

## **SUMMARY OF THE TERMS OF THE SCHEME AND OF THE SCHEME REPORT**

The purpose of this document is to summarise the principal terms of the proposed insurance business transfer scheme (the **Scheme**) by which Domestic & General Life Assurance Company Limited (**DGLA**) will formally transfer the whole of its long term business (the **Transferring Policies**) to Forester Life Limited (**Forester Life**) and to summarise the independent expert's report on the Scheme (the **Report**).

Part A of this document summarises the terms of the Scheme and Part B summarises the Report.

Policyholders wishing to obtain further information concerning the proposed Scheme can inspect and obtain copies of the Scheme and the full Report free of charge at the offices of:

- DGLA at Swan Court, 11 Worple Road, Wimbledon, London SW19 4JS;
- Forester Life at Foresters House, Cromwell Avenue, Bromley BR2 9BF;
- Ogier at Whiteley Chambers, Don Street, St Helier, Jersey JE4 9WG, Channel Islands; and
- Edwards Angell Palmer & Dodge UK LLP, One Fetter Lane, London EC4A 1JB.

Copies of the Scheme and the Report may also be obtained by telephoning the following individuals on the following numbers between 9.00am and 4.30pm on business days: Gillian Milborrow or Joan Osborne on 0208 879 8615 (DGLA) or Mark Sonenfeld on 0208 628 3661 (Forester Life). The documents may also be obtained on the internet at <http://corporate.domgen.com/media-centre/press-releases/index.html> (DGLA) or [www.foresters.co.uk](http://www.foresters.co.uk) (Forester Life).

### **PART A – THE SCHEME**

#### **1. INTRODUCTION**

Following a review of its insurance operations, DGLA has agreed to transfer the whole of its life insurance business to Forester Life.

The formal transfer from DGLA to Forester Life of the Transferring Policies and DGLA's obligations under those Transferring Policies will be effected by way of the Scheme, which requires the sanction of the High Court of Justice in England (the **Court**) pursuant to the provisions of the Financial Services and Markets Act 2000 (**FSMA**).

Subject to the approval of the Court and the Financial Services Authority (**FSA**), it is expected that the Scheme will take effect on or about 24 October 2008 (the **Effective Date**) at which time the Transferring Policies will formally transfer to Forester Life. As a result, on the Effective Date, Forester Life will become the insurer of the Transferring Policies in the place of DGLA.

Subject to the Scheme taking effect, it is then proposed to apply to the FSA for the cancellation of DGLA's authorisation and permissions to carry on insurance business in the UK and to seek the sanction of the Court to dissolve DGLA, without winding up, pursuant to the provisions of the FSMA.

## 2. **THE TRANSFERRING POLICIES**

The policies that are to be transferred to Forester Life under the Scheme comprise of all of the long term insurance policies of DGLA which are in force at the Effective Date and any lapsed policy under which DGLA may still be required to make a payment to a policyholder or some other person.

On and from the Effective Date, every policyholder will have the same rights against Forester Life as that policyholder would have had against DGLA under the policy prior to the Effective Date. Further, subject to the provisions of the Scheme, Forester Life will succeed and become entitled to all rights, discretions, authorities, benefits, powers and liabilities of DGLA under the Transferring Policies in place of DGLA. This includes any right to increase premiums or amend management fees and charging structures, subject to the terms and conditions contained in the relevant policy. Premiums or sums due to be paid by a holder of a Transferring Policy after the Effective Date are to be paid to Forester Life. Forester Life will also be entitled to all defences, claims, counterclaims and rights of set-off under or in respect of the Transferring Policies that would have been available to DGLA.

## 3. **TRANSFERRING LIABILITIES**

On and with effect from the Effective Date, all of the liabilities arising under the Transferring Policies shall be transferred to and become liabilities of Forester Life.

## 4. **TRANSFERRING ASSETS**

On and with effect from the Effective Date, all of the assets (except for an amount set aside as a transfer of business expense reserve) held in DGLA's Long Term Insurance Fund shall be transferred to and become assets of Forester Life.

5. **OPTIONS**

If any person exercises an option under a Transferring Policy to effect a new policy, Forester Life will comply with this option by offering a new policy that is the nearest equivalent policy in its product range at the time that the option is exercised.

6. **CONTINUITY OF PROCEEDINGS**

On and with effect from the Effective Date, any legal proceedings which are pending either by or against DGLA in respect of the Transferring Policies will be continued by or against Forester Life. Forester Life will be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to DGLA in relation to these proceedings.

7. **MANDATES AND OTHER INSTRUCTIONS**

Any mandate or other instruction (including any direct debit or standing order instruction) in force on the Effective Date for the payment of premiums under or in respect of any policy to DGLA will take effect as if the instructions had provided for and authorised the payment to Forester Life.

8. **INDEMNITY IN FAVOUR OF DGLA**

On and from the Effective Date, until the relevant liability is transferred to or becomes a liability of Forester Life, Forester Life shall pay on behalf of DGLA or reimburse DGLA for all liabilities under the Transferring Policies.

9. **ADMINISTRATION OF TRANSFERRING POLICIES**

On and from the Effective Date, Forester Life will take over, as principal, the administration (including claims processing) of the Transferring Policies and will bear all expenses and liabilities in relation to this administration.

10. **REASSURANCE**

On and from the Transfer Date, Forester Life will succeed and become entitled to all rights, benefits, powers and liabilities of DGLA under any agreement subsisting at the Transfer Date between DGLA and Swiss Re Life and Health (UK) Limited for the reinsurance of the Transferring Policies.

11. **EFFECTIVE DATE AND CONDITIONS**

The Scheme will take effect on the Effective Date, subject only to the FSA and Court approving the Scheme.

## Part B - Summary of the independent expert's report

### Introduction

I, David John Lechmere, am a Fellow of the Institute of Actuaries. I have been appointed as the Independent Expert required by the Financial Services and Markets Act to report on the proposed transfer of the long term insurance business of Domestic & General Life Assurance Company Limited (DGLA) to Forester Life Limited (Forester Life). I do not have any financial interest in either company, or any company with the same ultimate parent. The FSA has approved my appointment as Independent Expert in respect of the proposed Scheme. The form of the Report is in compliance with the Rules and Guidance made by the FSA.

### Report

The Report sets out information on the proposed Scheme and the parties and concludes with my opinion on the Scheme and the effects that it is likely to have on policyholders of DGLA and Forester Life.

### Scheme

The Scheme is concerned with the transfer of all the long term business policies of DGLA into the other long term business fund of Forester Life. All existing options and guarantees on the current DGLA policies will be carried over into the Forester Life fund.

### Information

To compile my report I have reviewed information supplied by Forester Life and DGLA and their professional advisers, and I have also talked to the management of Forester Life and DGLA. I have relied on the information provided to me without further verification but I am satisfied with the reasonableness of such based on my own experience of the life assurance industry.

### Forester Life and DGLA

The Report provides financial information about Forester Life and DGLA including their net assets, regulatory capital and available free assets.

The Report notes that the ultimate holding company of Forester Life is Independent Order of Foresters, a Canadian registered fraternal benefits society that operates in the United States, Canada and the United Kingdom. It also notes that Forester Life's accounts at 31 December 2007 show admissible assets of £487m, mathematical reserves of £388m and other liabilities amounting to £9m in respect of its long term business. This shows Forester Life to have capital resources of £90m, roughly 5 times the regulatory requirement.

The Report notes that the immediate holding company of DGLA is Domestic & General Group Limited and the ultimate owner is Advent International. DGLA's accounts as at 31 March 2008 show available admissible assets of £4.9 million, mathematical reserves of £4.2 million and other liabilities of £0.6 in respect of its life assurance business. The shareholder assets (net of shareholder liabilities) amount to £2.3m and are sufficient to cover the regulatory capital requirements leaving free capital of £0.1m.

### Opinion

My opinion is that the Scheme improves the security of the DGLA policyholders as a result of being transferred into a larger, more strongly capitalised, fund and does not diminish the security of the Forester Life policyholders. My opinion is that the proposed Scheme does not introduce any significant additional operational risks into the Forester Life fund.

It is also my opinion that the benefit expectations of the current long term policyholders of Forester Life and DGLA will not be adversely affected by the Scheme. Such expectations include the prospects for amendments to policy administration and investment management charges under those classes of DGLA

investment linked contracts which allow this. They also include the prospects for amendments to premium rate scales under those classes of DGLA permanent health insurance contracts which allow this.

I therefore conclude that no-one should be worse off as a result of the transfer, and the security of the DGLA policyholders will be enhanced from being in a stronger fund.

A handwritten signature in black ink, reading "D. J. Lechmere". The signature is written in a cursive style with a large, looping initial "D".

**David Lechmere FIA**

OAC