

## **NOTICE TO PARTIES TO STANDARD LIFE STRUCTURED SETTLEMENT ARRANGEMENTS**

**April 14, 2007**

You are a party to a structured settlement arrangement pursuant to which The Standard Life Assurance Company (now The Standard Life Assurance Company 2006) (“SLAC 2006”) issued or entered into a Structured Settlement Policy.<sup>1</sup>

On July 10, 2006, in connection with the demutualization of SLAC 2006 and the reorganization of the Standard Life group, SLAC 2006 transferred substantially all of its business to Standard Life Assurance Limited (“SLAL”), a Scottish insurance company, or an affiliate of SLAL. In Canada, all of the business of the Canadian branch of SLAC 2006 (“Mutual Branch”), other than the business relating to the Structured Settlement Policies, was reinsured, on an assumption basis, by the Canadian branch of SLAL (“New Branch”) or The Standard Life Assurance Company of Canada (“Standard Life Canada”). SLAC 2006 is a subsidiary of SLAL and SLAL is a subsidiary of Standard Life plc, a Scottish public limited company which is listed on the London Stock Exchange.<sup>2</sup>

The business relating to the Structured Settlement Policies is now the only significant insurance business remaining in SLAC 2006. The Standard Life group now intends to complete the reorganization commenced on July 10, 2006 by having SLAC 2006 and SLAL enter into an agreement (the “Assumption Agreement”) pursuant to which the New Branch will reinsure, on an assumption basis, all of the Structured Settlement Policies issued or entered into by the Mutual Branch.

The Structured Settlement Policies will be assumption reinsured by SLAL, a company with significantly more assets than SLAC 2006. SLAC 2006 is now a subsidiary of SLAL and does not write any new insurance business. SLAC 2006 had, as at December 31, 2006, total assets of approximately \$1 billion and approximately 6,000 customers. It is intended that as soon as practicable following the assumption reinsurance of the Structured Settlement Policies, the Mutual Branch will be closed and SLAC 2006 will be made dormant or dissolved. SLAL, on the other hand, had, as at December 31, 2006, total assets of over \$190 billion and approximately 5 million customers around the world and actively markets and writes new insurance business in the United Kingdom, Europe and Canada.

We would like to point out that the Structured Settlement Policies contain non-assignment provisions. This is required by the Canada Revenue Agency (the “CRA”) for all structured settlement arrangements so that the annuity payments received by the claimant under the structured settlement (the “Recipient”) are non-taxable payments for damages. It is our

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<sup>1</sup> “Structured Settlement Policies” means (i) the annuities issued by the Mutual Branch pursuant to structured settlement arrangements; and (ii) the contracts entered into by the Mutual Branch in respect of structured settlement arrangements and “Structured Settlement Policy” means any of them.

<sup>2</sup> For more information on the Standard Life group (which includes SLAL, SLAC 2006 and SL plc), please visit our website at [www.standardlife.com](http://www.standardlife.com).

intention to complete the proposed transaction notwithstanding these non-assignment provisions contained in the Structured Settlement Policies, and the CRA has confirmed that this will not affect the tax position of Recipients. In particular, the CRA has issued a technical interpretation that, where an insurer transfers or assigns its interests and/or obligations under a non-assignable structured settlement arrangement without the consent of the Recipients, the tax position of the Recipients will not be affected. That is, the transfer and assignment (i) will not result in any immediate tax consequences to the Recipients and (ii) the future structured settlement payments received will not be subject to tax in their hands under any provision of the *Income Tax Act* (Canada), as it presently reads.

You can also rest assured that both before and after this transaction your interests as a party to a Structured Settlement Policy, whether as a policyholder or a Recipient, will be protected. For policyholders, there will be no change to the amount of annuity payments and other rights provided for in your Structured Settlement Policy as a result of this transaction. For Recipients, there will be no change to your rights to receive payments as a result of this transaction. Nor will this cause any disruption in the high quality of service and support that you have come to expect from us.

Standard Life plc has retained David Congram, a Fellow of the Canadian Institute of Actuaries, as an independent actuary to assess the fairness of the proposed assumption reinsurance transaction from the perspective of the policyholders and Recipients of the Mutual Branch and the New Branch and report to the Office of the Superintendent of Financial Institutions (Canada) (“OSFI”). Mr. Congram has been a practicing actuary for 38 years and a consulting actuary for over 12 years.

As part of the regulatory process, Mr. Congram’s report and opinion on the proposed transaction have been submitted to OSFI. A summary of the report and opinion of the independent actuary as to the fairness of the proposed transaction and the effect of the proposed transaction on the interests of policyholders and Recipients is attached.

A copy of the proposed Assumption Agreement, together with a copy of the report and opinion of the independent actuary, will be available for your review during regular business hours until **May 18, 2007**, at the Canadian offices of SLAC 2006 and SLAL, which are both located at 1245 Sherbrooke Street West, Montréal, Québec, H3G 1G3. You may request copies of these documents by writing to SLAC 2006 or SLAL at such mailing address or by sending an e-mail to the following e-mail address **[Demutualisation2@standardlife.ca](mailto:Demutualisation2@standardlife.ca)**.

You are hereby notified that, pursuant to section 587.1 of the *Insurance Companies Act* (Canada), application will be made by SLAC 2006 and SLAL on or after **May 22, 2007** for approval of this transaction. It is anticipated that this transaction will be completed on or after **June 15, 2007** provided that all governmental and regulatory approvals are received.

After completion of this transaction, all inquiries in respect of the structured settlement arrangements should be sent to SLAL at the mailing address specified above. Policyholders will receive a certificate of assumption following completion of the transaction.

If you have any questions or concerns regarding this transaction, please write or send an e-mail to SLAC 2006 or SLAL at the mailing or e-mail address given above, as applicable. For more information regarding this transaction, please visit [www.standardlife.ca](http://www.standardlife.ca)

**THE STANDARD LIFE ASSURANCE COMPANY 2006**

**STANDARD LIFE ASSURANCE LIMITED**

## SUMMARY OF THE REPORT OF THE INDEPENDENT ACTUARY

### Summary Opinion

I, David J. Congram, Fellow of the Canadian Institute of Actuaries, have been engaged by Standard Life plc (“**SL plc**”) to prepare an independent actuarial report, as required by the Office of the Superintendent of Financial Institutions (Canada) (“**OSFI**”), dealing with the proposed assumption reinsurance of certain Canadian business of The Standard Life Assurance Company 2006 (“**SLAC 2006**”), formerly known as The Standard Life Assurance Company (“**SLAC**”), by Standard Life Assurance Limited (“**SLAL**”).

In July 2006 Standard Life implemented a restructuring and demutualization plan. On SLAC’s demutualization the only policies left behind in Canada were the structured settlements because it proved impractical to move them in the tight timescales of the reorganization. The purpose of this transaction is to complete the reorganization.

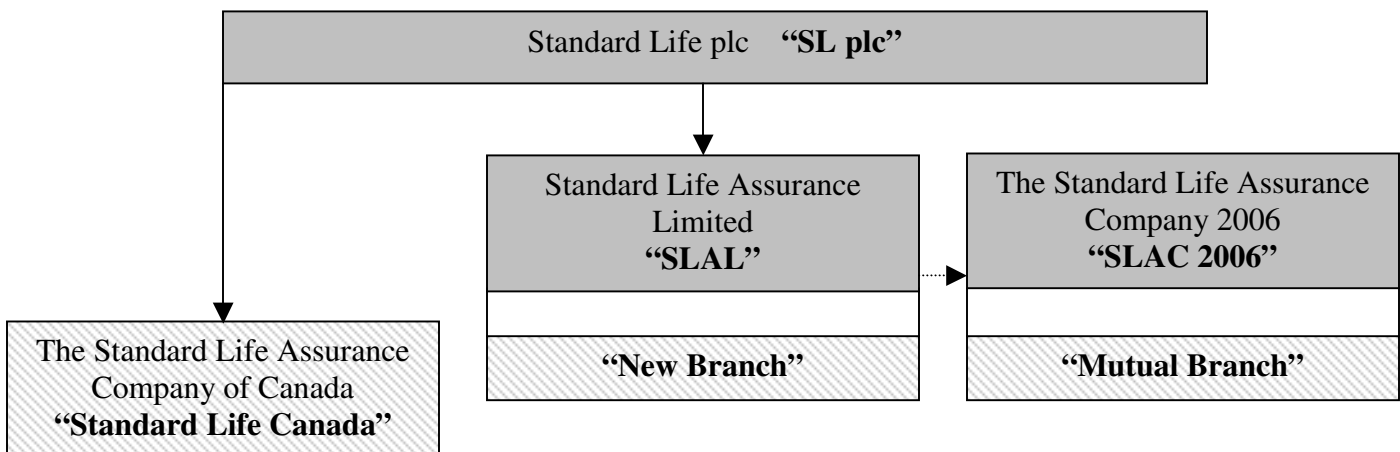
SL plc, a United Kingdom (“**UK**”) holding company for the Standard Life group of companies, was incorporated in June 2005 and commenced carrying on business as part of the July 2006 reorganization of SLAC. SL plc is a public company listed on the London Stock Exchange.

SLAL, now the main operating life insurance company of the Standard Life group of companies, is a wholly owned subsidiary of SL plc. SLAL was incorporated in 2005 and also commenced carrying on business as part of the July 2006 reorganization of SLAC. SLAL currently holds the single UK with profits policy that controls the voting rights of SLAC 2006.

The proposed assumption is by the Canadian Branch of SLAL (“**New Branch**”) from the Canadian Branch of SLAC 2006 (“**Mutual Branch**”).

#### Simplified Structure

In Canada  Out of Canada



## **Proposed Transaction**

Under the terms of the “**Proposed Transaction**”:

- (a) New Branch will assumption reinsure from Mutual Branch the business relating to the Structured Settlement Policies, together with the related liabilities as further defined in the Structured Settlement Policies Assumption Agreement (the “**Assumption Agreement**”);
- (b) the Structured Settlement Policies and related liabilities are either fully indemnity reinsured under the Structured Settlement Policies Reinsurance Agreement, as defined in the Assumption Agreement, by The Standard Life Assurance Company of Canada (“**Standard Life Canada**”), or backed by annuities purchased by Mutual Branch from Standard Life Canada. Standard Life Canada is a wholly-owned subsidiary of SL plc through SL plc’s ownership of Standard Life Oversea Holdings Limited which, in turn, owns Standard Life Financial Inc., Standard Life Canada’s immediate parent;
- (c) the terms and conditions of all of the affected policies as well as the rights and obligations of policyholders and annuity payment recipients (“**Recipients**”) pertaining thereto will continue unchanged;
- (d) once completed, no policies will remain in Mutual Branch.

It is anticipated that the Proposed Transaction will be completed on or after June 15, 2007 provided that all governmental and regulatory approvals are received.

Having reviewed,

- i) the details of the Proposed Transaction and the steps being taken to support and complete it;
- ii) the amount and nature of the assets and obligations to be assumed by or conveyed to New Branch from Mutual Branch;
- iii) the Structured Settlement Policies Reinsurance Agreement that is in place with Standard Life Canada and the projected financial position of Standard Life Canada; and,
- iv) the projected financial positions of Mutual Branch and New Branch after the Proposed Transaction is completed;

and having discussed the ongoing administration of the business involved with a number of senior officers who will be responsible for the administration of the business,

It is my opinion that, subject to Board approvals as described in my full report:

1. New Branch, supported by the Structured Settlement Policies Reinsurance Agreement with Standard Life Canada, the annuities purchased from Standard Life Canada, and the overall strength of SLAL, is a strong insurer. The completion of the Proposed Transaction will result in no adverse effect on the overall ability of SLAL and its New Branch to meet its future obligations;

2. the commercial fee of zero to be paid by New Branch to effect the Proposed Transaction is a reasonable one;
3. the amount and nature of the assets to be conveyed to New Branch, together with the Structured Settlement Policies Reinsurance Agreement with Standard Life Canada and the annuities purchased from Standard Life Canada are appropriate in relation to the amount and nature of the liabilities to be assumed under the Proposed Transaction; further, the amount of the assets held in New Branch, in relation to the liabilities held by it and the regulatory capital requirements it will then have will be sufficient, and New Branch will be sound financially;
4. the security of the policyholders to be assumption reinsured by New Branch from Mutual Branch and their benefits and guarantees will not be diminished by the completion of the Proposed Transaction;
5. the security of the Recipients' annuity payments from the policies that are to be assumption reinsured by New Branch from Mutual Branch will not be diminished by the completion of the Proposed Transaction;
6. after the completion of the Proposed Transaction, the quality of the services provided to the Structured Settlement policyholders and Recipients will be unchanged;
7. for policyholders of New Branch, on balance their security and their benefits and guarantees will not be diminished as a result of the Proposed Transaction, and their future insurance or benefit costs will not be adversely affected.

In summary, in my opinion, the Proposed Transaction for Structured Settlement Policies would, on balance, not diminish the interests of the Structured Settlement policyholders and Recipients involved, and would not disadvantage those continuing in New Branch.

I declare that I have carried out my work objectively, in accordance with Canadian generally accepted actuarial practice, and without regard for potential gain other than compensation for the work undertaken.



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**David J. Congram**, Fellow of the Canadian Institute of Actuaries  
April 3, 2007