policy prior to the Subsequent Transfer Date or Excluded Policies Transfer Date (as the case may be) of such Policy or to RLCIS under paragraph 7.3 shall be deemed to be a payment by the insurer for the purposes of such Outwards Reinsurance Contract, and shall give rise to a claim by CISGIL thereunder as if it were the insurer under the relevant Retained Policy.

6. **RESIDUAL ASSETS AND EXCLUDED POLICIES**

- 6.1 On and with effect from each Subsequent Transfer Date, each Residual Asset to which a Subsequent Transfer Date applies and all rights, benefits and powers, together with all obligations and liabilities relating to such Residual Asset shall, without any further act or instrument, but by virtue of this Order and to the extent not previously transferred, be transferred to, and vest in, CISGIL subject to all Encumbrances (if any) affecting such asset, whereupon it shall constitute a Transferring Asset under this Scheme and the terms of this Scheme shall apply to such asset as if it had been transferred under the Scheme to CISGIL on the Effective Date.

- 6.2 The Excluded Policies shall not be transferred to CISGIL by this Scheme and liabilities under the Excluded Policies shall remain liabilities of RLCIS until such time as such Excluded Policies are effectively transferred by RLCIS to CISGIL otherwise than pursuant to this Scheme (the "**Excluded Policies Transfer Date**") and shall at all times after the Effective Date until the Excluded Policies Transfer Date be reinsured in their entirety into CISGIL on terms set out in paragraphs 6.6 and 6.8.
- 6.3 Upon the novation or transfer of any Excluded Policy of RLCIS to CISGIL, all the rights, benefits and powers, together with all the obligations and liabilities relating to such Policy shall, to the extent not previously transferred, be transferred to CISGIL on the Excluded Policies Transfer Date and such Excluded Policy shall thereafter be treated by RLCIS and CISGIL as if it had transferred as a Transferring Policy under this Scheme and the provisions of this Scheme shall be applied by them to such Excluded Policy.
- 6.4 RLCIS and CISGIL shall each, as and when necessary or appropriate, execute and deliver all documents and perform all such other acts within its control as may be reasonably required to effect or perfect the transfer to, and vesting in, CISGIL of any Residual Asset and any Excluded Policy in accordance with the terms of this Scheme, including without limitation, seeking to obtain any required consent or waiver provided that any costs or expenses incurred by RLCIS in meeting its obligations under this paragraph 6.3 shall be indemnified by CISGIL.
- 6.5 Any Retained Policy shall not transfer to CISGIL on the Effective Date, but shall remain the liability of RLCIS until the Subsequent Transfer Date or the Excluded Policies Transfer Date (as the case may be) and until such transfer, CISGIL shall reinsure RLCIS in respect of such liability as set out in paragraph 6.6.
- 6.6 With effect from the Effective Date, all the liabilities and/or Losses of RLCIS attributable to the Retained Policies and all other amounts paid or payable, or Losses suffered, by RLCIS in respect of the Retained Policies shall be reinsured in their entirety into CISGIL for as long as the relevant Retained Policies continue in force as Policies of RLCIS or until the relevant Subsequent Transfer Date or Excluded Policies Transfer Date (as the case may be).
- 6.7 The premiums payable by RLCIS in respect of the reinsurance pursuant to paragraph 6.6 shall be the amount of all subsequent premium or other payments received by RLCIS or received by CISGIL pursuant to paragraph 5.2 in respect of such Retained Policies (for so long as they are Retained Policies and not, or are not to be treated as, Transferring Policies) which shall be deemed satisfied to the extent that such subsequent premium payments are received by CISGIL (either from RLCIS or pursuant to paragraph 5.2).
- 6.8 CISGIL shall discharge its reinsurance obligation pursuant to paragraph 6.6 by discharging the liabilities and/or Losses set out in paragraph 6.6 on behalf of RLCIS or, failing that, by indemnifying RLCIS in respect of such liabilities and/or Losses in accordance with paragraph 7.3.
- 6.9 CISGIL shall not indemnify RLCIS against and shall not be obliged to discharge any liability of RLCIS referred to in paragraph 6.8 above, to the extent that RLCIS 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, RLCIS has failed to recover, or CISGIL has instructed RLCIS in writing not to attempt to recover, any such amount, or RLCIS has paid over such amount to CISGIL in accordance with paragraph 4.5.

- 6.10 CISGIL shall discharge or indemnify RLCIS against any costs and/or expenses which RLCIS may incur in pursuing any claim against such third party as is referred to in paragraph 6.9 above.

7. LIABILITIES

- 7.1 On and with effect from the Effective Date, the Transferring Liabilities shall, by the Order and without any further act or instrument, be transferred to and become liabilities of CISGIL and shall cease to be liabilities of RLCIS.

- 7.2 On and with effect from each Subsequent Transfer Date, each Residual Liability to which a Subsequent Transfer Date applied and rights, benefits and powers, together with all obligations and liabilities, relating to such Residual Liability shall, without any further act or instrument, but by virtue of this Order and to the extent not previously transferred, be transferred to, and vest in, CISGIL, whereupon it shall constitute a Transferring Liability under this Scheme and the terms of this Scheme shall apply to such liability as if it had been transferred under the Scheme to CISGIL on the Effective Date.

- 7.3 Subject to paragraph 6.6 above, CISGIL shall indemnify RLCIS from and after the Effective Date against:

- (a) all Transferring Liabilities, Residual Liabilities and all Losses attributable to or arising as a result of the Transferring Business paid or payable by RLCIS which are not, or are not capable of being, transferred pursuant to the Scheme or the Order by reason of such transfer being outside the jurisdiction of the Court or for any other reason until the relevant liability is effectively transferred to or becomes the liability of CISGIL; and
- (b) save as otherwise provided in this Scheme, any other Loss incurred by RLCIS in connection with the Transferring Business, whether arising before, on or after the Effective Date,

(each an "**Indemnified Liability**").

- 7.4 CISGIL shall not be obliged to indemnify RLCIS pursuant to paragraph 7.3 in respect of any Losses to the extent that such Losses are or may be reinsured pursuant to an Outwards Reinsurance Contract which is a Residual Asset and the reinsurer(s) effect(s) payment to RLCIS in respect of such Loss.

- 7.5 RLCIS shall to the extent that a Loss is or may be reinsured pursuant to an Outwards Reinsurance Contract which is a Residual Asset use all reasonable endeavours to claim under such Outwards Reinsurance Contract provided that CISGIL indemnifies it for any Losses associated with doing so (to the extent that such Losses are not recoverable from the relevant reinsurer) and not to seek indemnification from CISGIL pursuant to paragraph 7.3 until such reasonable endeavours have been applied.

7.6 RLCIS and CISGIL shall each indemnify the other to the extent that any third party reinsurer under any Outwards Reinsurance Contract sets off any payment which such reinsurer would otherwise have been required to pay to either RLCIS or CISGIL as the case may be against any sums which may be in connection with the Transferring Business owed by the other to such reinsurer.

8. INDEMNITY ARRANGEMENTS

8.1 The Indemnity Agreement will remain in place following the Effective Date provided that if RLCIS is entitled to make a recovery under paragraph 7.3 in respect of an Indemnified Liability, it shall seek recovery first under that paragraph and shall not be entitled to recover more than once in respect of any Loss.

8.2 In consideration of the assumption by CISGIL under the Scheme of the Transferring Liabilities, CISGIL shall retain any premiums paid by RLCIS to CISGIL under the Indemnity Agreement and shall not be entitled to make any recovery of an amount owing or due to it under the Scheme and the Indemnity Agreement more than once.

9. MANDATES AND OTHER INSTRUCTIONS

9.1 Any mandate or other instruction in force on the Effective Date (including, without limitation, any instruction given to a bank by its customer in the form of a direct debit or standing order) and providing for the payment by a bank or other intermediary of premiums payable under or in respect of any of the Transferring Contracts or Retained Policies shall, on and from the Effective Date, take effect as if it had provided for and authorised such payment to CISGIL (in relation to any Retained Policies, as agent for RLCIS).

9.2 Any mandate or other instruction in force on the Effective Date in respect of any of the Transferring Contracts or Retained Policies as to the manner of payment of any benefit or other amount given to RLCIS shall, on and from the Effective Date, continue in force as an effective authority to CISGIL (in relation to any Retained Policies, as agent for RLCIS).

10. CONTINUITY OF PROCEEDINGS

10.1 On and with effect from the Effective Date, any judicial, quasi-judicial, administrative, arbitration or other proceedings (whether by way of a claim, complaint, demand, legal proceedings, execution or judgement, arbitration, regulatory review or process) which are pending or commenced by or against RLCIS in connection with the Transferring Business shall be continued by or against CISGIL and CISGIL shall be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to RLCIS in relation to any such proceedings.

10.2 On and with effect from any Subsequent Transfer Date, any judicial, quasi-judicial, administrative, arbitration or other proceedings (whether by way of a claim, complaint, demand, legal proceedings, execution or judgement, arbitration, regulatory review or process) which are pending or commenced by or against RLCIS in connection with the relevant Residual Asset or Residual Liability to which such Subsequent Transfer Date applies shall be continued by or against CISGIL and CISGIL shall be entitled to all

defences, claims, counterclaims and rights of set-off that would have been available to RLCIS in relation to any such proceedings.

- 10.3 On and with effect from the Effective Date, any judgement, settlement, order or award under existing or past judicial, quasi-judicial, administrative, arbitration or other proceedings (whether by way of a claim, complaint, demand, legal proceedings, execution or judgement, arbitration, regulatory review or process) obtained by or against RLCIS in relation to the Transferring Business, the Transferring Assets or the Transferring Liabilities (or, in connection with a Residual Asset or Residual Liability, on and with effect from the Subsequent Transfer Date applicable to it) shall be enforceable by or against CISGIL in place of RLCIS.
- 10.4 In any event, CISGIL in its absolute discretion may determine to discontinue after the Effective Date any such proceedings which have been brought by RLCIS in relation to the Transferring Business, the Transferring Assets or the Transferring Liabilities (or, in connection with a Residual Asset or Residual Liability, after the Subsequent Transfer Date applicable to it).

11. DATA PROTECTION

- 11.1 On and with effect from the Effective Date, the records relating to the Transferring Business, which may include personal data protected under the Data Protection Act 1998, shall be transferred to CISGIL and may be used by CISGIL for, and disclosed by CISGIL to, and used by, any agent or contractor of CISGIL to the same extent that they were used by RLCIS 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 of records and use shall be required;
- 11.2 To the extent that an authority has been given to RLCIS in connection with a Transferring Policy by the Policyholder thereof or by any other relevant person, whether pursuant to the Data Protection Act 1998 or otherwise, such authority shall, on and after the Effective Date, be deemed to have been given to CISGIL.

12. EFFECTIVE DATE

- 12.1 Subject to paragraph 12.2, this Scheme shall become operative at 23.59 on 31 March 2014 or such other time and date as may be specified in the Order (the "**Effective Date**") and unless this Scheme shall become operative on or before 30 June 2014 or such later date as the Court may allow upon the application of RLCIS and CISGIL, this Scheme shall lapse.
- 12.2 Notwithstanding paragraph 12.1, this Scheme shall not become operative on the Effective Date in the event that the Court imposes any modification of or addition to this Scheme or any further condition or provision affecting the same unless RLCIS and CISGIL consent to such modification, addition or condition.

13. COSTS AND EXPENSES

All costs and expenses relating to the preparation of the Scheme and application for the sanction of the Scheme, including the costs of the Independent Expert, counsel and complying with the order made by the court pursuant to the directions hearing of the application for the sanction of the Scheme shall be borne by CISGIL and CISGIL shall indemnify RLCIS in respect of all Losses which it may incur in connection with the Scheme.

14. MODIFICATIONS OR ADDITIONS

14.1 RLCIS and CISGIL may consent, and may consent on behalf of all other persons concerned (other than the PRA or the FCA), to any modification or addition to this Scheme or to any further condition or provision affecting the Scheme which the Court may approve or impose prior to the sanction of this Scheme.

14.2 After the Effective Date, CISGIL may vary the terms of this Scheme with the consent of the Court, including, without limitation, if at any time, the provisions of this Scheme prove impossible, impracticable or inequitable to implement, provided that in any such case:

- (a) the PRA and the FCA shall be notified of and have the right to be heard at any hearing of the Court at which such application is considered; and
- (b) such application shall be accompanied by a certificate from an independent expert to the effect that in his opinion the proposed amendment will not adversely affect the reasonable expectations of the holders of Transferring Policies, or those of CISGIL or RLCIS; and
- (c) to the extent any such variation affects any right, obligation or interest of RLCIS, CISGIL has provided RLCIS with prior written notice of the proposed variation together with copies of the correspondence with the PRA or the FCA and the independent expert (including the certificate referred to in paragraph 14.2(b) above) and RLCIS has provided its prior written consent to such variation.

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

14.3 The consent of the Court shall not be required in relation to minor and/or technical amendments to the terms of this Scheme (including amendments to correct manifest errors) that may be agreed by RLCIS and CISGIL in writing, provided that the PRA and the FCA have been notified of the same at least 28 days in advance of the amendment being made and have not objected (unless the PRA and the FCA have confirmed non-objection prior to that date).

15. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

A person not party to the Scheme may not enforce any of its terms pursuant to the Contracts (Rights of Third Parties) Act 1999.

