Policyholder Information

The proposed transfer of the business of the Polish branch and certain other historic overseas business

of

The Prudential Assurance Company Limited

to

Prudential International Assurance plc

pursuant to

Part VII of the UK Financial Services and Markets Act 2000

PRUDENTIAL
INTERNATIONAL

Prudential has reviewed its operations across Europe since the UK voted to leave the European Union. These operations relate to the long-term insurance business sold by PAC Poland, PAC France, PAC Malta and by overseas branches of ELAS in Germany and Ireland which were transferred to PAC in 2007 (all defined below). Currently Prudential's European operations are split across two companies, The Prudential Assurance Company Limited (PAC) and Prudential International Assurance plc (PIA). Prudential has decided to consolidate all of its long term European business (excluding the UK) into one entity, PIA, which is based in Ireland.

If you have a policy with PAC through one of these PAC branches, your insurer will change to PIA.

We've included this booklet as a guide about the transfer for your information. If you're worried about the transfer, this booklet will tell you how to raise your concerns. If you have any questions that we haven't covered in this booklet, you can phone the helpline on 0808 1686 204 (if calling from the UK) or if calling from outside the UK please call us on +353 1 476 5893 (your usual call rates will apply).

Please share this information with anyone who has an interest in your policy

Other people might be involved with your policy, for instance:

- Joint holders of your policy
- A transferee of the right of the insurance benefit under a policy
- A beneficiary – someone who might get a payment from the policy other than the policyholder
- A beneficial owner – someone who has a beneficial interest in the policy under a nominee/trustee arrangement
- Someone who holds a power of attorney for a policyholder

If you need another copy of the booklet so you can share it with someone, just ask us for one.

You have the right to raise any concerns or object to this transfer

It's your right to tell us or the High Court about any worries you have. There's information about how to do this in the answer to question 15 in Section B of this booklet.

If you receive this booklet on or after 11 December 2018, the High Court hearing will have already taken place and concerns can no longer be raised to the High Court. However, please feel free to contact us if you wish to discuss any concerns.

You can get in touch to ask us any questions

If you have any questions that we haven't answered in this booklet, please get in touch so we can answer them for you. It will help us if you can tell us the reference number at the top of your letter when you get in touch.

- Write to us at the address at the top of the accompanying letter
- Call us on our Freephone helpline 0808 1686 204 (if calling from the UK) or if calling from outside the UK please call us on +353 1 476 5893 (your usual call rates will apply). Our lines are open from 9 am-5.30 pm Monday to Friday, except on bank holidays.
- Email us on transferteam@pru-europe.com.

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Expected Timetable

Final Court Hearing to consider the proposed transfer:	11 December 2018 (High Court of Justice of England and Wales, Rolls Building, Fetter Lane, London EC4A 1NL)
Proposed date on which the transfer becomes effective:	1 January 2019 at 00.01 hrs (GMT) (01:01 hrs (CET))

The terms we use in this booklet

In this booklet, the following words and expressions have the following meanings:

"**Chief Actuary**" the Chief Actuary of PAC is a senior actuary appointed to advise the PAC board about the risks which may affect its business

"**ELAS**" The Equitable Life Assurance Society

"**FCA**" the Financial Conduct Authority, the regulator responsible for the regulation of financial markets and supervising the conduct of financial services firms in the UK

"**FSMA**" the UK Financial Services and Markets Act 2000

"**Head of Actuarial Function**" the Head of Actuarial Function of PIA is a senior actuary appointed to advise the PIA board about the risks which may affect its business

"**High Court**" the High Court of Justice of England and Wales, Rolls Building, Fetter Lane, London EC4A 1NL

"**Independent Expert**" Oliver Gillespie, a Principal of Milliman LLP and a Fellow of the Institute and Faculty of Actuaries

"**Independent Expert's Report**" the report on the transfer made by the Independent Expert in accordance with section 109 of FSMA, a summary of which is contained at Section D of this booklet

"**Notice of Transfer**" the notice of the application to the High Court to make this transfer. The notice is in Section E of this booklet

"**PAC**" The Prudential Assurance Company Limited

"**PAC France**" PAC's branch in France, which was set up in 2000 and ceased writing new business in 2003

"**PAC Local European Business**" the books of long-term insurance business sold by PAC Poland, PAC France, PAC Malta and by overseas branches of ELAS in Germany and Ireland which were transferred to PAC in 2007

"**PAC Malta**" PAC's branch in Malta, which was set up in 1955 and ceased writing new business in 1982

"**PAC Poland**" the Polish branch of PAC. Its full name is The Prudential Assurance Company Limited Sp. z o.o. Oddział w Polsce

"**PIA**" Prudential International Assurance plc, a wholly owned subsidiary of PAC

"**PIA Poland**" the Polish branch of PIA. Its full name will be Prudential International Assurance plc Spółka Akcyjna Oddział w Polsce

"**PRA**" the Prudential Regulation Authority, the regulator responsible for regulating and supervising insurers and other financial institutions in the UK

"**Prudential**" Prudential plc and the companies it owns, including PIA and PAC

"**Scheme**" the legal document setting out the terms for the transfer of the PAC Local European Business of PAC to PIA. This is done under Part VII of FSMA

"**Transfer Date**" the date on which the business is expected to transfer, i.e. 00.01 hrs (GMT) (01:01 hrs (CET)) on 1 January 2019

"**With-Profits Actuary**" the With-Profits Actuary of PAC. They're a senior actuary who advises PAC's board on how to treat it's with-profits policyholders fairly

"**With-Profits Sub-Fund**" the With-Profits Sub-Fund within PAC's long term insurance fund

A. Key Information about the Transfer

We're transferring policies to keep them running smoothly

Since the UK voted to leave the European Union (EU), we at Prudential have reviewed how we work across the EU. To keep things running smoothly – for our policyholders and for us – we're proposing to transfer some business out of the UK to Ireland. Specifically, we're going to transfer the local European life insurance business of The Prudential Assurance Company Limited (PAC) (the PAC Local European Business) to Prudential International Assurance plc (PIA).

We're transferring policies to PIA, a wholly owned subsidiary of PAC

We're transferring these policies from PAC to PIA:

- PAC Poland policies
- PAC France policies
- PAC Malta policies
- Policies written in Germany and Ireland that were transferred from the Equitable Life Assurance Society (ELAS) in 2007 as part of a wider transfer of business

PIA is incorporated and established in Ireland. It's a public limited company that's wholly owned by PAC. It's authorised to carry on life assurance business by the Central Bank of Ireland, the Irish regulatory authority responsible for supervising Irish-authorised insurance undertakings.

The Independent Expert has concluded that your benefits will stay secure

We appointed an Independent Expert to review what the proposed transfer would mean for policyholders of PAC and PIA, and how it might affect them. This Independent Expert is an independent consulting actuary and not an employee of Prudential. Oliver Gillespie, a Principal of Milliman LLP, has been appointed for this role. The PRA and the FCA have approved this appointment.

His report concluded that the transfer will not have a material adverse effect on the security of your benefits, your reasonable expectations for your benefits, or on the standards of administration, service, management or governance that apply to your policy. You can see a summary of his report in Section D of this booklet.

We expect the transfer to take place on 1 January 2019.

If you have a PAC Poland, PAC France or PAC Malta policy or an ELAS policy written in Germany or Ireland, it will transfer to PIA

If the High Court approves the transfer, the PAC Local European Business will transfer to PIA. PIA will then be the provider of all those policies. Nothing else about these policies will change – the terms and conditions will stay the same, and the way the policies are run will be the same as before the transfer. Other PAC policies will remain in PAC as they aren't part of the PAC Local European Business. The terms and conditions of these policies will stay the same, too.

If your policy is with PIA, it will stay with PIA

Policies that are already with PIA will stay with PIA. Nothing about these policies will change.

There's more information in this booklet

You'll find Questions and Answers in Section B, the Summary of the Transfer in Section C, the Summary of the Independent Expert's Report in Section D, and the Notice of Transfer in Section E.

B. Questions and Answers

We've created a list of questions and answers about the transfer that we think policyholders might find useful. The answers are general, so while they're correct for most policyholders, there may be a few exceptions for individual circumstances. If you have any questions that we haven't covered in this booklet, you can phone the helpline on 0808 1686 204 (if calling from the UK) or if calling from outside the UK please call us on +353 1 476 5893 (your usual call rates will apply).

1. Why have I been sent this booklet?

We're sending this pack to everyone who might be affected by the transfer. It's for your information only.

We haven't sent these packs to everyone who may have an interest in your policy. If you think there's anyone who should have this booklet, please share this information with them. Alternatively, you can direct them to the documents online at **www.prudential-international.com/transfer**.

2. What's being proposed and why?

Prudential has reviewed its operations across Europe since the UK voted to leave the European Union (EU). Currently Prudential's European operations are split across two companies, The Prudential Assurance Company Limited (PAC) and Prudential International Assurance plc (PIA). Prudential has decided to consolidate all of its long term European business (excluding the UK) into one entity, PIA, which is based in Ireland.

This change will allow us to operate more efficiently and simplify how we manage these policies. In addition, it will also ensure that these policies can continue to run smoothly given that post-Brexit it might not be possible for PAC as a UK insurance company to operate in the same way it has done previously within the EU.

Specifically, this is what PAC will be transferring to PIA:

- PAC Poland – we'll transfer all policies of the Polish branch of PAC to a new Polish branch of PIA. This branch will be called Prudential International Assurance plc Spólka Akcyjna Oddział w Polsce
- PAC France – we'll transfer these policies to PIA
- PAC Malta – we'll transfer these policies to PIA
- Policies written in Germany and Ireland that were transferred from the Equitable Life Assurance Society (ELAS) to PAC in 2007 – we'll transfer these policies to PIA

To make this transfer, we need to follow the process set out in the UK's Financial Services and Markets Act 2000. Part of this process is to ask the High Court for its approval. If it approves, the transfer is expected to take place on 1 January 2019.

3. I have a policy with PIA. How is my policy affected and what do I need to do now?

Nothing about your policy is going to change. The terms and conditions of your policy, and the way it's run, will all stay the same.

PIA is taking in policies from PAC written in Germany, Poland, Ireland, France and Malta. This means that PIA will become Prudential's main insurer in the EU. It will be a larger organisation with more policyholders in more countries, including a new branch in Poland. This won't affect PIA's relationship with its parent company PAC. PIA will stay a part of the Prudential group.

For more information, please look at section 5 of the Summary of the Independent Expert's Report in Section D of this booklet.

If you have no questions or concerns about the transfer we're proposing, you don't need to do anything. If you do have any questions or concerns, you can contact the helpline on 0808 1686 204 (if calling from the UK) or if calling from outside the UK please call us on +353 1 476 5893 (your usual call rates will apply). Alternatively, you can raise concerns or object to the transfer at the High Court – there are details for how to do this in question 15.

4. Can you give me more information about PAC?

PAC is The Prudential Assurance Company Limited. It's part of the global Prudential group, which is based in the UK.

The main thing PAC does is look after long-term insurance policies. These are made up of life, pension and annuity policies. PAC also reinsures long-term policies that other companies sell. The policies PAC issues are mostly with-profits, and include non-linked and linked non-profit policies. PAC's business is done mostly in the UK, but it also operates in Poland through its Polish branch. PAC has also sold policies through other branches in the past, including in France and Malta.

PAC is authorised and regulated by the Prudential Regulation Authority, and is also regulated by the Financial Conduct Authority.

5. Can you give more information about PIA?

PIA is Prudential International Assurance plc. It's a life assurance company that's fully owned by PAC and based in Ireland.

PIA is authorised and regulated by the Central Bank of Ireland, the Irish regulatory authority that's responsible for supervising Irish-authorised insurance undertakings.

6. How will the transfer work?

We're following a process outlined in Part VII of FSMA, called an insurance business transfer scheme:

- We're writing to you to tell you what's going on, and giving you the opportunity to raise any concerns you have. We're doing this for all policyholders who may be affected by this transfer.
- We've appointed an Independent Expert. His job is to review what the proposed transfer will mean for policyholders, and how it might affect them. There's a summary of the Independent Expert's report in Section D.
- Regulators in the UK, Poland, France, Malta, Germany and Ireland are being consulted. The regulators we're talking to in the UK are the Prudential Regulation Authority and the Financial Conduct Authority. In France, this is the Autorité de contrôle prudentiel et de résolution. In Germany, this is the Bundesanstalt für Finanzdienstleistungsaufsicht. In Malta, these are the Malta Financial Services Authority and the Financial Services Tribunal. In Poland, this is the Komisja Nadzoru Finansowego, which is the Polish Financial Supervision Authority. In Ireland, the Central Bank of Ireland is being consulted.

- We're going to the High Court to ask for its approval. We need to do this by law – it's standard procedure for a transfer like this to ensure that the transfer is appropriate. The High Court hearing is expected to take place in the UK in London on 11 December 2018. If the date or time changes we'll post the new details on our website – the web address is **www.prudential-international.com/transfer**.

You've got the right to be heard at the High Court hearing. If you're concerned about the transfer, please see the answer to question 15.

7. How will we protect the interests of PIA and PAC policyholders?

We're following a process to make sure that we're protecting your interests.

We're publishing notices in the press, and we're writing to you to tell you what's going on and give you the opportunity to raise any concerns you have. We're doing this for policyholders who are involved in this transfer. The transfer will not go ahead unless it is approved by the High Court, which will consider concerns or objections raised by policyholders and will not approve the transfer unless it is appropriate to do so.

We've appointed an Independent Expert – Oliver Gillespie, a Principal of Milliman LLP. His job is to review what the proposed transfer will mean for policyholders, and how it might affect them. In particular, the Independent Expert has looked into:

- How the transfer might affect the security of your contractual rights
- How the transfer might affect your benefits and what you expect them to be

The Independent Expert has concluded that the transfer will not have a material adverse effect on the security of your benefits, your reasonable expectations for your benefits, or on the standards of administration, service, management or governance that apply to your policy.

You can see a summary of his report in Section D of this booklet. Or you can find a full report on our website **www.prudential-international.com/transfer**. The Independent Expert will also prepare a supplementary report prior to the High Court hearing to update his report. We'll put it on our website shortly before the High Court hearing on 11 December 2018.

Regulators in the UK, Poland, France, Malta, Germany and Ireland are being consulted about the transfer. The regulators we're talking to in the UK are the Prudential Regulation Authority and the Financial Conduct Authority. In France, this is the Autorité de contrôle prudentiel et de résolution. In Germany, this is the Bundesanstalt für Finanzdienstleistungsaufsicht. In Malta, these are the Malta Financial Services Authority and the Financial Services Tribunal. In Poland, this is the Komisja Nadzoru Finansowego, which is the Polish Financial Supervision Authority. In Ireland, the Central Bank of Ireland is being consulted. We've taken their views on this transfer into account and we'll keep doing so up until the transfer.

8. How independent is the Independent Expert?

The Independent Expert has a duty to the High Court. The main purpose of his report is to help the High Court in deciding whether or not to approve the transfer. The Independent Expert's obligation to the High Court overrides any obligations he has to anyone else (including to PAC or PIA), even if someone else is instructing him or paying him.

The PRA and the FCA have approved the appointment of Oliver Gillespie as the Independent Expert.

9. What does the Independent Expert mean by 'the transfer not having a 'material adverse effect'?

The Independent Expert is an actuary. His job in this case is actuarial analysis – to work out the possible implications of a transfer like this by estimating how likely future events are. The phrase 'material adverse effect' (or equivalent) reflects the standard terms used in the analysis of transfers like this, including by the Independent Expert in his analysis. It means that it is very unlikely that this transfer will have any negative impact on you and your policy and, if it does, it will not have a significant impact. While they can't be completely 100% certain, this is the judgement he's making after analysing the situation.

Although the situation for most policyholders is that they won't be affected by the transfer, this may not be the case for all policyholders. This is only because outcomes for different groups of policyholders may be slightly different, and there are a range of possible outcomes for all policyholders. If a potential outcome is very unlikely to happen and would not have a significant impact, or is likely to happen but has a very small impact, then it is not considered to materially adversely affect policyholders.

We can confirm that we haven't identified any circumstances in which policyholders are likely to be materially adversely affected by this transfer. Whilst it is expected (although not certain) that access to the FSCS will be discontinued as a result of this transfer and therefore your policy will no longer be covered by this scheme, the Independent Expert has considered the effect of the transfer on the security of policyholders and has concluded that no longer having access to the FSCS would not have a material adverse effect on the security of benefits of the policyholders of PAC, given the strength of PIA. For more information, please look at question 11 of this booklet.

10. What do the PAC Chief Actuary, the PIA Head of Actuarial Function and the PAC With-Profits Actuary think of the transfer?

The Chief Actuary of PAC and the Head of Actuarial Function of PIA have also considered how the transfer might affect policyholders.

The Head of Actuarial Function of PIA is confident that:

- The security of PIA policyholders' policies will not be materially adversely affected by the transfer
- The reasonable expectations of PIA policyholders for their policies won't be materially adversely affected by the transfer

The Chief Actuary of PAC is confident that:

- The security of PAC policyholders' policies won't be materially adversely affected by the transfer
- The reasonable expectations of PAC policyholders for their policies won't be materially adversely affected by the transfer

The PAC With-Profits Actuary has reviewed the impact of the proposed transfer on the PAC with-profits policyholders. The actuary is confident that the transfer won't have any material adverse effect on either the security or the reasonable benefit expectations of PAC's with-profits policyholders. The PAC With-Profits Actuary is also confident that the transfer is consistent with the fair treatment of PAC's with-profits policyholders.

11. Will transferring my policy from a UK-based company (PAC) to an Irish-based company (PIA) affect how secure my policy is in the future?

PAC and PIA are subject to harmonised EU insurance regulations which govern the amount of capital PAC and PIA are required to hold to support their insurance businesses. Both companies have strong solvency ratios, which means they hold similarly high proportions of capital to support their insurance businesses.

As a UK-based insurer, PAC participates in a UK scheme called the Financial Services Compensation Scheme (FSCS). If an insurer has insufficient assets to meet claims or becomes insolvent, the FSCS may pay compensation to the policyholder. PAC policyholders who fulfill the eligibility criteria of the applicable rules currently have access to the FSCS.

Your policy will be transferred to PIA, a wholly owned subsidiary of PAC, incorporated and established in Ireland. It is expected that access to the FSCS will be discontinued as a result of this transfer and therefore your policy will no longer be covered by this scheme.

Ireland, where PIA is incorporated, currently does not have any statutory compensation scheme. Irish solvency rules (based on European-wide principles established under the Solvency II directive) are aimed at protecting policyholders as creditors in the event of insolvency of an Irish insurance company. Although these rules do not provide the same sort of protection as FSCS, they are intended to limit the need for policyholders to seek compensation from a scheme similar to the FSCS.

Furthermore, PIA is well regulated in accordance with Irish and EU law, and must follow rules set at an EU level about the amount of capital it is required to hold to support its insurance business. PIA is also well capitalised which means that it is unlikely that it will become unable to meet its claims.

The Independent Expert has considered the effect of the transfer on the security of policyholders and has concluded that no longer having access to the FSCS would not lead to a material adverse effect on the security of benefits of the policyholders of PAC, given the strength of PIA.

This is covered in section 4 of the Summary of the Independent Expert's Report in Section D of this booklet. You can see the full report on **www.prudential-international.com/transfer**.

12. Will the proposed transfer impact my ability to access an ombudsman service?

Following the transfer, in circumstances where PAC currently refers policyholders to the UK Financial Ombudsman Service (FOS), PIA would refer those policyholders to the Irish Financial Services Ombudsman (FSO). Although you would no longer have access to the FOS, you would be able to pursue complaints through the FSO, where the complaints procedures are broadly similar to those for the FOS.

The Independent Expert has concluded that the transfer would have no material adverse effect on the rights of the transferring policyholders in relation to their access to the services of a financial ombudsman.

13. How much is the transfer costing, and who's paying for it?

We're not publishing how much this transfer is costing because it's commercially sensitive. But we can tell you that you won't be paying anything extra and none of the costs of the transfer will have an impact on the benefits or bonuses of existing policyholders.

14. Why have you only written to me now, when it's close to the High Court hearing and when you've been planning this for so long?

To make this transfer process fair and smooth, we've been following a process outlined in FSMA. This process also tells us when to contact policyholders. The timing of our writing to you is also in keeping with similar insurance business transfers.

We've also followed guidance from our regulators in the UK – the PRA and the FCA – about the time between writing to policyholders and the hearing on 11 December 2018.

15. What if I have concerns about the transfer or I think I'll be adversely affected?

If you're concerned about the transfer or wish to object to it, you can say so. You can call or write to us to tell us about your concerns. If you tell us about your concerns, we'll look at them and pass them on to the regulators, the Independent Expert and the High Court. The High Court will consider your concerns or objection when it's deciding whether to approve the transfer.

You can write to the High Court at the Rolls Building, Fetter Lane, London EC4A 1NL, or you can appear in person or via a legal representative at the hearing on 11 December 2018. If the date or time changes we'll post the new details on our website at **www.prudential-international.com/transfer**. You can make representations to the High Court via us. If you want to do so, please let us know as soon as possible in writing, and by 7 December 2018. This is so we can make sure we have time to pass your representations to the High Court.

You can ring the helpline on 0808 1686 204 (if calling from the UK) or if calling from outside the UK please call us on +353 1 476 5893 (your usual call rates will apply) for more information about how to make representations to the High Court.

16. What happens next?

The next thing to happen in this process is the High Court hearing on 11 December 2018. This is when the High Court will tell us whether or not it approves the transfer. If the High Court approves it, we expect the transfer to take place on 1 January 2019.

17. Who do I contact for information about my policy after the transfer's happened?

You should use the details you'd use now – they're not changing either. For a reminder of what these are, go to **www.prudential-international.com/transfer**.

18. Why have I been sent more than one pack?

If we've sent you more than one pack, it might be because you've got more than one policy with us. We've tried to make sure that people who have more than one policy with us only get one pack, but in some cases we might not have been able to. We're sorry if we've sent you more than one.

19. How do I get more information about the transfer?

Go to **www.prudential-international.com/transfer** to download:

- The full Scheme document
- The full Independent Expert's Report
- Reports from the Chief Actuary of PAC, the Head of Actuarial Function of PIA and the With-Profits Actuary of PAC

You can also ask for copies of these documents by writing to us at the address at the top of the accompanying letter or calling us on our helpline at 0808 1686 204 (if calling from the UK) or if calling from outside the UK please call us on +353 1 476 5893 (your usual call rates will apply) When you're getting in touch, it will help us if you can quote the reference number at the top of the letter we sent with this booklet.

20. What will happen to my personal data once you've made the transfer, and who will administer it?

When your policy transfers to PIA, so will your personal data. This means that your personal data will be looked after by PIA. Its registered office is at Montague House, Adelaide Road, Dublin 2, Ireland.

The way your personal data is looked after won't change. Your data will be looked after with the same standards of protection and security as are currently applied.

You have the right to access the personal information that PIA holds about you. This doesn't cost you anything. By law you can also ask to have your data deleted (if we don't need it for your active policy or corrected.

We understand how important it is to look after your personal information. It's one of our fundamental responsibilities to make sure that we protect all the information you give us.

C. Summary of the Transfer

This summary sets out the key details of the Scheme and its effect on the Transferred Policies. In this summary, capitalised terms shall have the meanings given to them in paragraph 1.1 of the Scheme document.

1. Transfer of the business

Subject to the approval of the Court, the whole business of PAC Poland, PAC France, PAC Malta and the ELAS German and Irish Business will transfer from PAC to PIA. This is defined in the Scheme as the "Transferred Business". This means that PIA will be the insurer and responsible for the Transferred Policies instead of PAC. PIA will take over responsibility for making payments under the Transferred Policies and paying claims and other monies due to the holders of Transferred Policies.

The final Court hearing is scheduled for 11 December 2018 and the Scheme is expected to become effective on 1 January 2019. Such time and date is defined in the Scheme as the "Transfer Date". Unless the transfer occurs before 1 March 2019 (or a later date, if allowed by the Court), the Scheme will lapse.

If the Scheme is approved by the Court, PIA will acquire all of the rights, benefits and powers of PAC in relation to the Transferred Policies. The holders of Transferred Policies will be entitled to the same rights against PIA in respect of their policies as they currently have against PAC.

Any contracts between PAC and a third party relating to the Transferred Business will also transfer so that they will become agreements between PIA and the third party. Any judicial, quasi-judicial, administrative, regulatory, arbitration or other proceedings or applications (including any complaint or claim to any ombudsman) whether pending, current or future by, against or in relation to and/or in respect of to which PAC is a party (or, in the case of future proceedings, PIA would be a party but for the Scheme) concerning or in connection with the Transferred Business shall be continued or commenced by, against or in relation to PIA. Any judgment, settlement, order or award obtained by or against PAC, to the extent that it relates to any part of the Transferred Business, and which is not fully satisfied before the Transfer Date (or the applicable Subsequent Transfer Date), shall become enforceable by or against PIA.

For so long as the relevant PAC Reinsurance Agreement remains in force, PIA will determine annual, final and any other discretionary bonuses in respect of the Transferred Policies and, in respect of the Transferred Policies of PAC France, apply market value reductions in accordance with the bonus rates and methodology for calculating market value reductions notified to it by PAC. PAC will determine the applicable bonus rates and methodology for calculating market value reductions referable to the reinsured with-profits business to be notified to PIA in a manner that is consistent with the terms and conditions of the Transferred Policies and with the approach it has taken before the Transfer Date in respect of such Transferred Policies and, where PAC makes any changes to the methodologies it uses for calculating bonus rates or market value reductions or takes any other actions referable to the reinsured with-profits business, it shall do so in a manner which is no less favourable (directly or indirectly) to the beneficiaries of such Transferred Policies than would have been the case if the Transferred Policies had continued to be written directly by PAC.

PAC shall, where applicable, continue to apply the principles of financial management set out in Schedule 2 to the ELAS Scheme to the ELAS German and Irish Business pursuant to and in satisfaction of its obligations under the relevant PAC Reinsurance Agreement as if the policies comprised in the ELAS German and Irish Business remained part of the Transferring Annuities Bonus Series.

PIA will succeed to all rights, liabilities and obligations of PAC in respect of personal data relating to the Transferred Business and will become the data controller of such information. PIA will also be under the same duty to respect the confidentiality and privacy of that information.

2. Other matters

If the Court approves or imposes any modification of or addition to the Scheme (or any further condition or provision affecting the Scheme) prior to its sanction of the Scheme, PAC and PIA may consent to it for and on behalf of the parties to the Scheme and all other persons concerned.

After the sanction of the Scheme, PIA may apply to Court for consent to amend its terms. If PIA makes such an application: (i) the CBI, the PRA and the FCA shall be notified of and have the right to be heard at the Court hearing; and (ii) PIA must obtain a certificate from an independent actuary confirming that in his opinion the proposed amendment will not adversely affect the interests (including the security or benefit expectations) of PIA policyholders, including the former PAC policyholders or PAC policyholders. Minor and/or technical amendments will not require the sanction of the Court; however, the CBI, the PRA and the FCA must be given notice of them and confirm they do not object.

3. Independent expert's report

In order to help the Court to understand how the transfer could affect Policyholders, a report on the transfer by an Independent Expert is required under Section 109 of the Financial Services and Markets Act 2000. The Prudential Regulation Authority must approve the appointment of the Independent Expert (having consulted with the Financial Conduct Authority) and the form of his report.

Oliver Gillespie, a Fellow of the Institute and Faculty of Actuaries, has been appointed as the Independent Expert. A summary of the Independent Expert's report is included in this document.

4. Costs and expenses

PAC and PIA have shared the costs in relation to the preparation and carrying into effect of this Scheme in accordance with the allocations set out in the Scheme.

D. Summary of the Independent Expert's Report

Prepared by: Oliver Gillespie, FIA

1. Introduction

Prudential Assurance Company Limited ("PAC") is a proprietary company, whose shares are wholly owned by Prudential plc (an international financial services group) and whose principal activity is long-term insurance business.

As at 31 December 2017, PAC had over £229 billion of assets under management and over 6.5 million policyholders.

PAC currently has long-term business across Europe (in addition to its business in the UK):

- Poland: This business is written under a freedom of establishment passport in the PAC Poland Branch.
- France: This business was written under a freedom of establishment passport. The PAC France Branch closed to new business in 2003 but remains open.
- Malta: This business was written by PAC in the PAC Malta Branch whilst operating with authorisation as a third country insurance undertaking in Malta and is currently serviced under a freedom of services passport. The PAC Malta Branch was closed to new business in 1982 but remains open.
- Germany and Ireland: This business was written by the German and Irish branches of The Equitable Life Assurance Society ("ELAS") and was transferred in to PAC in 2007 via a Part VII transfer. It is serviced under a freedom of services passport.

Prudential International Assurance plc ("PIA") is a proprietary company, domiciled and authorised in Ireland whose shares are wholly owned by PAC, and whose principal activity is long-term insurance business.

As at 31 December 2017, PIA had over £6.5 billion of assets under management and 47,692 policyholders.

PIA currently has two lines of business:

- Single premium 'off-shore' bonds written through PIA and sold to UK nationals in the UK and Europe which include a with-profits option (if selected by the policyholder) where returns are provided through a reinsurance arrangement with the PAC with-profits funds.
- Single premium 'on-shore' bonds written through the PIA UK Branch to high net worth UK nationals and non-UK nationals seeking the tax and estate planning advantages offered by an on-shore bond.

2. The proposed Scheme

In order to allow more efficient operation and to simplify the management of its long-term business across Europe, Prudential plc wishes to consolidate all of its long-term business written in Europe (excluding the UK) into one entity: PIA. Although not a primary motivation, the transfer has been structured so as to ensure that the PAC policies written through establishments in Europe (excluding the UK) can continue lawfully to be administered and serviced in the event that the UK were to leave the EU.

If the proposed Scheme were to be implemented, the existing PAC long-term business in Poland, France, Malta, Ireland and Germany would be transferred to PIA. This business is collectively known as the "transferring policies" or the "transferring business".

The total policyholder liabilities proposed to be transferred, amounted to £74 million as at 31 December 2017.

With the exception of the PAC Poland business, all of the transferring blocks of business are now closed to new business.

The transfer is expected to be presented to the Court for its Directions Hearing on 9 July 2018 and for a Final Hearing on 11 December 2018. If approved by the Court, the Scheme would become operative on 1 January 2019 (the "Effective Date").

3. My considerations with respect to the proposed Scheme

The key points to consider in respect of each group of policyholders affected by the proposed Scheme are the likely changes (if any) to the following, as a result of the implementation of the proposed Scheme:

- **The security of benefits under the policies.** This is derived from the financial strength available to provide security for the benefits for each group of policies under the appropriate risk appetite statements and capital policy applicable and includes the strength provided by the reinsurance arrangements and by the support from the parent company, where relevant.
- **The regulatory regime to which the policies will be subject.**
- **The profile of risks to which the policies are exposed.**
- **The reasonable expectations of the policyholders in respect of their benefits.** This includes the likely effects of the transfer on the standards of administration, service, management and governance applied to each group of policies.

In my main report I consider the effects of the proposed Scheme on the transferring PAC policies in Section 8, on the existing PIA policies in Section 9, and on the non-transferring PAC policies in Section 10, and I summarise these sections below.

4. The effects of the proposed Scheme on the transferring policies

I analyse the effects of the implementation of the proposed Scheme on the transferring policies of PAC in Section 8 of my main report.

The effects of the Scheme on the security of benefits under the transferring policies

Currently, the transferring policies derive their security of benefits from being part of PAC and the associated financial strength under the PAC risk appetite statements, the strength of PAC's reinsurance arrangements and support provided to PAC from the parent (Prudential plc).

In addition, the transferring policyholders are currently protected under the UK's statutory 'fund of last resort' the Financial Services Compensation Scheme (the "FSCS"). In the event that PAC were to become insolvent and unable to meet its obligations to policyholders, 100% of any benefits that would have been claimed from the insurer would be covered under the FSCS.

The implementation of the proposed Scheme would mean that PAC would cease to have a defined contractual obligation under the transferring policies and that these obligations would be transferred to PIA. As the analysis in Section 8 of my main report shows, if the Scheme were to be implemented I am satisfied that:

- There would be no material adverse effect on the security of benefits due to the reliance on the financial strength of PIA (rather than PAC) and the associated risk appetite statements;
- The reinsurance arrangements in place would provide security of benefits by placing contractual obligations on PAC and Swiss Re (the reinsurers of PIA's business if the Scheme were to be implemented) and the termination conditions set out in the reinsurance arrangements mean that policyholders' security would be protected in the event of a subsequent termination of the reinsurance agreement; and
- Considerable security is derived from having PAC as its parent as in all but the most extreme scenarios PAC would provide support to PIA if and when required.

If the Scheme were to be implemented, it is likely (although not certain) that the transferring policies would no longer be covered under the FSCS.

Analysis has been carried out into the likelihood of a scenario where PIA would be unable to meet its obligations to policyholders and this indicates that:

- The likelihood of such a scenario occurring is less than 0.03% over a one year time horizon; and
- The main drivers of such a scenario relate to either the default of PAC in respect of its obligations under the reinsurance arrangements, or the failure of PAC to provide support as the parent of PIA, and the likelihood of these events remains low even over a 10 year time horizon.

Taking all of this together, in summary, I am satisfied that, if the Scheme were to be implemented:

- There would not be a material adverse effect on the security of the benefits of the transferring policies as a result of their being part of PIA after the Scheme rather than PAC as currently; and
- Although the implementation of the Scheme may mean that the coverage provided by the FSCS would cease, the loss of the FSCS coverage for the transferring policyholders would not lead to a material adverse effect on the security of their benefits.

The effects of the Scheme on the profile of risks to which the transferring policies are exposed

If the proposed Scheme were to be implemented, the transferring PAC policies would be directly exposed to the risk profile of a different company that has written different business, through different distribution channels, to policyholders with different demographic profiles.

Although implementation of the proposed Scheme would result in a change to the risk exposures of the transferring policies, the types of risk exposures are likely to be similar and it should be noted that:

- The Solvency II regime has been implemented consistently across the UK and Ireland;

- The SCR calculated in accordance with the Solvency II regime will reflect the risk exposures of the relevant company;
- The capital held in PIA comfortably exceeds the required SCR; and
- The capital held in PIA exceeds the level required under the PIA RA Statement.

I am satisfied that any change in risk profile would not have a material adverse effect on the security of the benefits of the transferring policies.

The effect of the Scheme on the benefit expectations of the transferring policyholders

If the proposed Scheme were to be implemented, there would be no change to the following:

- The terms and conditions of the transferring policies (except that the policies would become policies of PIA);
- The charges that apply to the transferring policies;
- The operation of the PAC with-profits funds;
- The PAC with-profits fund upon which any transferring policy depends for its benefits;
- The derivation of the bonuses granted to, or any Market Value Reduction ("MVR") to be applied to, the transferring with-profits policies;
- The range of funds to which the transferring unit-linked policies would have access;
- The management of the unit-linked funds in respect of investment objectives, charges taken, the tax charged to the unit funds, and unit pricing; or
- The number of or type of units held by the transferring policyholders as a result of the implementation of the proposed Scheme.

If the proposed Scheme were to be implemented, reinsurance arrangements would be set up between PIA and PAC in respect of the transferring with-profits business and these reinsurance arrangements would ensure that the transferring with-profits policies would not be treated any differently to the other policies in the appropriate with-profits fund and I am satisfied that the implementation of the Scheme would not have a material adverse effect on the benefit expectations of the transferring with-profits policies.

The transferring unit-linked and non-profit business is currently subject to the management and governance of PAC and would, if the Scheme is implemented, be subject to the management and governance of PIA and I am satisfied that the Scheme would not have a material adverse effect on the benefit expectations of the transferring unit-linked and non-profit policies.

Although the administration and servicing of the transferring policies would be outsourced, under CBI rules, PIA will retain ultimate responsibility for the administration and servicing of the transferring policies.

I am satisfied that the implementation of the Scheme would not have a material adverse effect on the benefit expectations of the transferring policyholders or on the levels and standards of administration and service that would apply to the transferring policies.

5. The effects of the proposed Scheme on the existing policies of PIA

I analyse the effects of the implementation of the proposed Scheme on the existing policies of PIA in Section 9 of my main report.

The effect of the Scheme on the security of benefits of the existing PIA policies

As at 31 December 2017, the transferring business consisted of approximately 47,000 policies and £74 million of liabilities and PIA had 47,692 policyholders and over £6.5 billion of assets under management and therefore at under 1.2% by liabilities as at 31 December 2017 the business being transferred in to PIA is small compared to the existing business of PIA.

If the Scheme were to be implemented, the existing PIA policies would continue to be policies of PIA and there would be no change to the structure of PIA, the Solvency II regime, the calculation of the technical provisions and SCR for PIA, or to the PIA risk appetite.

I am satisfied that the implementation of the proposed Scheme would not lead to a material adverse effect on the security of benefits for the existing PIA policies.

The effect of the Scheme on the profile of risks to which the existing PIA policies are exposed

If the Scheme were to be implemented, the range of risks to which the existing PIA business would be exposed would change. However it should be noted that the business being transferred in to PIA is small compared to the existing business of PIA, the SCR of PIA would reflect the risk exposures of PIA in accordance with Solvency II, and the risk exposure of PIA would be less concentrated than currently.

I am satisfied that the change in the profile of risks to which the existing PIA policies are exposed would not have a material adverse effect on the security of the benefits of the existing PIA policies.

The effect of the Scheme on the expectations of the existing PIA policyholders in respect of their benefits

If the Scheme were to be implemented, there would be no change to the terms and conditions, the governance, the management, the administration, the servicing, or the investment management of the existing PIA policies.

I am satisfied that the implementation of the Scheme would not have a material adverse effect on the reasonable benefit expectations of the existing PIA policyholders or on the standards of administration, service, management and governance that apply to the existing PIA business.

6. The effects of the proposed Scheme on the non-transferring policies of PAC

I analyse the effects of the implementation of the proposed Scheme on the existing policies of PIA in Section 9 of my main report.

The effect of the Scheme on the security of benefits of the non-transferring PAC policies

As at 31 December 2017, the transferring business consisted of approximately 47,000 policies and £74 million of liabilities and PAC had over 6.5 million policyholders and over £229 billion of assets under management and therefore the business to be transferred out is, at less than 0.05% of the total liabilities, immaterial in the context of the PAC business.

I am satisfied that the transfer would have no material effect on the security of the remaining business of PAC.

The effect of the Scheme on the profile of risks to which the non-transferring PAC business is exposed

I am satisfied that the transfer out of less than 0.05% of the liabilities of PAC would not have a material adverse effect on the profile of risks to which the non-transferring PAC policies are exposed.

The effect of the Scheme on the expectations of the non-transferring PAC policyholders in respect of their benefits

If the Scheme were to be implemented, there would be no change to the terms and conditions, the governance, the management, the administration, the servicing, or the investment management of the non-transferring PAC policies.

I am satisfied that the implementation of the Scheme would not have a material adverse effect on the reasonable benefit expectations of the non-transferring PAC policyholders or on the standards of administration, service, management and governance that apply to the non-transferring PAC business.

7. The fair treatment of policyholders

I analyse the effects of the implementation of the proposed Scheme on the fair treatment of customers in Section 11 of my main report.

PAC intends to seek waivers from the regulatory requirements to send a written notice to the policyholders of PAC that would not be transferred under the Scheme on the basis that the cost of such a mailing would be disproportionate relative to the benefits to the non-transferring policyholders of PAC.

I am satisfied that the proposed approach to communication with policyholders, including the application for the waiver, is fair and reasonable, and that the information contained in the notification to policyholders adequately describes the proposals to policyholders.

The costs of the Scheme would be split between PAC and PIA, with the costs allocated to PAC being divided between the shareholders and the with-profits funds. As the primary motivation for the Scheme is to simplify the management and increase the operational efficiency in respect of the non-UK European operations of Prudential plc and any efficiencies and reductions in ongoing costs would reduce the costs charged to the with-profits funds, I am satisfied that it is reasonable to charge some of the Scheme costs to the PAC with-profits funds and I am satisfied that the approach of PIA and PAC to the allocation of the costs of the Scheme is reasonable.

8. My other considerations arising from the scheme

In Section 12 of my main report I cover a range of other considerations in respect of the proposed Scheme and I summarise the most significant of these below.

The exit of the UK from the EU – "Brexit"

The exit of the UK from the EU could lead to considerable disruption in the market for financial services across Europe and there remains considerable uncertainty as to exactly what form exit might ultimately take.

That said, if the Scheme were to be implemented, I am satisfied that in most scenarios in which the UK does exit from the EU, the transferring business would be in a better position than the scenario where the UK exits the EU and the Scheme had not been implemented.

The restructuring of Prudential plc and the sale of part of the UK annuity portfolio

In August 2017, Prudential plc announced that it was combining two businesses within the Prudential group, Prudential UK & Europe and its asset manager, M&G, to form a combined business called M&G Prudential.

In March 2018, Prudential plc announced a restructuring and a transaction with Rothesay Life plc to transfer a portion of the PAC non-profit annuity business.

As set out in Section 12 of my main report, I am satisfied that neither the restructuring of Prudential plc nor the reinsurance arrangement with Rothesay will have any effect on the conclusions reached.

9. My conclusions

I confirm that I have considered the issues affecting the policyholders of PAC and PIA separately, as set out in Sections 8, 9, 10, 11 and 12 of my main report, and that I do not consider further subdivisions (other than those in my main report) to be necessary.

I am satisfied that the implementation of the Scheme would not have a material adverse effect on:

- The security of the benefits under the policies of PIA and PAC;
- The reasonable expectations of the policyholders of PIA and PAC with respect to their benefits; or
- The standards of administration, service, management and governance that apply to the PIA and PAC policies.

I am satisfied that the Scheme is equitable to all classes and generations of PIA and PAC policyholders.

Oliver Gillespie
June 2018
Fellow of the Institute and Faculty of Actuaries

E. Legal notice of the Transfer

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
BUSINESS AND PROPERTY COURTS
OF ENGLAND AND WALES

No: CR-2018-002674

IN THE MATTER OF THE PRUDENTIAL ASSURANCE COMPANY LIMITED

-and-

IN THE MATTER OF PRUDENTIAL INTERNATIONAL ASSURANCE plc

-and-

IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

NOTICE IS HEREBY GIVEN that on 2 July 2018 The Prudential Assurance Company Limited ("**PAC**") and Prudential International Assurance plc ("**PIA**") applied to the High Court of Justice of England and Wales for an Order under section 111(1) of the Financial Services and Markets Act 2000 (the "Act") sanctioning a scheme (the "**Scheme**") providing for the transfer to PIA of the business of PAC's Polish branch (and certain other overseas legacy business, being policies written by PAC in Malta and France and policies written by the Equitable Life Assurance Company in Germany and Ireland which were transferred to PAC in 2007) (together the "**Business**") and for the making of ancillary provisions in connection with the Scheme under sections 112 and 112A of the Act.

The proposed transfer will result in the Business which is currently being carried on by PAC being carried on by PIA. If the Scheme is sanctioned, it is expected to come into effect on 1 January 2019.

Copies of the report on the terms of the Scheme prepared by an Independent Expert in accordance with section 109(1) of the Act, a statement setting out the terms of the Scheme and containing a summary of the Independent Expert's report, and a copy of the full Scheme document, may be obtained free of charge by contacting Prudential using the telephone number or addresses set out below, from the date of publication of this notice until the date on which the application is heard by the Court. These and other documents relating to the Scheme (including sample copies of the communication to policyholders) are also available on Prudential's website at **www.prudential-international.com/transfer**.

All questions or concerns relating to the proposed transfer should be referred to Prudential using the following telephone number or address:

Freephone 0808 1686 204 (if calling from the UK) or if calling from outside the UK please call us on +353 1 476 5893 (your usual call rates will apply)

Post: Prudential, Montague House, Adelaide Road, Dublin 2, Ireland

Email: transferteam@pru-europe.com

The application is expected to be heard at the Rolls Building, Fetter Lane, London EC4A 1NL on 11 December 2018. Any person (including any employee of PAC or PIA) who thinks that he or she may be adversely affected by the carrying out of the Scheme may attend the hearing and express their views either in person or by Counsel. It would be helpful if anyone wishing to attend could give notice of such intention to Prudential before 7 December 2018, setting out the grounds of their objection or why they consider they may be adversely affected, by calling the above number or writing to the address above. Any person who does not intend to attend the Court hearing but wishes to make representations about the Scheme or considers that they may be adversely affected should communicate their views to Prudential by calling the above number or writing to the address above, preferably before 7 December 2018.

Slaughter and May

Solicitors to The Prudential Assurance Company Limited and Prudential International Assurance plc

The registered office of Prudential International is in Ireland at Montague House, Adelaide Road, Dublin 2. Prudential International is a marketing name of Prudential International Assurance plc, a life assurance company operating from Ireland. Registration No. 209956. Telephone number + 353 1 476 5000. Prudential International Assurance plc is authorised by the Central Bank of Ireland.

Prudential International Assurance plc, UK Branch is registered in the UK as a branch of Prudential International Assurance plc which is authorised by the Central Bank of Ireland and subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and the Prudential Regulation Authority are available from us on request. The registered address of Prudential International Assurance plc, UK Branch is 3 Sheldon Square, Paddington, London W2 6PR. Registration No. BR017106. Telephone number 0207 004 4998. If the company should become unable to meet its liabilities, the Financial Services Compensation Scheme will protect eligible policyholders habitually resident in the UK when their contract starts. This protection does not extend to externally-linked investments – for further information please read the Key Features Document which is available on the Prudential website.

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