

Appendix 1

SUMMARY OF THE SCHEME

1 Introduction

- 1.1 This document sets out a summary of the effect of the Scheme.
- 1.2 This document is only a summary. The terms of the Scheme are set out in full in the complete Scheme document (the **Scheme Document**) which is available free of charge on request to the contacts set out at page 1 of the Information Booklet. Words used in this summary but not otherwise defined shall have the meaning given to them in the Scheme Document.

2 Summary of the Scheme

- 2.1 The following is a summary of the main points of the Scheme.
- 2.2 In addition, Soteria, DLUK and the Transferee have prepared a series of policyholder communications, of which this summary forms part, which are available at <https://www.soteriainsurance.co.uk/part-vii-transfer>.

The Effect of the Scheme

- 2.3 As stated above, the Scheme is intended to effect the transfer all of the Transferring Business from the Transferors to the Transferee (the **Transfer**). In summary, the **Transferring Business** comprises:
- (a) the orderly run-off of all liabilities arising under the Transferring Soteria Policies and the Transferring DLUK Policies (together the **Transferring Policies**) and including all activities carried on in connection with or for the purposes of such business (the **Business**);
 - (b) the rights, claims and liabilities arising under the Transferring Soteria Policies and the Transferring DLUK Policies and any reinsurance policy under which DLUK is reinsured in respect of a Transferring DLUK Policy;
 - (c) the relevant books and records relating to the Transferring Soteria Policies and/or the Transferring DLUK Policies;
 - (d) all premiums, recoveries and other receivables that relate to the Business;
 - (e) all causes of action against third parties relating to the Business;
 - (f) all transferable permits used in connection with the Business;

- (g) all goodwill associated with the Business;

- (h) in respect of DLUK:
 - (i) all cash at bank, cash equivalents, corporate and government bonds, and other financial investments; and
 - (ii) all assets or liabilities in respect of Tax which are attributable to the Transferring DLUK Business;

- (i) to the extent not comprised in paragraph (a) to paragraph (h), all assets and rights owned by, and liabilities and obligations of, DLUK in connection with the Transferring DLUK Business;

- (j) in respect of Soteria:
 - (i) the eligible assets held in the Soteria Custody Accounts;
 - (ii) all rights, claims and liabilities arising under the management services agreement entered into between various insurers and Electricity Insurance Run Off Services Limited (**EIROS**) in relation to the EIROS pool (the **EIROS Management Services Agreement**); and
 - (iii) all rights and claims and liabilities under the claims handling agreement entered into between Soteria and Markerstudy Insurance Services Limited (**MISL**),

but excluding the Excluded Assets and the Excluded Liabilities.

Excluded Assets are essentially: (a) in Soteria's case, Tax assets and any other assets not included in the definition of Transferring Business; and (b) in DLUK's case, cash and investments amounting to £5.3m in the aggregate, which will be transferred to DIUK after the Transfer.

Excluded Liabilities include:

- (a) tax liabilities of Soteria;
- (b) any liabilities Soteria has to persons other than policyholders or beneficiaries of policies; and
- (c) any liabilities arising from acts of Soteria before the Effective Date which are breaches of law or regulation, the terms of a Transferring Soteria Policy or the terms of the EIROS Management Services Agreement.

- 2.4 The Scheme will be valid and binding on counterparties to contracts notwithstanding any restriction on transfer or assignment contained in any such contracts.

Claims paid by the Transferee after the Effective Date

- 2.5 It is intended that, with effect on and from the Effective Date, all the rights and obligations arising from the Transferring Business will automatically transfer to the Transferee and will no longer rest with Soteria and/or DLUK. This means that the Transferee will be responsible for paying all claims and meeting all other obligations which were previously obligations of Soteria and/or DLUK in relation to the Transferring Business.

Exceptions

- 2.6 Despite the intention explained in paragraph 2.5 above, the Scheme provides for the possibility that certain liabilities or assets which are intended to transfer may not be, or may not be capable of being, transferred on the Effective Date (**Residual Assets and Liabilities**). Residual Assets and Liabilities will transfer subject to the terms of the Scheme if and when the impediment to transfer is removed. In the meantime, the Transferee will be under an obligation to indemnify the relevant Transferor in respect of any losses or liabilities arising out of the Residual Assets and Liabilities.

No Changes to Policy Terms and Conditions

- 2.7 There will be no changes to the terms and conditions of the Transferring Policies as a result of the Transfer, save that the insurer will be the Transferee not Soteria or DLUK.

Policy administration

- 2.8 There will be no change to the arrangements for policy and claims administration as a result of the Transfer. Policy and claims administration will continue to be carried out by MISL (in respect of the Transferring Soteria Policies) and the same employees within the DARAG group (in respect of the Transferring DLUK Policies) which currently administer those policies, save that after the Transfer these activities will be carried out on behalf of the Transferee.

Continuity of proceedings or litigation

- 2.9 With effect on and from the Effective Date, any Proceedings in connection with or relating to the Transferring Business which have at the Effective Date been or subsequently are commenced by, or on behalf of, or against Soteria or DLUK in connection with the Transferring Business shall be continued by or against the Transferee (in place of Soteria or DLUK, as applicable) without the need for further order whether for substitution of parties or otherwise.

2.10 Any final judgment, order or award in respect of or in connection with the Transferring Business that is not subject to further appeal obtained:

- (a) by or against Soteria or DLUK and which is not fully satisfied before the Effective Date shall be enforceable by or against the Transferee (to the exclusion of Soteria or DLUK, as applicable) without the need for further order; and
- (b) against Soteria or DLUK on or after the Effective Date shall be enforceable against the Transferee (to the exclusion of the Soteria or DLUK, as applicable) without the need for further order,

and the Transferee shall comply with such judgment, order or award.

2.11 Where proceedings against Soteria and/or DLUK are ongoing at the Effective Date in a jurisdiction outside the UK, or commenced in such a jurisdiction after the Effective Date, the Transferee will have the authority to conduct these proceedings on behalf of Soteria or DLUK (as applicable).

2.12 The Transferee will not assert in any dispute or proceedings in any jurisdiction relating to a Transferring Policy that the Scheme is ineffective or invalid under the law of that jurisdiction to transfer rights and obligations under the Transferring Policy to the Transferee.

Material changes to the terms and conditions of the Scheme

2.13 The Transferors and the Transferee may, at any time before the Effective Date, consent to any modification of, or addition to, the Scheme or any further condition or provision affecting the Scheme, which the Court may approve or impose.

2.14 After the Scheme has been approved, any material modification or addition to the Scheme must be approved by the Court and must not, in the opinion of the Independent Expert or another independent expert, materially adversely affect the policyholders of the Transferring Policies. The Transferors and the Transferee are also required to consult with the PRA and the FCA in advance of making an application for a material modification of, or addition to, the Scheme.

Costs and Expenses

2.15 None of the costs and expenses relating to the preparation of the Scheme or the Court process will be borne by policyholders.

Governing law

2.16 The Scheme will be governed by and construed in accordance with English law.