FOUNDATION LIFE

PROPOSED SCHEME OF ARRANGEMENT

EXPLANATORY STATEMENT

28 MARCH 2025

FOUNDATION LIFE (NZ) LIMITED (formerly TOWER Life (N.Z.) Limited)

You are receiving this document to give you information about a proposed Scheme of Arrangement (*Scheme*) on which you are being asked to vote.

For NZ Resident Eligible Policyholders, the Scheme will convert your Current Policy (at your Choice) into one of:

- Replacement Cover provided by Chubb Life Insurance New Zealand Limited, with a guaranteed amount of life cover that will, at the Effective Date, be 5% higher than your Current Policy's Death Benefit (and in some cases more), for which no further premiums need to be paid. Some of you will also receive a payment of the balance of your Policy Value from Foundation Life; or
- a Cash Payment that will at the Effective Date be a minimum of 5% higher than your Current Policy's Surrender Value, capped at your Current Policy's Death Benefit; or
- a combination of life cover provided by Chubb Life and cash, reflecting (at your choice) either:
  - two thirds Replacement Cover and one third cash; or
  - one third Replacement Cover and two thirds cash.

For Overseas Eligible Policyholders, the Scheme will convert your Current Policy into the Cash Payment option described above. Alternatively, Overseas Eligible Policyholders may, by 5.00pm on the Choice Date, transfer the ownership of their Current Policy to a New Zealand resident, so the new Policyholder can access the insurance options from Chubb Life in respect of the Life Insured.

The Foundation Life Directors unanimously recommend you vote "for" the Scheme because they believe the Scheme is the best way to provide flexibility and better value to Eligible Policyholders.

The Appointed Actuary's opinion is that the Scheme is in Eligible Policyholders' individual and collective best interests and the Independent Actuary's opinion is that the Scheme is fair and equitable to Policyholders.

The next steps are for you to read this document, vote on whether you are in favour of the Scheme at the meeting at Eden Park, World Cup Lounge West, Level 4, Samsung South Stand, 42 Reimers Avenue, Kingsland, Auckland on 9 June 2025 at 2.00pm. You can also vote on the Scheme online at www.investorvote.co.nz or by postal vote. See the Notice of Scheme Meeting in **Appendix 1**.

If the Scheme is approved and you are an NZ Resident Eligible Policyholder, you will be asked to Choose one of the options above to replace your Current Policy (and as more fully described in this document).

THIS DOCUMENT IS IMPORTANT AND NEEDS YOUR PROMPT ATTENTION

This document will help you to understand the Scheme proposal and its implications before you decide how to vote.

If you are in any doubt as to what action you should take, you should consult your financial advice provider or other professional adviser without delay.

DEFINITIONS

Some of the terms and abbreviations used in this document have particular meanings as set out in the Scheme Terms in **Appendix 5**. They are identified by the use of capitalised first letters.

TABLE OF CONTENTS

Chairman's letter 2

Section 1: Scheme of arrangement – key aspects 5

Section 2: Scheme Questions and Answers 15

Section 3: Important dates 23

Section 4: Strategic review of the Current Policies 27

Section 5: Chubb Life Replacement Policy 35

Section 6: Benefits, disadvantages, potential disadvantages and risks of the Scheme 39

Section 7: Taxation implications of the Scheme for Policyholders 49

Section 8: The Scheme process 51

Section 9: Additional information 57

Appendix 1: Notice of Scheme Meeting 63

Appendix 2: Summary of Appointed Actuary's report 65

Appendix 3: Summary of Independent Actuary's report 73

Appendix 4: Initial Court orders 77

Appendix 5: Scheme Terms 84

Appendix 6: Replacement Policy document (including Replacement Benefits) . . 98

Appendix 7: Foundation Life and the Current Policies 115

Appendix 8: Corporate directory 122

CHAIRMAN'S LETTER

Dear Policyholders,

I am pleased to bring you the opportunity to decide on a proposal which for NZ Resident Eligible Policyholders will convert your Current Policy (at your Choice) into one of:

- Replacement Cover provided by Chubb Life Insurance New Zealand Limited (*Chubb Life*), with a guaranteed amount of life cover that will, at the Effective Date, be 5% higher than your Current Policy's Death Benefit (and in some cases more), for which no further premiums need to be paid. Some of you will also receive a payment of the balance of your Policy Value from Foundation Life; **or**
- a Cash Payment that will at the Effective Date be a minimum of 5% higher than your Current Policy's Surrender Value, capped at your Current Policy's Death Benefit; **or**
- a combination of life cover provided by Chubb Life and cash, reflecting (at your choice) either:
  - ~ two thirds Replacement Cover and one third cash; **or**
  - ~ one third Replacement Cover and two thirds cash.

Overseas Eligible Policyholders will receive the Cash Payment option described above. Alternatively, Overseas Eligible Policyholders may, by 5.00pm on the Choice Date, transfer ownership of their Current Policy to a New Zealand resident, so the new Policyholder can access the insurance options from Chubb Life in respect of the Life Insured. If you are an Overseas Eligible Policyholder, see **Section 1.15** for more information.

Both Foundation Life's Appointed Actuary and the Independent Actuary appointed by the Foundation Life Directors have reviewed the Scheme proposal. The Appointed Actuary's opinion is that the Scheme is in Eligible Policyholders' individual and collective best interests and the Independent Actuary's opinion is that the Scheme is fair and equitable to Policyholders.

Foundation Life has also:

- engaged with the Reserve Bank of New Zealand (*Reserve Bank*) in relation to the Scheme; and
- gone to the High Court to obtain initial orders about the steps it needs to take before the High Court will consider final orders approving the Scheme.

Who is Chubb Life?

Foundation Life has chosen Chubb Life to provide the replacement insurance options offered under the Scheme proposal, after completing a competitive tender process. Chubb Life, formerly Cigna Life Insurance New Zealand Limited, is a leading provider of life insurance in New Zealand and is licensed by the Reserve Bank. Chubb Life has a strong financial position and holds an A (Excellent) financial strength rating from A.M. Best Company Inc.[1]

1 A summary of the rating scale is: A++, A+ Superior | A, A- Excellent | B++, B+ Good | B, B- Fair | C++, C+ Marginal | C, C- Weak | D Poor | E Under Regulatory Supervision | F In Liquidation | S Suspended. For the full rating scale and more rating information visit www.ambest.com/ratings/guide.pdf

Why is the Scheme being proposed?

Many of Foundation Life's Current Policies have been in existence for a long time. Policyholders' needs for life insurance and financial circumstances are likely to have changed. In addition, there have been other changes which have reduced the level of Bonuses Foundation Life has been able to declare to Policyholders, and which may mean there are better alternative products available.

The Foundation Life Directors are conscious that because of these changes, retaining the Current Policies may no longer be in Policyholders' best interests. As a result, a comprehensive strategic review of the Current Policies has been undertaken. The strategic review identified a number of Current Policy constraints which are described in this document.

The Foundation Life Directors want to respond to these constraints and provide better flexibility and value to Policyholders. We believe that the Scheme proposal is the best way to achieve this.

More information on the benefits of the Scheme is available in **Section 6**.

What are the next steps?

The next steps for you to consider are:

- to vote on whether you are in favour of the Scheme; and
- if the Scheme is approved and you are an NZ Resident Eligible Policyholder, to Choose one of the options more fully described in this document to replace your Current Policy.

The proposed changes under the Scheme proposal can proceed only if Eligible Policyholders vote in favour of the Scheme. Your vote is very important, and it is now up to you and Foundation Life's other Policyholders to decide. Estimates of what the Scheme options could mean for you personally have been provided in the letter sent to you with this document.

We encourage you to vote and look forward to seeing you at the Scheme Meeting and/or receiving your Voting/Proxy Form.

Yours sincerely,

Tim Sole
Chairman, Foundation Life (NZ) Limited

SECTION 1: SCHEME OF ARRANGEMENT – KEY ASPECTS

This Section summarises the key aspects of the Scheme, including why the Foundation Life Directors have proposed the Scheme, your options if the Scheme is approved, the optional ownership transfer process for Overseas Eligible Policyholders, who can vote on the Scheme, and how to vote on the Scheme.

1.1 Why is the Scheme being proposed?

Many of Foundation Life's Current Policies have been in existence for a long time. Policyholders' needs for life insurance and financial circumstances are likely to have changed. In addition, there have been other changes which have reduced the level of Bonuses Foundation Life has been able to declare to Policyholders, and which may mean there are better alternative products available.

The Foundation Life Directors are conscious that because of these changes, retaining the Current Policies may no longer be in Policyholders' best interests.

In response to feedback received from Policyholders and other stakeholders, the Foundation Life Directors conducted a strategic review of the Current Policies. The strategic review was to determine whether the Current Policies were still suitable to meet Policyholders' needs and if there was a better way to provide value to Policyholders. See **Section 4** for more information about the strategic review of the Current Policies.

The strategic review identified a number of structural limitations to the Current Policies, including:

- the worsening diseconomies of scale caused by the declining number of Current Policies (Foundation Life stopped issuing the Current Policies on 1 November 2000), and increasing expenses on a per Current Policy basis as a result, which are affecting Bonus levels (see **Section 4.3.1**);
- relatively low returns being achieved on the investment of the Participating Fund, which have reduced the level of Bonuses Foundation Life has been able to declare to Policyholders. Annual Bonus rates are historically low, and are likely to stay low (see **Section 4.3.2**);
- Additional Bonuses have ceased being declared for Endowment policyholders and are expected to cease being declared after 30 September 2035 for Whole of Life policyholders. This is because the share of the undistributed profits of the Participating Fund which are used to fund Additional Bonuses is expected to have been fully utilised by then (see **Section 4.3.3**);
- the inability of Foundation Life to provide meaningful flexibility to Policyholders under the Current Policy terms (see **Section 4.3.4**); and
- limited access or withdrawal rights for Policyholders prior to a claim or their Current Policy's Maturity Date (see **Section 4.3.5**).

After careful consideration, the Foundation Life Directors have concluded that the best approach to provide improved value and more flexibility to Policyholders (having considered a range of alternatives (and alternative products), including making no change to the Current Policies) is to propose the Scheme set out in this document. The Scheme has been developed by Foundation Life with the assistance of its Appointed Actuary and a number of external experts.

The Foundation Life Directors believe that the Scheme proposal responds to the identified constraints and is in the best interests of Eligible Policyholders.

More information on the benefits, disadvantages and potential disadvantages and risks of the Scheme is available in **Section 6**.

If the Scheme is Approved, NZ Resident Eligible Policyholders can Choose to receive one of:

- Replacement Cover provided by Chubb Life with a guaranteed amount of life cover that will, at the Effective Date, be 5% higher than your Current Policy's Death Benefit (and in some cases more), for which no further premiums need to be paid. Some of you will also receive a payment of the balance of your Policy Value from Foundation Life; or
- a Cash Payment that will at the Effective Date be a minimum of 5% higher than your Current Policy's Surrender Value, capped at your Current Policy's Death Benefit; or
- a combination of life cover provided by Chubb Life and cash, reflecting (at your choice) either:
  - two thirds Replacement Cover and one third cash; or
  - one third Replacement Cover and two thirds cash.

Overseas Eligible Policyholders will receive the Cash Payment option described above. Alternatively, Overseas Eligible Policyholders may, by 5.00pm on the Choice Date, transfer the ownership of their Current Policy to a New Zealand resident, so the new Policyholder can access the insurance options from Chubb Life in respect of the Life Insured. If you are an Overseas Eligible Policyholder, see **Section 1.15** for more information.

More information about the options available to NZ Resident Eligible Policyholders is set out in **Section 1.10**.

1.2 The Scheme will provide flexibility and better value for all Eligible Policyholders

The purpose of the Scheme is to give better alternatives to Eligible Policyholders by addressing the financial disadvantages that have arisen for the Current Policies and to create additional value for Eligible Policyholders.

As at 30 September 2023, the Participating Fund had $484 million of Participating Assets. Overall, if the Scheme had been implemented on 30 September 2023, the Scheme would have increased the value for Eligible Policyholders by $23.9 million at an 80% Take-up Rate of life insurance cover and by $90 million at a 20% Take-up Rate of life insurance cover.

The Foundation Life Directors unanimously recommend you vote "for" the Scheme because they believe the Scheme is the best way to provide flexibility and better value for all Eligible Policyholders.

1.3 The Appointed Actuary has advised that the Scheme is in Eligible Policyholders' individual and collective best interests

Paul Swinhoe is Foundation Life's Appointed Actuary. Paul has over 45 years' experience in the life insurance industry. He is a Fellow of the New Zealand Society of Actuaries (Inc). Paul was a Partner, Consulting, of Deloitte Australia until May 2016. Paul has been the Appointed Actuary for Foundation Life since 2016.

The Appointed Actuary has provided advice to Foundation Life in relation to the development of the Scheme proposal. He has also assisted Foundation Life to calculate the estimated Scheme option values for each Policyholder using a sophisticated Model. He has prepared the Appointed Actuary's Report for the Scheme. It offers the Appointed Actuary's opinion that the Scheme proposal is in Eligible Policyholders' individual and collective best interests and contains a description of the impact of the Scheme proposal on Policyholders and how the Scheme option values are calculated.

A summary of the Appointed Actuary's Report is set out in **Appendix 2**. The full Appointed Actuary's report is available from www.foundationlife.co.nz/scheme-of-arrangement.

1.4 The Independent Actuary has advised that the Scheme is fair and equitable to Policyholders

Foundation Life appointed David Chamberlain (a Principal and Actuary of Melville Jessup Weaver) to independently review the Scheme. Mr Chamberlain has over 30 years of commercial experience in the financial services sector, specialising in insurance, in particular life insurance. His appointment as an independent actuary was confirmed by the Reserve Bank.

Mr Chamberlain has prepared the Independent Actuary's Report in relation to the Scheme, which offers the Independent Actuary's opinion that the Scheme proposal is fair and equitable to policyholders.

A summary of the Independent Actuary's Report is included in **Appendix 3**. A copy of the full Independent Actuary's report is available from www.foundationlife.co.nz/scheme-of-arrangement.

1.5 Initial Court orders have been obtained and Foundation Life has engaged with the Reserve Bank

Foundation Life has obtained initial orders from the High Court (*Court*) on the Scheme process. The purpose of the first Court hearing was to have the Court formally order that the arrangements to send out the relevant information in relation to the Scheme (including this document) and to hold the Scheme Meeting were appropriate. The directions of the Court specify the steps which need to be taken before the Court will consider whether it will make final Court orders approving the Scheme. A summary of these steps is included in **Section 8**. A copy of the initial Court orders is included in **Appendix 4**.

Foundation Life has also engaged with the Reserve Bank of New Zealand (Reserve Bank) in relation to the Scheme.

1.6 Only Eligible Policyholders can vote on the Scheme

Notice of the Scheme Meeting has been sent to Policyholders who as at 5.00pm on 4 June 2025 (*the Record Date*) had not reported a Final Claim Event to Foundation Life, whose Current Policy had not lapsed or been surrendered before 5.00pm on the Record Date, and whose Current Policy is scheduled to mature on or after the Effective Date.

The Record Date, which is three business days before the date of the Scheme Meeting, is the cut-off date (at 5.00pm) for Foundation Life to identify who is entitled to vote at the Scheme Meeting.

In accordance with the directions in the initial Court orders, only Eligible Policyholders can vote on the Scheme and will be bound by the Scheme if it is approved.

Policyholders who are not Eligible Policyholders are not entitled to vote on the Scheme and will not be bound by the Scheme if it is approved. These Policyholders will instead receive the benefits they are entitled to under their Policy and any rider benefits they may hold. Their Policy will be administered by Foundation Life or Chubb Life depending on certain circumstances.

The Effective Date is expected to be 1 September 2025. If that date is delayed for any reason, Policyholders whose Policies mature between 1 September 2025 and the actual Effective Date will not be bound by the Scheme. These Policyholders will instead receive the benefits they are entitled to under their Policy and any rider benefits they may hold, even if they voted on the Scheme.

1.7 Voting on the Scheme and the Scheme Meeting

In accordance with the initial Court orders, Foundation Life will hold one Scheme Meeting for all Eligible Policyholders. The Scheme Meeting will be held at Eden Park, World Cup Lounge West, Level 4, Samsung South Stand, 42 Reimers Avenue, Kingsland, Auckland on 9 June 2025 at 2.00pm. The Scheme Meeting will also be able to be viewed remotely through internet access to a livestream of the Scheme Meeting and you will be able to vote online. Details of how to join the livestream and vote online are in the Voting/Proxy Form and Hybrid Meeting Guide that are enclosed with this Explanatory Statement.

Eligible Policyholders can ask questions or provide feedback via email (using the contact details in **Appendix 8**) prior to the Scheme Meeting and can also raise any questions or provide feedback during the Scheme Meeting.

Eligible Policyholders can vote at the Scheme Meeting by attending in person, by power of attorney or by proxy (a proxy vote is where you appoint someone else to vote on your behalf at the Scheme Meeting). Eligible Policyholders can also vote by completing and returning their Voting/Proxy form by post or by voting online by 5.00pm on the Record Date.

You can find more information about how to vote on the Scheme in the Notice of Scheme Meeting in **Appendix 1**. Foundation Life urges all Eligible Policyholders to vote. If your Voting/Proxy form has been lost or destroyed, you can get another copy by contacting Foundation Life using the contact details in **Appendix 8**.

1.8 Approvals needed for the Scheme to proceed

The proposed changes under the Scheme proposal can proceed only if Eligible Policyholders vote in favour of the Scheme.

For the Scheme to proceed:

- **Eligible Policyholders** must vote "for" the Scheme:
  - by more than 50% in number (1 vote per Current Policy), of the Current Policies held by Eligible Policyholders who vote; and
  - with votes in favour, representing not less than 75% in value, of the Current Policies held by Eligible Policyholders who vote. For this purpose, the value of a Current Policy will be the Surrender Value of that Current Policy as at 5.00pm on the Record Date.

The resolution Eligible Policyholders will be voting on is included in the Notice of Scheme Meeting in **Appendix 1**.

- **Court approval:** if Eligible Policyholders vote "for" the Scheme, Foundation Life will apply to the Court to approve the Scheme. The Court hearing will be held at 10:00am on 25 June 2025 at the High Court in Wellington. If Eligible Policyholders do not vote "for" the Scheme, Foundation Life will cease seeking final Court orders, the Scheme will not proceed, and the Current Policies will continue unchanged.

If these Scheme approvals are obtained, the Scheme Terms, available in **Appendix 5**, will be binding on all Eligible Policyholders (whether they voted "for" the Scheme or not, or did not vote at all) and on Foundation Life. Foundation Life will then be required to implement the Scheme in accordance with the Scheme Terms.

Sufficient assets condition: The operative parts of the Scheme that cancel Eligible Policyholders' Current Policies, provide Eligible Policyholders with their Scheme Outcomes and allocate Scheme expenses are conditional on the Participating Assets being, in Foundation Life's reasonable opinion, sufficient to pay Chubb Life's premium, Policyholders' payments, the Shareholder Entitlement and other liabilities of the Participating Fund on the Effective Date. If the Participating Assets are not sufficient, the Scheme will not proceed further, and the Current Policies will remain unchanged.

1.9 Under the Scheme each Current Policy will be separately valued

The letter sent to you with this document sets out the estimated values of the options you can Choose (if you are an NZ Resident Eligible Policyholder) and of the cash option you would receive (if you are an Overseas Eligible Policyholder) if the Scheme is implemented.

Estimated values have been assessed for each Current Policy under the supervision of the Appointed Actuary using the detailed valuation process described in the summary of the Appointed Actuary's Report in **Appendix 2**. If you have any questions about your estimated values, please contact Foundation Life using the contact details in **Appendix 8**.

The actual value of the option each Eligible Policyholder receives if the Scheme is implemented will be finally determined by Foundation Life as at the Effective Date, and will be notified to each Eligible Policyholder by Foundation Life. The actual values are highly likely to be different from the estimated values. This is because the actual values depend on a range of factors. These factors include changes in asset prices and interest rates since 31 December 2024 (the date at which the estimated values were calculated for each Policyholder) and the Take-up Rate.

Foundation Life believes that the basis for the final calculations provides a fair and reasonable basis for the Scheme allocations to Eligible Policyholders. This has been confirmed by the Appointed Actuary, and the Independent Actuary has confirmed that the division amongst Eligible Policyholders is "fair and equitable".

1.10 Choosing which option you want to receive if you are an NZ Resident Eligible Policyholder

If the Scheme is implemented, Eligible Policyholders will not keep their Current Policies. Rather, under the Scheme, NZ Resident Eligible Policyholders will be able to Choose between one of:

- Replacement Cover provided by Chubb Life, with a guaranteed amount of life cover that will, at the Effective Date, be 5% higher than your Current Policy's Death Benefit (and in some cases more), for which no further premiums need to be paid. Some of you will also receive a payment of the balance of your Policy Value from Foundation Life; or
- a Cash Payment that will at the Effective Date be a minimum of 5% higher than your Current Policy's Surrender Value, capped at your Current Policy's Death Benefit; or

- a combination of life cover provided by Chubb Life and cash, reflecting either (at your choice):
  - two thirds Replacement Cover and one third cash; or
  - one third Replacement Cover and two thirds cash.

For those NZ Resident Eligible Policyholders who receive the Full Replacement Cover from Chubb Life, Foundation Life will not pay in cash any balance of their Policy Value if it is less than $1,000. Instead, Foundation Life will use this balance to buy them more life cover from Chubb Life.

This minimum cash amount does not apply to the cash value payment for existing Rider Benefits (see **Section 1.16**).

None of these options are available under the terms of the Current Policies, and are available only if the Scheme is implemented. If the Scheme is Approved and you are an NZ Resident Eligible Policyholder, Foundation Life will send you a Choice Form and you will have approximately 6 weeks from the date your form is sent to make your Choice. Your Choice Form must be received by Foundation Life by 5.00pm on the Choice Date if it is to be processed.

Your Choice cannot be changed after 5.00pm on the Choice Date. However, if you Choose Replacement Cover and after 5.00pm on the Choice Date you no longer wish to receive Replacement Cover, you can cancel your Replacement Policy within the 14-day cooling off period and instead receive an amount equivalent to what you would have received if you had chosen the Cash Payment option, less any payment you may have already received from Foundation Life – see **Section 5.1.1**.

If you are an Overseas Eligible Policyholder, see **Section 1.15**.

1.11 NZ Resident Eligible Policyholders who do not make a Choice will receive a default option

NZ Resident Eligible Policyholders whose Choice form is not received by Foundation Life by 5.00pm on the Choice Date or is invalid would receive:

- Replacement Cover, for Whole of Life Policyholders; or
- the Cash Payment option, for Endowment Policyholders.

See clause 3.4 of the Scheme Terms in **Appendix 5** for further details on other default outcomes.

1.12 Immediate benefits of Replacement Cover and Cash Payment options

Those NZ Resident Eligible Policyholders receiving Replacement Cover from Chubb Life would receive on the Effective Date an immediate 5% increase (and in some cases more) in the amount of their life cover compared to their Current Policy's Death Benefit. This additional cover would be on top of any payment of the balance of their Policy Value, which some of those NZ Resident Eligible Policyholders who receive Replacement Cover may receive from Foundation Life (provided the amount is $1,000 or more), and the saving of not having to pay future premiums. The terms of the Replacement Policy are summarised in **Section 5**, and the Replacement Policy and Rider Benefit Replacement Policy documents are available in **Appendix 6**.

Those Eligible Policyholders receiving solely a Cash Payment would receive a payment that will, at the Effective Date, be a minimum of 5% higher than their Current Policy's Surrender Value, capped at their Current Policy's Death Benefit. They could then invest the cash to suit their personal circumstances, in many cases at a tax rate lower than is paid by Foundation Life on their behalf. Otherwise, they could use the cash they receive as they wish. Eligible Policyholders receiving a Cash Payment would not be constrained in their choice of investment strategies in the way Foundation Life is.

1.13 Chubb Life will provide the Replacement Policies

If the Scheme is implemented, the Replacement Policies will be issued by Chubb Life, who will be responsible for all claims and administration relating to the Replacement Policies.

Chubb Life has developed the Replacement Policy specifically for Foundation Life's Eligible Policyholders. All NZ Resident Eligible Policyholders can Choose to receive a Replacement Policy without having to provide any information about the health, occupation, or sports activities of the Life Insured.

For NZ Resident Eligible Policyholders who receive Replacement Cover, the amount of their life cover will be guaranteed. Foundation Life will pay most or all of their Policy Values to Chubb Life to purchase their Replacement Covers. Eligible Policyholders will not have to pay any premiums to Chubb Life at any time. In some cases, Foundation Life will also pay Chubb Life some additional amounts for providing the Replacement Cover if an Eligible Policyholder's Policy Value is insufficient.

Chubb Life is a leading specialist provider of life insurance, funeral insurance, income protection insurance, accidental death insurance and trauma insurance products and services in New Zealand and is licensed by the Reserve Bank. Chubb Life has been insuring New Zealanders for over 100 years, and today insures more than 300,000 New Zealanders. Chubb Life is in a strong financial position and, as at the date of this document, has an A (Excellent) financial strength rating from A.M. Best Company Inc.[2], an insurance rating provider, and a Reserve Bank approved rating agency. The scale, of which the rating forms part, is available for inspection at every office in New Zealand of Chubb Life or online. More information about Chubb Life's financial position can be found at www.chubb.com/nz-en/financial-strength-rating-nz.html.

Chubb Life is a member of the Insurance and Financial Services Ombudsman (IFSO) dispute resolution scheme, a free, independent service for resolving insurance and savings disputes related to Chubb Life policies.

The Appointed Actuary is satisfied that NZ Resident Eligible Policyholders who receive Replacement Policies from Chubb Life will enjoy suitably high security for their new life insurance benefits.

1.14 Key differences between the Current Policies and the Replacement Policies

The key differences between the Current Policies and the Replacement Policies are:

- Eligible Policyholders will not pay premiums for their Replacement Policies as Foundation Life will have already paid Chubb Life the premiums for these policies;
- Replacement Policies will have a guaranteed amount of life cover that will not reduce. However, the amount of life cover will not increase either. Replacement Policies will not share in the profits of Chubb Life's statutory fund and bonuses for the Replacement Policies will not be declared. See **Section 6.2** for further information;
- Replacement Policies will include Terminal Illness cover to a maximum of $500,000 (but not exceeding the Replacement Policy's Sum Insured) compared to a maximum of $250,000 under the Current Policies. In both cases, any remaining Sum Insured is paid on death;
- Replacement Policies will have no Maturity Date; and

2 A summary of the rating scale is: A++, A+ Superior | A, A- Excellent | B++, B+ Good | B, B- Fair | C++, C+ Marginal | C, C- Weak | D Poor | E Under Regulatory Supervision | F In Liquidation | S Suspended. For the full rating scale and more rating information visit www.ambest.com/ratings/guide.pdf

- the Surrender Value of Replacement Policies will be capped at the amount of the premium paid to Chubb Life by Foundation Life for that policy. The Surrender Value will be calculated by Chubb Life based on circumstances at the time of surrender and may initially be well below the premium paid to Chubb Life by Foundation Life for that policy.

See **Section 5** for more information about the terms of the Replacement Policies to be offered by Chubb Life and **Appendix 7** for more information about the terms of your Current Policy.

1.15 Overseas Eligible Policyholders will receive the Cash Payment option, but may transfer ownership of their Current Policy to a New Zealand resident

An Overseas Eligible Policyholder is an Eligible Policyholder whose postal address is recorded in Foundation Life's policyholder register as being outside New Zealand. The address used to send this document to you will tell you if Foundation Life considers you to be an overseas Policyholder.

If you are an Overseas Eligible Policyholder and are actually now living in New Zealand, or are only living temporarily overseas and intend to return to New Zealand in the next few months, please contact Foundation Life using the contact details in **Appendix 8** to provide us with your New Zealand postal address.

Overseas Eligible Policyholders are still entitled to vote on the Scheme, but for regulatory reasons, Chubb Life is unable to offer a Replacement Policy to an Overseas Eligible Policyholder. If the Scheme is implemented, Overseas Eligible Policyholders at the Effective Date would be entitled to a Cash Payment.

Overseas Eligible Policyholders who wish the Life Insured under their Current Policy to continue to be insured can arrange to transfer their Current Policy to a person (or persons) who is resident in New Zealand. If you transfer your Current Policy, you should ensure it is to a person (or persons) who you can trust or who is obliged to act in your best interests. Transfers result only in a change to the owner of the Current Policy. The Life Insured under the Current Policy does not change.

You need to let Foundation Life know as soon as you can if you wish to transfer ownership of your Current Policy. This is because confirmation of identity requirements, which can take several days or longer, are required to be satisfied before Foundation Life can complete any transfer. All Current Policy transfers must be completed by 5.00pm on the Choice Date.

For more information on how to transfer ownership of your Current Policy and to whom you can transfer ownership of your Current Policy, you can contact Foundation Life using the contact details in **Appendix 8** or refer to www.foundationlife.co.nz/overseas-policyholders.html.

1.16 Additional options if you have existing Rider Benefits

Your Current Policy summary in the letter sent to you with this document will advise if you are one of the few Policyholders who have Rider Benefits. See **Appendix 7** for more information on the types of Rider Benefits.

If you have a Rider Benefit, its estimated value is included in the letter sent to you with this document. The Appointed Actuary has used a model to assess the value of Rider Benefits which projected the average value holders of Rider Benefits could expect to receive over the remaining term of their Rider Benefit. If you have any questions about your estimated value, please contact Foundation Life using the contact details in **Appendix 8**.

If the Scheme is implemented, those NZ Resident Eligible Policyholders with Rider Benefits who receive a Replacement Policy from Chubb Life can Choose to receive:

- a Cash Payment equal to the average cash value of their Rider Benefit (even if that cash value is less than the minimum $1,000 Cash Payment mentioned in **Section 1.10**); or
- Replacement Benefits from Chubb Life similar to their Rider Benefits with Foundation Life. If chosen (or received by default), guaranteed insurability and total and permanent disability rider benefits would be added to their Replacement Policy and term insurance rider benefits would become new standalone term insurance policies.

Eligible Policyholders who are to receive solely a Cash Payment as their Scheme option (including Overseas Eligible Policyholders) will receive the average cash value of their Rider Benefit and may not Choose Replacement Benefits.

NZ Resident Eligible Policyholders who receive Replacement Benefits for their Rider Benefits from Chubb Life will not have to pay any further premiums for their Replacement Benefits.

The cost of cashing out Rider Benefits and Chubb Life providing Replacement Benefits to replace existing Rider Benefits will be paid for by Foundation Life from its non-participating fund.

The terms of the Replacement Benefits offered by Chubb Life will be at least as good as the terms of the Rider Benefits they replace, other than:

- additional cover under Replacement Benefits for guaranteed insurability rider benefits will not allow policyholders to take out a new Whole of Life Policy or Endowment Policy; and
- increased cover under Replacement Benefits for term rider benefits will not be able to be converted into a new Whole of Life Policy or Endowment Policy.

Additional life cover provided by Chubb Life as a result of the Scheme will be in the form of term insurance.

NZ Resident Eligible Policyholders with Rider Benefits who receive a Replacement Policy from Chubb Life and do not Choose their Rider Benefit replacement option by 5.00pm on the Choice Date would receive a Replacement Benefit issued by Chubb Life. See **Appendix 6** for the Replacement Benefits policy terms.

SECTION 2: SCHEME QUESTIONS AND ANSWERS

This Section answers some of the questions you may have about the Scheme.

2.1 Why has this document been sent to me?

This document has been prepared to help you to decide how to vote on the Scheme described in this document.

The Scheme can proceed only if it is approved by Eligible Policyholders and the Court. Eligible Policyholders can now vote on the Scheme which, if implemented, would cancel your Current Policy and provide the benefits outlined in this document (including in **Section 1.1**). ***The vote is only about whether you are in favour of the Scheme proceeding as a whole, or not***.

This document has been sent to you because Foundation Life's policyholder register records you as the owner (a Policyholder) of a Current Policy. You may also be the Life Insured under that Current Policy, or someone else may be (for example, your spouse).

If you are not a Policyholder or the intended recipient of this document, please contact Foundation Life using the contact details in **Appendix 8**.

You can find more information about Foundation Life, its business and the general terms of your Current Policy in **Appendix 7** of this document.

Foundation Life is unable to provide you with financial advice on the Scheme. See **Section 2.19** for more information if you have further questions after reading this document.

2.2 What types of policies are covered by the Scheme proposal?

The Scheme proposal is for the Current Policies (Whole of Life Policies and Endowment Policies), and any Rider Benefits. Current Policies exclude policies that have had a Final Claim Event, been surrendered or have lapsed before 5.00pm on the Record Date, or which have a fixed Maturity Date which is scheduled before the Effective Date.

More information about the Current Policies can be found in **Appendix 7**.

2.3 What alternatives to the Scheme were considered?

The Foundation Life Directors considered a range of alternatives when developing the Scheme proposal. The alternatives considered were:

- conversion of the Current Policies into shares in a listed investment company (and a continuing term life insurance policy);
- conversion of the Current Policies into a managed fund;
- conversion of the Current Policies into unitised life insurance policies issued by Foundation Life;
- conversion of the Current Policies into non-participating policies issued by Foundation Life;
- payment by Foundation Life of a special one-off cash bonus to Policyholders;

- alternative percentages for determining the amount of life cover under the Replacement Cover; and
- no change to the Current Policies.

The Foundation Life Directors evaluated each alternative against a number of criteria which were designed to achieve Policyholders' best interests. After careful consideration, the Foundation Life Directors decided that the Scheme was preferable to all these alternatives as it best met the criteria by:

- providing all Eligible Policyholders with an immediate benefit, and allowing NZ Resident Eligible Policyholders to Choose which option they receive;
- addressing the structural limitations of the Current Policies (described in **Section 4.3**) in the most comprehensive manner; and
- providing greater flexibility to Eligible Policyholders going forward.

The Foundation Life Directors believe that none of the alternatives would deliver as much value to all Policyholders as the Scheme proposal and that the Scheme is in Policyholders' best interests. The Appointed Actuary reviewed the other options the Foundation Life Directors considered and is satisfied that the proposed Scheme's approach is the best alternative for Policyholders.

For these reasons, the Foundation Life Directors have not offered Eligible Policyholders a range of alternatives to choose from when voting on whether to approve the Scheme.

More information about the alternatives considered and the reasons the Foundation Life Directors believe the Scheme is the best alternative for Policyholders are set out in **Section 4.4**.

2.4 Are there any disadvantages or potential disadvantages of the Scheme?

As with any proposal for change, there are disadvantages and potential disadvantages. The Foundation Life Directors believe that the benefits of the Scheme exceed the Scheme's disadvantages and potential disadvantages.

If the Scheme is implemented, the disadvantages and potential disadvantages of the Scheme include:

- NZ Resident Eligible Policyholders' Replacement Cover will not receive any future Bonuses;
- the Scheme involves Scheme Expenses, certain of which are incurred whether or not the Scheme is approved;
- the new arrangements and the insurer after the Scheme's completion will be less familiar to some Policyholders;
- the Surrender Value of the Replacement Policies is capped at the amount of the premium paid to Chubb Life by Foundation Life for that policy. Chubb Life will calculate the Surrender Value based on circumstances at the time of surrender and may initially be well below the premium paid to Chubb Life by Foundation Life for that policy;
- the loss of a Maturity Date, should Replacement Cover be chosen;
- for some Replacement Policies, the Sum Insured plus any cash provided and the accumulation of premiums saved may, for some durations after the Effective Date, be slightly less than what the Death Benefit under the Current Policy would have been; and
- for some Overseas Eligible Policyholders, the inability to access directly the Replacement Policy options.

For further information on the disadvantages and potential disadvantages of the Scheme, together with the manner in which the Foundation Life Directors believe that these disadvantages and potential disadvantages are addressed, see **Section 6**. The benefits and risks of the Scheme are also available in **Section 6**.

2.5 Will the Shareholder benefit if the Scheme is approved?

If the Scheme is implemented the Shareholder will be paid a fixed amount of $16.05m (or such lesser amount as the Shareholder may accept in its discretion or which is required to comply with the Insurance Legislation) from the Participating Fund. Other distributions to the Shareholder from the Participating Fund will cease, aside from a final washup payment (if any), when the Participating Fund is closed. See **Appendix 7** for more information on the Participating Fund.

The Shareholder would also be entitled to a distribution of their shareholder's capital following the implementation of the Scheme, much of which is currently inaccessible as it is required under insurance legislation to support Foundation Life's solvency margins.

The Independent Actuary has assessed that the division of the Participating Fund between the Shareholder and the Policyholders is fair and equitable and the split provides Policyholders with at least 80% of the aggregate retained profits of the Participating Fund.

See **Section 9.8** for more information on the Shareholder's intentions for Foundation Life following the implementation of the Scheme.

2.6 What happens if a Final Claim Event occurs under my Current Policy before 5.00pm on the Record Date or my Current Policy matures before the Effective Date?

If a Final Claim Event occurs under your Current Policy before 5.00pm on the Record Date or your Current Policy is scheduled to mature before the Effective Date, you are not an Eligible Policyholder and Foundation Life should be contacted using the details in **Appendix 8**.

Current Policies which have a Final Claim Event occurring before 5.00pm on the Record Date (whether the Final Claim Event is reported to Foundation Life or not) will not be covered by the Scheme, nor will these Policyholders (or their estates) be Eligible Policyholders who can vote on the Scheme. These Policyholders will be entitled on acceptance of their claim to the Death Benefit under their Current Policy. Foundation Life will seek to pay before the Effective Date as many reported and accepted claims which occurred before 5.00pm on the Record Date as is reasonably practicable.

On the Effective Date, Foundation Life will transfer to Chubb Life claims for all Policyholders (including claims for Policyholders who are not Eligible Policyholders) which occurred before 5.00pm on the Record Date which have not been settled (this includes claims which have not yet been reported to Foundation Life). Foundation Life will pay Chubb Life to cover payment of these claims, including for Policyholders who are not Eligible Policyholders. Chubb Life will then be responsible for administering and paying those claims in accordance with the terms of the Current Policies.

2.7 What happens if a claim (except for reasons of maturity) occurs under my Current Policy after 5.00pm on the Record Date and before the Effective Date?

The period after 5.00pm on the Record Date and before the Effective Date is expected to be around 12 weeks. During this time, there may be Lives Insured who die and Terminal Illness claims.

If a Final Claim Event other than a maturity occurs and is reported after 5.00pm on the Record Date and before the Effective Date, then subject to normal claim payment practices such as proof of identity:

- NZ Resident Eligible Policyholders will be paid the Sum Insured under the Replacement Policy offered to them, any cash they would have received under the Full Replacement Cover Option, and, if applicable, the higher of:

  - the value of their Rider Benefits calculated by Foundation Life, and
  - any claim they would have had on their Replacement Benefits, and
- Overseas Eligible Policyholders will be paid their Cash Payment under the Scheme and, if applicable, the cash value of their Rider Benefits calculated by Foundation Life,

plus any statutory interest up to the date of payment if the Scheme is implemented, but claims will not be processed until on or after the Effective Date. However, if an Eligible Policyholder (or the Eligible Policyholder's estate) wishes, Foundation Life may agree that:

- for Final Claim Events occurring during the period after 5.00pm on the Record Date and before the Effective Date to be settled under the terms of the Eligible Policyholder's Current Policy, and
- where the Eligible Policyholder's Current Policy is surrendered after 5.00pm on the Record Date but before the Effective Date, that they receive their Current Policy's Surrender Value,

in full satisfaction of the Eligible Policyholder's entitlements under the Scheme and their Current Policy.

Where a Terminal Illness claim (which is not a Final Claim Event) or a Rider Benefit claim (other than a Final Claim Event) has occurred after 5.00pm on the Record Date but before the Effective Date, then the claims will not be processed until on or after the Effective Date. However, if an Eligible Policyholder (or the Eligible Policyholder's estate) wishes, Foundation Life may agree that the Eligible Policyholder receives their Current Policy's Terminal Illness payment or Rider Benefit, in full satisfaction of their entitlement under the Scheme and their Current Policy for that Terminal Illness cover or Rider Benefit.

2.8 What happens if my policy has a fixed Maturity Date which is scheduled before the Effective Date?

Policies which have a fixed Maturity Date which is scheduled before the Effective Date are not part of the Scheme. On maturity of these policies, the policyholders will receive the Death Benefit under their policy, irrespective of whether the Scheme proceeds and whether the life insured is still alive. They will not be eligible to vote on the Scheme. If the Scheme becomes unconditional and Foundation Life has not paid the Death Benefit on these policies before the Effective Date, Chubb Life will be responsible for paying the Death Benefit.

2.9 Will life insurance cover continue without further health information?

Yes. If the Scheme is Approved and you receive a Replacement Policy from Chubb Life, the Life Insured will have continuous life insurance cover, even though the insurer will change from Foundation Life to Chubb Life. This will take place irrespective of the health, current occupation or sports activities of the Life Insured.

2.10 Can I repay Foundation Life any Policy Debt I have, and what happens to my Policy Debt if it is not repaid?

If you have any Policy Debt (premium debt, Policyholder loans or contingent debt equal to or above $50) that has not been repaid, you can repay the Policy Debt to Foundation Life in full by 5.00pm on the Choice Date if you wish to. Policy Debt outstanding on your Current Policy is set out in your Current Policy summary in the letter sent to you with this document. Debts under $50 will be forgiven.

You are not required to repay any Policy Debt to vote on the Scheme or to receive your Scheme options if the Scheme is implemented. However, if you do not repay any Policy Debt of an amount of $50 or more by 5.00pm on the Choice Date, the outstanding amount of your Policy Debt will be offset against the value of the Scheme option you receive. Interest on premium debt and policy loans under the Current Policies will stop accruing three Business Days before the Effective Date.

If you wish, you can contact Foundation Life using the details in **Appendix 8** to discuss your Policy Debt repayment options.

2.11 What happens to any Pre-Paid Premiums for my Current Policy?

The amount of any Pre-Paid Premiums for your Current Policy which remain unused at the Effective Date will, if the Scheme is implemented, be taken into account in determining the final value of the Scheme option you receive.

Foundation Life will stop collecting premiums for the Current Policies three Business Days before the Effective Date.

2.12 My Current Policy is owned by a bank or another organisation. How can I get the Current Policy transferred back to me?

You will need to contact the bank or other organisation as soon as possible to ask if ownership of the Current Policy can be transferred back to you. Foundation Life has contacted the major banks, so they are aware of the transfer procedure that needs to be followed.

If you have the original Current Policy document and the bank or other organisation has already completed their section of the Memorandum of Transfer (on the back of the Current Policy document), you can complete the transferee section and send it to Foundation Life using the contact details in **Appendix 8**. We will then register the transfer and return the Current Policy document to you. Confirmation of identity requirements, which can take several days or longer, are required to be satisfied before Foundation Life can complete any Current Policy transfer.

If you do not arrange for ownership of your Current Policy to be transferred back to you, the bank or other organisation who is recorded as the Policyholder will receive the Scheme information pack, will be entitled to vote on the Scheme and will receive the Scheme Choice (if any) if the Scheme is implemented.

If you have any difficulties with arranging your Current Policy transfer or would like further information, please contact Foundation Life using the contact details in **Appendix 8**.

2.13 My Current Policy is owned by a bank. What will it do with benefits from the Scheme that exceed the bank's need for collateral?

You will need to contact the bank as soon as possible to arrange for ownership of the Current Policy to be transferred back to you. Until ownership of the Current Policy is transferred back to you, the bank who is recorded as the Policyholder will be entitled to vote on the Scheme and will receive the Scheme Choice (if any) if the Scheme is implemented, including any benefits from the Scheme that exceed the bank's need for collateral.

For this reason, it may be better for you to arrange for ownership of the Current Policy to be transferred back to you as soon as possible.

2.14 What happens if you vote against the Scheme but the Scheme is approved?

If the Scheme is approved, it will apply to the Current Policies of all Eligible Policyholders irrespective of how any particular Eligible Policyholder voted. You will not be able to choose to keep your Current Policy if the Scheme is implemented, but if you are an NZ Resident Eligible Policyholder, you will have a Choice of the Scheme options.

2.15 What happens if Eligible Policyholders do not approve the Scheme or the Court does not approve the Scheme?

If the Scheme is not approved by Eligible Policyholders or final Court orders are not granted approving the Scheme the Scheme will not proceed, and:

- there will be no change to your Current Policy, which will continue to be administered by Foundation Life;
- no Replacement Policies will be issued by Chubb Life;
- the only options available to you to access cash from your Current Policy prior to a claim under your Current Policy or the Maturity Date of your Current Policy will remain as:
  - ~ taking a loan against the value of your Current Policy;
  - ~ surrendering (or cashing out) your Current Policy (providing you with a payment and cancelling your life cover); or
  - ~ selling your Current Policy (for which the market is very small); and

Foundation Life would continue to operate its business and service the Current Policies. The Foundation Life Directors may also need to consider options for reducing costs to Policyholders or developing another proposal. Any other proposal would involve substantial cost and delay. The Foundation Life Directors believe that the value and flexibility Policyholders would receive under the other alternatives assessed would be less than under the Scheme.

2.16 Will Foundation Life declare any further Annual Bonuses under the Current Policies before the Effective Date?

No. Annual Bonuses were declared by Foundation Life for the financial year ended 30 September 2024, and the Effective Date is intended to be before the next Annual Bonuses would normally be declared.

2.17 If the Scheme is not approved, what are future Bonus rates under the Current Policies expected to be?

Annual Bonus rates under the Current Policies are at low levels relative to the rates being paid in the 1980s and earlier when most Current Policies commenced.

As the constraints on Foundation Life's investment policies are expected to continue, if the Scheme is not approved and the Current Policies remain in place, Annual Bonus rates are likely to stay low in the future. A return to the higher Annual Bonus rates paid in the past is not expected. The future declaration of Annual Bonuses by Foundation Life is discretionary and is not guaranteed.

Additional Bonuses, which are funded from undistributed profits, have ceased being declared by Foundation Life for Endowment policyholders and are expected to cease being declared after 30 September 2035 for Whole of Life policyholders.

2.18 What happens if there are insufficient assets to pay for the Scheme?

If the Participating Assets are, in Foundation Life's reasonable opinion, insufficient to pay Chubb Life's premium, Policyholders' payments, the Shareholder Entitlement and other liabilities of the Participating Fund on the Effective Date, the Scheme will not proceed further and Eligible Policyholders' Current Policies will remain unchanged.

2.19 What do I do if I have other questions?

If you have any other questions in relation to this document, or the Scheme, you can contact Foundation Life using the contact details in **Appendix 8**.

You can also consult your financial advice provider or other professional adviser.

If you do not have a financial advice provider, you can go to the 'Finding an Adviser' page on the Financial Markets Authority's website where you can find searchable lists of various professional adviser association websites and a list of financial advice providers: fma.govt.nz/investors/getting-financial-advice/finding-an-adviser/.

Foundation Life cannot provide you with financial advice in relation to the Scheme, but it can refer you to a financial advice provider if you would like us to do so.

SECTION 3: IMPORTANT DATES

The key dates for the Scheme are:

First Court hearing – the date on which Foundation Life obtained Initial Court orders for the Scheme	24 March 2025
Scheme information pack sent to Policyholders by Foundation Life	On or around 6 May 2025
Record Date – this is the date, on which 5.00pm is the time, for determining which Policies will be covered by the Scheme. It is also the last date (at 5.00pm) for completed Voting/Proxy forms to be received and for online voting.	4 June 2025
Scheme Meeting date – the Scheme Meeting will be held at Eden Park, World Cup Lounge West, Level 4, Samsung South Stand, 42 Reimers Avenue, Kingsland, Auckland on 9 June 2025 at 2.00pm. The meeting can be viewed online at meetnow.global/foundationlife. For details of how to view the meeting online, please refer to the included voting form and virtual meeting guide. This is the final date for filing an objection to the Scheme.	9 June 2025
Second Court hearing for Approving the Scheme	10:00am on 25 June 2025 at the High Court in Wellington
Scheme Approval Date – assuming the Scheme is Approved, the date of the Court's decision and the date on which the Scheme Terms are binding on Eligible Policyholders and Foundation Life.	The date on which the Court issues its decision on or after the second Court hearing.
The following events are conditional on Eligible Policyholders voting in favour of the Scheme and Court Approval:	
Date for Foundation Life sending Choice Forms to NZ Resident Eligible Policyholders	Expected to be shortly after the Scheme Approval Date.
Choice Date – last date (by 5.00pm) on which: • NZ Resident Eligible Policyholders can choose which Scheme option they receive; • Eligible Policyholders (including Overseas Eligible Policyholders) can complete the transfer of the ownership of their Current Policy to a new Policyholder; and • Eligible Policyholders can repay some or all of any Policy Debt to Foundation Life. 5.00pm on the Choice Date is also the time at which Foundation Life for the purposes of the Scheme will determine who the Overseas Eligible Policyholders are, and the time when Foundation Life will cease approving loan requests.	The Choice Date will be notified to Eligible Policyholders. It is expected to be 7 weeks after the Scheme Approval Date.
Date for determining whether there are sufficient assets to provide Eligible Policyholders with their Scheme Outcomes.	Expected to be one business day before the Effective Date.

The following events are conditional on Participating Assets being, in Foundation Life's reasonable opinion, sufficient to satisfy the Scheme payments and other liabilities of the Participating Fund:	
End of the day immediately prior to the Effective Date – Life cover under the Current Policies ends.	
Effective Date – date on which life cover under the Replacement Policies starts and the date at which Foundation Life will calculate the actual: (a) Policy Values for Eligible Policyholders, from which their cash options will be calculated; (b) Sum Insured for Replacement Policies; and (c) premium to be paid by Foundation Life to Chubb Life for the issue of the Replacement Policies, and the Replacement Benefits for the Rider Benefits.	Commencement of the day notified to Eligible Policyholders as the Effective Date by Foundation Life. This date cannot be earlier than 1 September 2025, and is expected to be approximately 2 weeks after the Choice Date. For the sole purpose of determining who can vote on the Scheme, the Effective Date shall be taken to be 1 September 2025.
Date Eligible Policyholders are advised by Foundation Life of the Sum Insured under their Replacement Policy and/or Cash Payment amount (as applicable).	Expected to be approximately 4 weeks after the Effective Date.
Replacement Policies sent by Chubb Life. The Replacement Policies will have been providing cover since the commencement of the Effective Date.	
Foundation Life begins making Cash Payments and other payments of the balance of Eligible Policyholders' Policy Value to Eligible Policyholders who are entitled to receive cash.	Cash payments will be made as soon as practically possible, but will not be paid until Foundation Life has received bank details and satisfactory confirmation of identity.

All times and dates referred to in this document are times and dates in New Zealand. Foundation Life has the right to vary any or all of the times and dates in this document (other than the Effective Date for voting purposes) without prior notice.

SECTION 4: STRATEGIC REVIEW OF THE CURRENT POLICIES

Many of the Current Policies have been in existence for a long time. The Foundation Life Directors are conscious that many Policyholders' circumstances have changed significantly since their Current Policies were issued and that the Current Policy terms may now be too rigid.

What was a suitable product when sold from the 1960s to the 1990s could now be seen as out-dated, inflexible and inefficient when compared with the alternatives currently available.

In addition, Foundation Life has stopped issuing new Current Policies, the regulatory and financial markets have changed substantially since the Current Policies were issued, interest rates have fluctuated significantly, the insurance industry has been prudentially regulated, and the choice of financial products has widened substantially since the Current Policies were being sold.

Some of these changes have reduced the level of Bonuses Foundation Life has been able to declare to Policyholders, and have caused Foundation Life to invest the Participating Assets more cautiously than many Policyholders may wish. A return to the higher Bonus rates paid in the past is not expected.

The Foundation Life Directors are conscious that because of these changes, the Current Policies will not be generating the most effective outcomes for many Policyholders, and may no longer be in Policyholders' best interests. The Foundation Life Directors believe there are better alternatives available to Policyholders if a change to the Current Policies is made. To determine if this was possible, Foundation Life initiated a comprehensive review of the Current Policies.

This Section provides you with further information about the changes since the Current Policies were issued, the strategic review of the Current Policies by the Foundation Life Directors, and the structural limitations of the Current Policies. Information about the alternatives to the Scheme assessed by the Foundation Life Directors and the conclusions from the strategic review of the Current Policies is also provided in this Section.

4.1 Reasons for the strategic review

The Foundation Life Directors decided that it was important to assess the Participating Fund's strategic position and the opportunities or challenges it would face in the future. They decided that this was important because:

- since the late 1990s, there have been substantial changes in the regulatory, investment and economic environment;
- Foundation Life is no longer selling any new policies and the number of Current Policies that are backed by the Participating Fund is declining; and
- there are now many alternative investment and life insurance products.

In performing this assessment, the Foundation Life Directors decided that it was necessary to also consider whether there were alternatives available to:

- deliver greater benefits compared to the benefits under the Current Policies; and
- provide greater flexibility to Policyholders.

Foundation Life also sought feedback from a randomly selected cross section of Policyholders and others on how they viewed the Current Policies. The feedback received indicated that the Current Policies were not performing as well as these Policyholders had originally expected, and may not be generating the most effective outcomes for all Policyholders for meeting their existing needs. Many Policyholders who provided feedback were open to change.

As a result, the Foundation Life Directors commenced a comprehensive strategic review of the Current Policies to determine:

- the structural limitations associated with the Current Policies;
- whether changing the structure of the Current Policies could generate better outcomes for Policyholders compared with making no changes; and
- if there is a way to provide better value to Policyholders than is provided under the Current Policies.

4.2 Work performed as part of the strategic review

Broadly, the review considered the benefits the Current Policies deliver to Policyholders, the structural limitations associated with the Current Policies and the alternatives available. Making no change to the Current Policies was one of the alternatives considered.

As part of the strategic review, the Foundation Life Directors also had actuarial investigations undertaken by the Appointed Actuary in relation to the Current Policies to determine the future expected Bonuses for Policyholders. These included asset share calculations, a review of the investment strategy of the Participating Fund, consideration of the sensitivity of Foundation Life's solvency position to interest rate movements and the diseconomies of scale arising from a declining Participating Fund without the prospect of new policyholders.

4.3 The structural limitations of the Current Policies

The Foundation Life Directors' strategic review confirmed that:

- the fluctuating interest rate environment combined with Insurance Legislation influences how the Participating Fund is invested, with more conservative investment and lower net earnings limiting the amount of Bonuses declared to Policyholders;
- Bonus levels are also affected by the diseconomies of scale from a closed and declining Participating Fund and increasing expenses, including compliance expenses, on a per Current Policy basis; and
- there is a lack of flexibility for Policyholders. Policyholders having an obligation to continue to pay premiums to maintain the life cover under their Current Policy and having limited access or withdrawal rights prior to a claim or the maturity of their Current Policy were also identified as structural limitations of the Current Policies.

Supporting the conclusions from the strategic review, in the Foundation Life Financial Condition Report 30 September 2024, the Appointed Actuary stated that with Foundation Life's Participating Fund shrinking and the constraints on investment policy, volatility in the inflation rate and diseconomies of scale, the Current Policies may no longer be in the best interests of their Policyholders.

4.3.1 High cost structure and diseconomies of scale

Foundation Life stopped issuing new Policies on 1 November 2000 and Policy numbers are reducing by about 4% - 5% each year as Final Claim Events and Maturity Dates occur and Policies are lapsed or surrendered. This has resulted in expenses per Policy rising much faster than inflation, and these expense increases are expected to continue if no change is made. For example, maintenance expenses increased from $133 per Policy to $141 per Policy during the financial year to 30 September 2023, and then to $162 per Policy during the financial year to 30 September 2024. The diseconomies of scale and increasing expenses from a closed and declining Participating Fund are affecting Bonus levels.

4.3.2 Constraints on the investment of the Participating Fund and the fluctuating interest rate environment

Foundation Life's Participating Fund is part of its Statutory Fund. The Participating Fund is where the assets of Foundation Life's participating business are held, and in which Policyholders' premiums are invested. See **Appendix 7** for more information on the Participating Fund. Until 2001, the Participating Fund was invested in a broad range of asset classes. In 2001, 60 per cent of the Participating Fund's investments were in growth assets (shares and property investments) and 40 per cent were in conservative assets (cash and fixed interest products).

Changes in the regulations governing life insurance businesses (including the coming into force of the Insurance Legislation) and Foundation Life ceasing to issue new Current Policies have led the investment of the Participating Fund to become more conservative over time. As a result, greater caution is needed when investing the Participating Fund to ensure insurance business risks are covered. This is because Foundation Life has obligations to pay Policyholders' guaranteed insurance sums. The asset allocation for the Participating Fund is substantially in conservative assets, differing markedly from the asset allocation when the Current Policies were being actively sold from the 1960s to 1990s.

As a result of these changes, and higher costs on a per Current Policy basis as the number of Current Policies declines over time, lower net earnings are affecting Bonus levels. Bonuses declared to Policyholders have shrunk considerably from where they were 30 years and more ago. For example, declared Annual Bonus rates have fallen from 3.8% p.a. on sum assured and 6.3% p.a. on Annual Bonus in 1989 to 1.4% p.a. on sum assured and 1.7% p.a. on Annual Bonus in 2024. A single year of low Bonus rates does not make a lot of difference. Many years of low Bonus rates does make a significant difference.

In the current investment and regulatory environment, Foundation Life expects the current low returns from the investment of the Participating Fund to continue. As a result, future Annual Bonuses payable to Policyholders, to the extent they are declared, are expected to stay low. See **Appendix 7** for more information on Annual Bonuses.

4.3.3 Additional Bonuses (but not Annual Bonuses) are expected to eventually cease

Foundation Life has traditionally declared Additional Bonuses on the death of the Life Insured, the acceptance of a Terminal Illness claim or the maturity of a Current Policy. Additional Bonuses are funded from undistributed profits, are discretionary, and are not guaranteed. Foundation Life's Directors have determined that Additional Bonuses are expected to continue to be payable to Policyholders with Whole of Life Policies at current levels only until late 2025, and then are expected to gradually decline to zero over the following 10 years to 30 September 2035. Additional Bonuses have ceased to be declared for Policyholders with Endowment Policies. See **Appendix 7** for more information on Additional Bonuses.

4.3.4 Inflexibility of Current Policy structure

Many Policyholders will have had significant changes to their personal circumstances in the past 10 to 20 years. The Foundation Life Directors believe that for many Policyholders, especially those now aged over 60 (around 70% of Policyholders), it is unlikely that they require the same level of life insurance cover or have the same investment risk appetite from 10 to 20 years ago. However, the Current Policy terms and conditions are too inflexible for Foundation Life to offer different options to Policyholders to respond to their change in needs. For example, Policyholders cannot choose how aggressively the Participating Assets backing their policy are invested or take a premium holiday without their life cover reducing.

4.3.5 Limited access to withdrawal rights prior to a Final Claim Event or a fixed Maturity Date

The full value of a Current Policy can be accessed only on the occurrence of a Final Claim Event or at the Current Policy's fixed Maturity Date (whichever occurs first). Policyholders' only options prior to the death or Terminal Illness of the Life Insured or the maturity of their Current Policy to access or withdraw some of the value of their Current Policy are:

- taking a loan against the value of their Current Policy, up to 90% of the Current Policy's Surrender Value, currently attracting interest of up to 8% per annum;
- receiving a payment (the Surrender Value), which is less than the Cash Payment option being offered by the Scheme. This alternative results in the Current Policy being cancelled and no life insurance being retained; or
- selling their Current Policy to a third party (the market for second-hand Current Policies is very small).

The Current Policy terms and conditions do not provide Policyholders with any other options. Further details in relation to surrendering a Current Policy or taking out a loan against Current Policy value are available in **Appendix 7**.

4.4 Alternatives to the Scheme assessed

Each of the alternatives listed below was considered by the Foundation Life Directors and rejected as being inferior to the Scheme being offered to Policyholders.

4.4.1 Conversion of Current Policies into shares in a listed investment company (and a continuing term life insurance policy)

This alternative involves separating the investment and life insurance aspects of the Current Policies and providing Policyholders with:

- shares in a listed investment company that could be traded on the New Zealand stock exchange. The listed investment company would hold assets transferred from the Participating Fund and invest them using a balanced investment strategy; and
- a continuing term life insurance policy, the life cover under which would be reducing after a period of time on the assumption that the shares in the investment company would grow in value.

The Foundation Life Directors believe that the disadvantages of this alternative are that:

- it is complex and would not be easily understood by all Policyholders;
- it does not provide Policyholders with a guaranteed amount, as the value of the shares in the listed investment company would vary depending on share market volatility;
- the shares in the investment company could trade at a discount, as sometimes happens with investment company shares;
- the amount of cover under the term life insurance policy would reduce over time;
- it does not provide Policyholders with a choice of options and may not, for example, be the right investment for those Policyholders who are older and/or have less appetite for investment risk;
- it involves ongoing costs; and
- it may be viewed by some Policyholders with suspicion and uncertainty as the new investment company would have no track record.

4.4.2 Conversion of Current Policies into a managed fund

This alternative involves replacing the Current Policies with units in a managed fund, which would be designated a portfolio investment entity, and would be managed by either Foundation Life or a third party manager. This would allow investors to buy and redeem units directly from the manager. This would mean that Policyholders would no longer have any life insurance cover, but would be able to continue to share in the investment returns of the managed fund, which could be invested in a much less conservative way than the Participating Fund.

The Foundation Life Directors believe that the disadvantages of this alternative are that:

- Policyholders would not receive any life insurance cover, and this would disadvantage any Policyholders who wish to retain life insurance cover but are not able to obtain comparable cover because of changes to the circumstances of the Life Insured since their Current Policy was issued (for example, age and medical conditions);
- it does not provide Policyholders with a choice of options and may not be the right investment for Policyholders who, for example, have less appetite for investment risk;

- it would not provide Policyholders with a guaranteed amount, as the value of the units would vary depending on the value of the underlying investments, and investor withdrawals could reduce the size of the fund. The manager would be required to hold a cash buffer or other highly liquid investments and set a notice period for withdrawals which would reduce expected returns;
- similarly to the status quo, the managed fund would likely in practice operate as if it was a closed ended fund (due to limited distribution capabilities), which could lead to diseconomies of scale; and
- it may be viewed by some Policyholders with suspicion and uncertainty as the managed fund would have no track record.

4.4.3 Conversion of Current Policies into unitised life insurance policies issued by Foundation Life

This alternative involves Foundation Life continuing to operate as a licensed life insurer and converting the Current Policies from participating life insurance policies into unitised life insurance policies. The value of the units and the amount of life insurance cover issued to each Policyholder under the unitised life insurance policies would be actuarially determined.

The Foundation Life Directors concluded that this alternative would not maximise value for Policyholders because:

- issuing unitised life insurance policies may require Foundation Life to become licensed as a managed investment scheme manager, incurring further costs;
- the cost of managing the policies would be relatively high compared to other investment product structures; and
- the diseconomies of scale would continue unless a significant level of new unitised life insurance policies were sold by Foundation Life.

4.4.4 Conversion of Current Policies into non-participating policies issued by Foundation Life

This alternative involves converting the Current Policies into non-participating policies, which are pure risk life insurance policies. This would mean that Policyholders would no longer share in the investment returns of the assets of Foundation Life's Participating Fund, which would be closed, but would initially receive a higher guaranteed amount of life insurance cover.

The Foundation Life Directors believe that this alternative would deliver less value to Policyholders than the Scheme, because the guaranteed amount of life insurance cover for each Policyholder would need to be set so that further capital was not required to be held by Foundation Life for solvency purposes, and would not therefore maximise value for Policyholders.

4.4.5 Payment by Foundation Life of a special one-off cash bonus to Policyholders

This alternative would involve Foundation Life liquidating the Participating Fund and making a payment to Policyholders.

The Foundation Directors believe that this alternative, while providing cash to Policyholders:

- does not provide Policyholders with the flexibility of choice; and
- would disadvantage Policyholders who wish to retain life insurance cover, and who are not able to obtain comparable cover because of changes to the circumstances of the Life Insured since their Current Policy was issued (for example, age and medical conditions).

This means that some Policyholders would be worse off if this alternative was selected, and so it is not in the best interest of all Policyholders.

4.4.6 Alternative percentages of initial new life cover

For each NZ Resident Eligible Policyholder who receives Replacement Cover, the Scheme provides a guaranteed amount of life cover which will, at the Effective Date, be 5% higher than their Current Policy's Death Benefit (and in some cases more). Alternative percentages of initial new life cover were also tested by Foundation Life.

Following testing, Foundation Life considered that a percentage that was less than 5% higher than a Current Policy's Death Benefit at the Effective Date gave less life cover than desired to those Eligible Policyholders wanting to continue with life cover. However, when using a percentage that was more than 5% higher, the disadvantage was that those Eligible Policyholders receiving cash (with or without a Replacement Policy) would have received less cash.

Foundation Life also considered an increased amount of new life cover of not less than 3% higher, but not exceeding 10% higher, than the Death Benefit under a Current Policy, tailored to individual Policyholders according to their Policy Value and projected Current Policy benefits. However, Foundation Life rejected this option for two reasons. Firstly, because of the higher cost and complexity with no significant advantages over the 5% increase proposed; secondly, Policyholders receiving extra life cover through this alternative were then receiving less cash.

4.4.7 No change to the Current Policies

Foundation Life could continue to manage the Current Policies and operate the Participating Fund without any changes (which it would need to do for a period of time if the Scheme is not approved).

However, the Foundation Life Directors believe that continuing to do so would not be an acceptable response to the results of the comprehensive strategic review of the Current Policies and would not be in Policyholders' best interests. This is due to the diseconomies of scale, inflexibility of the Current Policy structure, limited ability to access or withdraw the cash value of a Current Policy before a claim or the maturity of the Current Policy, the constraints on Foundation Life's investment policies and the fluctuating interest rate environment.

In addition, if no change is made to the Current Policies, Annual Bonus levels are likely to stay low in the future and the payment of Additional Bonuses is expected to eventually cease or has ceased, further reducing the attractiveness of staying with the status quo.

4.5 Conclusions from the strategic review

As a result of the strategic review, the Foundation Life Directors unanimously concluded that there was a better way to give value to Policyholders, provided Policyholders could, if they wish, receive a similar level of life cover.

Consequently, Foundation Life commenced a process to define and settle what alternative would provide Policyholders with the best overall available outcome. This process of defining what this alternative offering could look like for Policyholders was driven by Foundation Life's management and Appointed Actuary, with the Foundation Life Directors setting up a special committee to ensure that Policyholder interests remained paramount.

The end result of this process was the Scheme proposal outlined in this document.

SECTION 5: CHUBB LIFE REPLACEMENT POLICY

If the Scheme is approved, one of the options available to NZ Resident Eligible Policyholders is Replacement Cover provided by Chubb Life, which:

- will provide a guaranteed amount of life cover that will, at the Effective Date, be 5% higher than their Current Policy's Death Benefit (and in some cases more);
- will increase the maximum Terminal Illness benefit from $250,000 to $500,000 (but not exceeding the Replacement Policy's Sum Insured);
- will have a capped Surrender Value, which is the amount of the premium paid to Chubb Life by Foundation Life for that policy. The Surrender Value will be calculated by Chubb Life based on circumstances at the time of surrender and may initially be well below the premium paid to Chubb Life by Foundation Life for that policy; and
- will not require payment of any further premiums.

The Replacement Cover will be provided by Chubb Life, a Reserve Bank licensed life insurer with an A (Excellent) financial strength rating from A.M. Best Company Inc, under the Agreement to Issue Replacement Life Insurance.

The Replacement Policy wording has been approved by both Chubb Life and Foundation Life's appointed actuaries.

An overview of the key terms of the Replacement Policy and the Agreement to Issue Replacement Life Insurance is set out below. More information on the Replacement Policy can also be found in **Section 1**, including a summary in **Section 1.14** of the key differences between the Replacement Policies and the Current Policies. A copy of the Replacement Policy is available at **Appendix 6**.

NZ Resident Eligible Policyholders who Choose to receive a combination of life cover and cash would also receive their life cover under a Replacement Policy, but their life cover amount would be less than the amount of life cover provided under Replacement Cover, because they have chosen to receive a significant part of their Policy Value in cash.

5.1 Overview of the key terms of the Replacement Policies

Each Replacement Policy will contain a number of general terms, as well as terms specific to each Eligible Policyholder who receives a Replacement Policy. A summary of the key general terms of the Replacement Policy is set out below.

5.1.1 Cooling off period

NZ Resident Eligible Policyholders (in this section of this document, 'you' or 'your') who receive a Replacement Policy will have a 14-day cooling off period starting on the date you receive the Replacement Policy. If you cancel your Replacement Policy:

- **during the cooling off period –** the amount of the premium paid to Chubb Life on your behalf by Foundation Life for the Replacement Policy would be refunded by Chubb Life to Foundation Life. Foundation Life would then pay you an amount equivalent to what you would have received if you had Chosen the Cash Payment option, less any payment you may have already received from Foundation Life, subject to the normal identity verification requirements being met; and
- **after the cooling off period –** you would receive a Surrender Value from Chubb Life, as described below under the heading '*Cancellation and Surrender Value*'.

5.1.2 No regular premiums

No further premiums will be payable by you or anyone else for your Replacement Policy.

5.1.3 Sum Insured

The Sum Insured provided under each Replacement Policy will be individually determined for each NZ Resident Eligible Policyholder who receives a Replacement Policy based on their Policy Value at the Effective Date and their Choice of Scheme option. The Sum Insured will be for a fixed amount which is guaranteed by Chubb Life. Your Sum Insured will not be increased by bonuses.

5.1.4 Term

Cover under all Replacement Policies will start at the commencement of the Effective Date, regardless of when the Replacement Policy document is received, to ensure that the Life Insured under each Replacement Policy has continuity of life cover. Cover is for the Life Insured's whole life and will end only when:

- the Life Insured dies and the Sum Insured (or any remaining Sum Insured not paid out as the result of a Terminal Illness claim being accepted by Chubb Life) is paid;
- the full Sum Insured is paid out as the result of a Terminal Illness claim being accepted by Chubb Life;
- the Replacement Policy is cancelled during the cooling off period; or
- the Replacement Policy is surrendered, and the Surrender Value is paid by Chubb Life.

If, on or after the Effective Date, Chubb Life identifies that a Replacement Policy has been inadvertently issued to an Overseas Eligible Policyholder, Chubb Life may void that Replacement Policy. The Overseas Eligible Policyholder would instead receive a Cash Payment of an amount equal to the premium paid to Chubb Life by Foundation Life for the Replacement Policy (from either Foundation Life or Chubb Life, depending on when the Replacement Policy is voided), subject to identity verification requirements being met.

5.1.5 Replacement Policy Benefits

The Sum Insured will be payable by Chubb Life on the occurrence of any of the events below, if the Replacement Policy has not been cancelled:

- *Death benefit:* On the death of the Life Insured due to any cause as one lump sum (but less any benefit that has already been paid out as the result of a Terminal Illness claim being accepted by Chubb Life).

- *Terminal Illness benefit:* Up to a maximum of $500,000 less any Terminal Illness benefit that has already been paid, but not exceeding the Replacement Policy's Sum Insured, if the Life Insured has a Terminal Illness and has received a diagnosis and prognosis by a registered medical practitioner stating death will occur within 12 months. Chubb Life will need to approve all Terminal Illness claims once acceptable verification is received. If Chubb Life pays a Terminal Illness benefit equal to the Sum Insured, the Replacement Policy will end. If the Terminal Illness benefit paid is less than the Sum Insured, the remaining Sum Insured will be payable on the death of the Life Insured.
- *Advanced funeral benefit:* On receiving evidence of the Life Insured's death, Chubb Life will pay the lesser of $15,000 or 5% of the current Sum Insured to help towards funeral costs. This benefit will reduce the amount of the Sum Insured that is paid out when the claim is accepted by Chubb Life.

5.1.6 Cancellation and Surrender Value

A Replacement Policy can be cancelled by the Policyholder at any time. It will have a Surrender Value if it is cancelled after the cooling off period, but before a valid claim is made. The Surrender Value for a Replacement Policy is not guaranteed and is not based on the investment performance of Chubb Life's assets.

The Surrender Value under each Replacement Policy will never exceed the premium paid to Chubb Life by Foundation Life for that policy. The Surrender Value under each Replacement Policy will be determined at the time of surrender and may initially be well below the premium paid to Chubb Life by Foundation Life for that policy, taking into account the policyholders' details, including their age, gender of the life insured and the premium paid to Chubb Life by Foundation Life for the Replacement Policy, their sum insured and the length of time they have held the Replacement Policy.

Eligible Policyholders who receive a Replacement Policy and who some years later surrender their Replacement Policy are likely to receive a lower Surrender Value than they would have received from their Current Policy.

5.1.7 Changing the owner of the Replacement Policy

A Replacement Policy can be transferred at any time to a new owner by contacting Chubb Life. The transfer must be registered with Chubb Life for it to be legally recognised.

5.2 Overview of the key terms of the Agreement to Issue Replacement Life Insurance

Under the Agreement to Issue Replacement Life Insurance, Chubb Life has agreed to underwrite and provide the policy benefits under the Replacement Policies to those Eligible Policyholders who elect or are deemed to have elected to receive Replacement Policies. Foundation Life has agreed to make payment of a Single Premium to Chubb Life on behalf of Eligible Policyholders electing Replacement Cover in return for Chubb Life issuing Replacement Policies to those Eligible Policyholders. Eligible Policyholders who elect or are deemed to have elected to receive Replacement Policies are not required to pay further premiums.

Additionally, under the Agreement to Issue Replacement Life Insurance, the parties have agreed that Chubb Life will be responsible for administering and settling Foundation Life's outstanding policies liabilities (on payment of a sum by Foundation Life).

The Agreement to Issue Replacement Life Insurance is enforceable for the benefit of every Policyholder. Amendments to the Agreement to Issue Replacement Life Insurance can be made without Policyholder consent.

SECTION 6: BENEFITS, DISADVANTAGES, POTENTIAL DISADVANTAGES AND RISKS OF THE SCHEME

The Foundation Life Directors' objective is to ensure that the Scheme provides for and properly protects Policyholders' interests. The Foundation Life Directors have confirmed that, in their view, the Scheme is in Policyholders' individual and collective best interests and the benefits exceed the disadvantages and potential disadvantages of the Scheme. Their conclusion is supported by the Appointed Actuary and the Independent Actuary has confirmed that the Scheme is fair and equitable to Eligible Policyholders.

However, Eligible Policyholders should consider the benefits, disadvantages, potential disadvantages and risks of the Scheme before deciding whether to vote "for" or "against" the Scheme. This Section provides a summary of benefits, disadvantages, potential disadvantages and risks of the Scheme for Eligible Policyholders to consider.

6.1 Benefits of the Scheme

The Foundation Life Directors believe the main benefits of the Scheme, if it is implemented, are that Eligible Policyholders:

- who Choose the full Replacement Cover, will get an immediate increase in the amount of their life cover and Terminal Illness cover;
- who receive Replacement Cover, will have the full amount of their life cover guaranteed by Chubb Life (under the Current Policies, the portion comprising Additional Bonuses is not guaranteed and for Whole of Life Policyholders whose Current Policies mature after 2025, it is expected to reduce);
- who receive solely cash, will receive a higher cash value than can be achieved by surrendering their Current Policy today;
- will not have to pay premiums in the future;
- who are NZ Resident Eligible Policyholders will have greater flexibility through the Choice of Scheme options;
- will benefit directly or indirectly from savings in future administration costs;
- who receive a Replacement Policy, will have that policy provided by Chubb Life, a leading New Zealand life insurer; and
- who receive a Replacement Policy, can more easily increase their life cover by taking out an additional policy with Chubb Life (subject to payment of a premium and, in most cases, the Life Insured being underwritten).

Further detail on each of these points is below.

6.1.1 An immediate increase in life cover for those who Choose the full Replacement Cover

NZ Resident Eligible Policyholders will be able to lock in their current level of Additional Bonuses and will receive, at the Effective Date, an immediate 5% increase in their Current Policy's Death Benefit (and in some cases more) if they receive the full Replacement Cover.

6.1.2 An immediate increase in Terminal Illness cover for those who Choose the full Replacement Cover

NZ Resident Eligible Policyholders will be able to lock in their current level of Terminal Illness cover with an immediate 5% increase in this amount at the Effective Date (and in some cases more) and an increase in the maximum Terminal Illness cover amount from $250,000 to $500,000 (but never higher than the Replacement Policy's Sum Insured) if they receive Replacement Cover.

6.1.3 Replacement Policy full amount of life cover is guaranteed

While those who receive a Replacement Policy will no longer receive Bonuses, they will not be taking the risk under their Current Policies that future Bonuses are lower than current levels. This is because the full amount of life cover is guaranteed under a Replacement Policy. Under the Current Policies, only the Initial Life Cover and declared Annual Bonuses are guaranteed. The declaration of future Annual Bonuses and any Additional Bonuses is not guaranteed.

6.1.4 More cash can be achieved immediately for those who Choose solely cash

The Cash Payment at the Effective Date will be a minimum of 5% higher than the Eligible Policyholder's Current Policy's Surrender Value, capped at their Current Policy's Death Benefit.

6.1.5 No future premiums

All Eligible Policyholders will have the advantage of paying no further premiums from three Business Days before the Effective Date.

6.1.6 Improves flexibility for NZ Resident Eligible Policyholders

Under the Current Policies, Policyholders:

- are unable to access the full value of their Death Benefit, other than on the death or Terminal Illness (up to $250,000) of the Life Insured or the maturity of their Current Policy, meaning that Policyholders who wish to surrender their Current Policy have to accept a discount to its full potential value; and
- are unable to stop paying premiums without the value of their Death Benefit decreasing or their life cover ending.

The Scheme provides Eligible Policyholders with increased flexibility and results in the whole of the Eligible Policyholders' share of the Participating Fund being distributed to them. If the Scheme is approved, NZ Resident Eligible Policyholders would be given the choices described in **Section 1.10** that are not currently available to them.

Overseas Eligible Policyholders may, if they wish, arrange to transfer their Current Policy to a person (or persons) who is resident in New Zealand. This would allow the new Policyholder to access Replacement Cover from Chubb Life in respect of the Life Insured if the Scheme is implemented. All Current Policy transfers must be completed by 5.00pm on the Choice Date. More information is available in **Section 1.15**.

6.1.7 Reduces future administration costs and eliminates diseconomies of scale for Policyholders

The Scheme addresses the rising per Current Policy costs caused by the number of Current Policies reducing as discussed in **Section 4.3.1**. The effect of an increase in expenses is to repress Bonuses.

6.1.8 Replacement Policies provided by Chubb Life, a leading New Zealand life insurer

Chubb Life has been chosen by Foundation Life to issue the Replacement Policies following a competitive tender process. Chubb Life was chosen because it best met the selection criteria of pricing competitiveness (for the premium rates) and administration capability (the risk of transition). The premium rates offered by Chubb Life (for the premium to be paid by Foundation Life to Chubb Life for the Replacement Policies) are good rates given Policyholders do not need to provide Chubb Life with any information about the health, occupation or sports activities of the Lives Insured. The Replacement Policy is a unique policy developed especially for the Eligible Policyholders and it is not available in the market.

Chubb Life is considerably larger than Foundation Life and, unlike Foundation Life, is actively selling policies and growing. In 2023, Chubb Life had an annual premium income of $341m, which is over sixty times that of Foundation Life's.

Foundation Life's Appointed Actuary has stated in his Appointed Actuary's Report that he is satisfied that Eligible Policyholders who receive a Replacement Policy will receive suitably high security for their life insurance benefits. As at the date of this document, Chubb Life has an A (Excellent) rating from A.M. Best Company Inc. (a Reserve Bank approved rating agency). This is higher than Foundation Life's current A- (Excellent) rating from A.M. Best Company Inc.

Further information on Chubb Life and the Replacement Policy is available in **Section 1.13** and **Section 5**. The Replacement Policy document is available in **Appendix 6**.

6.1.9 Ease of increasing the amount of life cover

Foundation Life is unable to offer its Policyholders additional life cover. Chubb Life for a premium usually can. Any additional life cover would in most cases be subject to the Life Insured being underwritten by Chubb Life, and would be issued under one of Chubb Life's standard policies (rather than the amount of life cover being increased under the Replacement Policy).

The Foundation Life Directors and the Appointed Actuary believe that the main disadvantages and potential disadvantages of the Scheme are as set out below, but that the benefits exceed the disadvantages and potential disadvantages of the Scheme.

6.2 Disadvantages and potential disadvantages of the Scheme if it is implemented

As with most proposals for change, there are disadvantages and potential disadvantages. If the Scheme is implemented, the Foundation Life Directors and the Appointed Actuary believe that the main disadvantages and potential disadvantages of the Scheme are:

- Policyholders continuing life cover with Chubb Life under a Replacement Policy will not receive any new Bonuses;
- the Scheme involves Scheme Expenses, much of which are unable to be recouped whether or not the Scheme is Approved;
- the new arrangements and the insurer after the Scheme's completion will be less familiar to some Eligible Policyholders;
- the Surrender Value of the Replacement Policies is capped at the amount of the premium paid to Chubb Life by Foundation Life for that policy. The Surrender Value will be calculated by Chubb Life based on circumstances at the time of surrender and may initially be well below the premium paid to Chubb Life by Foundation Life for that policy;
- the loss of a Maturity Date should Replacement Cover be chosen;
- for some Replacement Policies, the Sum Insured plus any cash provided together with the accumulation of premiums saved may, for some durations, be less than the Death Benefit under the Current Policies would have been; and
- for some Overseas Eligible Policyholders, the inability to directly access the Replacement Policy options.

Further detail on each of these points is below.

6.2.1 No future Bonuses under Replacement Policies

Eligible Policyholders will not receive Bonuses from their Replacement Policies as they do under their Current Policies.

Although Eligible Policyholders lose their future Bonuses (to the extent any such future Bonuses are declared), the Foundation Life Directors believe that, to the extent an Eligible Policyholder receives:

- **Replacement Cover**, then the loss of future Bonuses is outweighed by the expected 5% increase in life cover at the Effective Date (and in some cases more), the savings arising from not having to pay future premiums, the certainty of cover, and, where applicable, the cash paid in addition to the Replacement Cover; or
- **All Cash**, then the loss of future Bonuses is outweighed by the many opportunities that the implementation of the Scheme will open up by allowing the Eligible Policyholder to invest their cash as they see fit.

6.2.2 Scheme Expenses

Preparing and implementing the Scheme involves substantial costs, with certain Scheme Expenses incurred whether or not the Scheme is approved. Normally, Participating Fund profits and expenses are shared 80/20 between Policyholders and the Shareholder as required by Insurance Legislation and Foundation Life's constitution. However, Foundation Life has accepted an offer from the Shareholder that if the Scheme is implemented, then the Shareholder will be paid a fixed amount of $16.05m from the Participating Fund in return for the Shareholder agreeing:

- to no further distributions from the Participating Fund being made to the Shareholder, other than a potential 'wash up' when the Participating Fund is closed, and
- at its own expense if required, to capitalise Foundation Life to ensure Foundation Life can pay any administrative costs incurred in paying Eligible Policyholders' cash benefits that cannot be met out of Foundation Life's budget for this activity.

The effect of this arrangement is that the Shareholder will likely be meeting more than the 20% of the Scheme's expenses that it is obliged to meet if the Scheme proceeds. If the Scheme is not implemented, Scheme expenses already incurred will be shared 80/20 between Policyholders and Foundation Life's Shareholder. The Appointed Actuary considers it fair for the Participating Fund to pay the expenses of the Scheme given the benefits of the Scheme to Eligible Policyholders.

The Foundation Life Directors expect that as at the date of the Scheme Meeting, approximately 91 per cent of the Scheme Expenses ($17.5 million (including GST)) will have already been incurred.

It is necessary to incur the Scheme Expenses to provide the benefits of the Scheme. The Foundation Life Directors, supported by the Appointed Actuary, believe that the value Eligible Policyholders would receive under the Scheme, if implemented, would substantially outweigh the Scheme Expenses.

6.2.3 New arrangements and insurer less familiar to some Eligible Policyholders

Many Policyholders have had their Current Policies for many years. While some Policyholders may wish to have the opportunity to achieve more flexibility than is the case under the Current Policies, they may not have been expecting a change in the provider of their life cover. If the Scheme is implemented, Eligible Policyholders' new rights and entitlements may initially be less familiar to them, and some Eligible Policyholders who receive Replacement Policies may not be familiar with Chubb Life. However, in the last few years, it has not been uncommon in the New Zealand life insurance market for life insurers to have been bought by other life insurers or for policies to have been transferred from one insurer to another.

The Foundation Life Directors have prepared this document and the supporting Scheme documentation and communications, and have commissioned professional advice and independent reports, to seek to ensure that Policyholders have the material to fully understand the Scheme and its implications for them.

Chubb Life has been involved in the preparation of this document as it relates to Chubb Life. **Section 1.13** and **Section 5** include detailed information in respect of Chubb Life and the Replacement Policy. The Replacement Policy document is available at **Appendix 6**.

6.2.4 Surrender Value of Replacement Policies is capped

Chubb Life has stated that the Surrender Value under each Replacement Policy will never exceed the premium paid to Chubb Life by Foundation Life for that policy. The Surrender Value will be calculated by Chubb Life based on circumstances at the time of surrender and may initially be well below the premium paid to Chubb Life by Foundation Life for that policy. This is different from the Current Policies, whose Surrender Value would generally increase as time passes (they can fall in adverse circumstances) as premiums are paid and interest is earned. This is in part because premiums would still be payable under the Current Policies for the duration of the premium term, while no further premiums are payable for the Replacement Policies. Neither Chubb Life's nor Foundation Life's Surrender Values are guaranteed.

As a result, some NZ Resident Eligible Policyholders who receive a Replacement Policy and surrender it a few years later are likely to receive a lower Surrender Value than they would have received under their Current Policy. However, having a capped Surrender Value has enabled Chubb Life to offer Replacement Policies at lower premium rates, leaving more cash to be distributed to Eligible Policyholders. Overall, the Foundation Life Directors and the Appointed Actuary believe that many more Eligible Policyholders will benefit from the lower Chubb Life premium rates than will be disadvantaged by lower Surrender Values. This is because:

- there is currently a low rate of Current Policy surrenders – historically approximately 2% each year. However, in financial year 2024, the rate was approximately 4%, impacted by Foundation Life's increased initiatives to locate Policyholders with no known address and a change in Surrender Value methodology. Surrender rates are expected to reduce to historical levels;
- some Current Policy surrenders are required to be made on Current Policies with outstanding loans when the amount of the loan plus accumulated interest exceeds the Surrender Value of the Current Policy. The Replacement Policies will have no policy loans, so surrenders will not be caused for this reason in the future;
- Eligible Policyholders can choose to receive a Cash Payment under the Scheme, which means those who receive a Replacement Policy are less likely to surrender their policy in the future;
- Replacement Policies have no future premiums, so there is no on-going cost to the Policyholders for keeping the life cover under these policies going, which is expected to reduce surrender rates; and
- Eligible Policyholders may still have the option to sell their Replacement Policy on the secondary market for more than its Surrender Value or to secure a bank loan using their Replacement Policy as collateral.

For these reasons, the Foundation Life Directors and the Appointed Actuary consider this aspect of the Scheme acceptable.

6.2.5 Loss of a Maturity Date if Replacement Cover is Chosen

Some Policyholders may not be able to match their expected maturity value from their Current Policy by choosing Replacement Cover, accumulating any additional cash received and premiums saved, and surrendering their Replacement Policy at the date which would have been the Maturity Date of their Current Policy. The Foundation Life Directors and the Appointed Actuary consider this aspect of the Scheme acceptable because:

- the Scheme is individually providing all Eligible Policyholders with benefits worth more than the benefits under their Current Policies at the Effective Date;
- Policyholders choosing Replacement Cover will have done so knowing they could have chosen the full or partial Cash Payment option;
- Replacement Policies last for the life of the Life Insured, not just until an earlier Maturity Date providing insurance for longer than the Current Policy;
- Policyholders may still have the option to sell their Replacement Policy on the secondary market for more than its Surrender Value or to secure a bank loan using their Replacement Policy as collateral; and
- Policyholders receiving cash can make alternative arrangements for their insurance needs. If they are in poor health and unable to obtain alternative insurance, they can Choose to receive Replacement Cover and still receive some cash.

An Eligible Policyholder who wants to receive a Replacement Policy and thinks they may want to surrender their Replacement Policy in the future should consider whether choosing the cash option and making alternative arrangements for life insurance would be a better alternative for them.

6.2.6 For some Replacement Policies, the Sum Insured plus any cash provided together with the accumulation of premiums saved may, for some durations, be less than the Death Benefit under the Current Policies would have been

For some NZ Resident Eligible Policyholders who receive the full Replacement Cover, the Scheme would not provide life cover which is greater than the Death Benefit projected to be provided under their Current Policies in all circumstances and at all points in time. However, the Appointed Actuary's assessment for these NZ Resident Eligible Policyholders is that the 'overs' will outweigh the 'unders', noting that the Replacement Cover plus accumulated premium savings and any payment of the balance of the Eligible Policyholder's Policy Value is:

- higher than the Current Policy's Death Benefit for at least the first two years; and
- never lower than the Current Policy's expected Death Benefit by 2%.

For more information, **Appendix 2** contains a summary of the Appointed Actuary's Report. The full report is available on the website www.foundationlife.co.nz/scheme-of-arrangement.

6.2.7 For some Overseas Eligible Policyholders, the inability to directly access the Replacement Policy options

For regulatory reasons, Chubb Life is unable to offer the Replacement Policy options to Overseas Eligible Policyholders, and consequently Replacement Policy options are not available to Overseas Eligible Policyholders. Accordingly, if the Scheme is implemented, Eligible Policyholders who are Overseas Eligible Policyholders at 5.00pm on the Choice Date will automatically receive the Cash Payment option.

However, any Overseas Eligible Policyholder may transfer the ownership of their Current Policy to a person (or persons) who is a New Zealand resident, who could access the insurance options from Chubb Life in respect of the Life Insured. Such transfers must be completed by 5.00pm on the Choice Date. See **Section 1.15** for more information.

6.3 What are the risks of the Scheme?

There are risks specific to the Scheme. There are a number of risks that may affect the operating performance of Chubb Life as a licensed life insurer (as indeed there are for the performance of Foundation Life, and all other licensed life insurers). A number of these risks are beyond the control of Chubb Life. However, Chubb Life has an A (Excellent) financial strength rating from A.M. Best Company Inc. (assigned to companies that have, in A.M. Best's opinion, an 'Excellent' ability to meet their ongoing insurance obligations) an insurance rating provider and a Reserve Bank approved rating agency.

There may be additional risk factors that Foundation Life and Chubb Life are currently unaware of, or that Foundation Life or Chubb Life currently deem immaterial, but which may subsequently become key risk factors for Foundation Life or Chubb Life. There may be additional risk factors relevant to your individual circumstances. You should consider the risk factors below and your specific risk factors together with the other information in this document.

The risk factors described below necessarily include forward-looking statements, and are not an exhaustive list of all risk factors. Actual events may be materially different from those described below and may affect Foundation Life and Chubb Life in different ways.

The risks specific to the Scheme include:

- that the Court refuses to approve the Scheme at the second Court hearing or that the granting of the final Court orders is delayed, despite Eligible Policyholders approving the Scheme;
- that, in Foundation Life's reasonable opinion, the Participating Assets will not be sufficient to pay Chubb Life's premium, Policyholders' payments, the Shareholder Entitlement and other liabilities of the Participating Fund on the Effective Date, in which case, the Scheme will not proceed further;
- Chubb Life failing in a material way to comply with any of the range of statutory and regulatory requirements to which it is subject as a licensed insurer and financial institution. This could result in damage to the reputation of Chubb Life and/or expose Chubb Life to financial or other penalties made;
- any major change in tax, insurance legislation or other applicable regulation which could impact on Chubb Life's business; and
- Chubb Life's current strong solvency position changing as a result of serious and/or prolonged financial market upheaval.

Further detail on each of these points is below.

6.3.1 Scheme Approval by the Court

There is a risk the Court refuses to Approve the Scheme at the second Court hearing or that the granting of the final Court orders is delayed, despite Eligible Policyholders approving the Scheme. The implementation of the Scheme cannot proceed without Court Approval.

6.3.2 Insufficient Participating Assets

There is a risk that, in Foundation Life's reasonable opinion, the Participating Assets will not be sufficient to pay Chubb Life's premium, Policyholders' payments, the Shareholder Entitlement and other liabilities of the Participating Fund on the Effective Date. If this occurs, the Scheme will not proceed further.

6.3.3 Chubb Life failing in a material way to comply with a range of statutory or regulatory requirements to which it is subject

Chubb Life is regulated by the Reserve Bank as a licensed life insurer and the Financial Markets Authority as a financial institution and is required to comply with a range of statutory and regulatory requirements. Any material failure to comply with these requirements could result in damage to the reputation of Chubb Life and/or expose Chubb Life to financial or other penalties.

6.3.4 Major change in legislation or other applicable regulation impacting on Chubb Life's business

A major change in tax, insurance legislation or other applicable regulation could impact on Chubb Life's business increasing costs or resulting in changes to the operation of the business as a result of adaptions to comply with the changes in legislation or regulation.

6.3.5 Serious and/or prolonged financial market upheaval causing Chubb Life's solvency position to change

As a licensed life insurer, Chubb Life is required to meet the solvency standards for life insurance businesses set by the Reserve Bank, which includes holding a minimum amount of solvency capital to ensure Chubb Life can pay claims and continue to operate following a large, unexpected event. Chubb Life is currently in a strong solvency position, but this could change if there was a very serious and/or prolonged financial market upheaval.

SECTION 7: TAXATION IMPLICATIONS OF THE SCHEME FOR POLICYHOLDERS

Generally, NZ Resident Eligible Policyholders should not be disadvantaged from a tax perspective if the Scheme is implemented.

This summary does not take into account the tax laws of countries other than New Zealand.

This summary is a general guide only based on legislation enacted at the date of this document. The tax implications of the Scheme may vary depending on a Policyholder's particular circumstances. Policyholders who think they need to, should seek their own taxation advice on their specific circumstances.

7.1 No adverse tax consequences for NZ Resident Eligible Policyholders

Foundation Life cannot offer individual tax advice to Policyholders. However, it is Foundation Life's understanding for individual NZ Resident Eligible Policyholders generally that the receipt by NZ Resident Eligible Policyholders of rights under Replacement Cover, cash or a combination of life cover and cash in consideration for their Current Policies ending should not give rise to any adverse tax implications for these individual Policyholders. Typically, Replacement Policies and/or cash received should be a non-taxable capital receipt.

NZ Resident Eligible Policyholders having the right to Choose whether they receive Replacement Cover, cash or a combination of life cover and cash should not alter the tax outcome.

7.2 Overseas Eligible Policyholders

Overseas Eligible Policyholders should consider the tax implications of the change in their home jurisdiction.

SECTION 8: THE SCHEME PROCESS

The Scheme will be conducted under Part 15 of the Companies Act as an arrangement between Foundation Life and Eligible Policyholders.

The key steps in the Scheme process set out below are expected to occur in the order and on or around the dates specified. If the Scheme is not approved by Eligible Policyholders or the Court, the Scheme will not proceed, and some of the steps described in this Section will not take place.

See the initial Court orders at **Appendix 4** for more detailed information in relation to the Scheme process approved by the Court.

The Scheme Terms that will bind all Eligible Policyholders and Foundation Life if the Scheme is approved, and in accordance with which Foundation Life will be required to implement the Scheme, are in **Appendix 5**.

8.1 Timing of the Scheme

A table setting out the Important Dates for the Scheme is included in **Section 3** of this document. Timing of the events referred to in that table and below could change for a number of reasons, including any delay in obtaining Eligible Policyholder or Court approval of the Scheme.

8.2 Scheme conditions

The Scheme will become binding on Eligible Policyholders and Foundation Life only if the following conditions are satisfied:

- ***Eligible Policyholder approval:*** Eligible Policyholders pass the Scheme Resolution (set out in the Notice of Meeting in **Appendix 1**) approving the Scheme by the majorities set out in **Section 1.8**;
- ***Court approval:*** The Court approves the Scheme following the second Court hearing; and
- ***Regulatory approvals:*** All approvals, consents and other acts that are necessary to implement the Scheme are obtained from the relevant regulatory authorities on or before 9:00am on the date on which the Court hears the application to approve the Scheme. As at the date of this document, all necessary regulatory approvals have been obtained.

Sufficient asset condition: The operative parts of the Scheme that cancel Eligible Policyholders' Current Policies, provide Eligible Policyholders with their Scheme Outcomes, and allocate Scheme Expenses are conditional on the Participating Assets being, in Foundation Life's reasonable opinion, sufficient to pay Chubb Life's premium, Policyholders' payments, the Shareholder Entitlement and other liabilities of the Participating Fund on the Effective Date.

8.3 First Court hearing and directions in relation to the Scheme Meeting

As part of the first Court hearing, the Court specified the steps to be taken by Foundation Life before the Court will consider whether it will make final Court orders approving the Scheme. The initial Court orders are set out in **Appendix 4**.

8.4 Scheme Meeting – approval by Eligible Policyholders

Whether or not Eligible Policyholders voted to approve the Scheme will be announced by Foundation Life shortly after the Scheme Meeting.

8.5 Second Court hearing – sanction by the Court

If Foundation Life obtains Eligible Policyholder approval for the Scheme, the Court will consider Foundation Life's application for final Court orders at 10:00am on 25 June 2025 at the High Court in Wellington.

At this hearing, the Court will hear from Foundation Life, and any other person who wishes to participate in the second Court hearing. It will consider any documents filed in the Court. Having heard from all parties, the Court will then decide whether or not to approve the Scheme.

The Court's role is to oversee the process by which the Scheme has been explained to Policyholders and voted on by Eligible Policyholders. The Court will want to ensure that the proposed Scheme has been fairly put to the Policyholders. The Court will also need to be satisfied that the Scheme is "fair and equitable" in its treatment of Policyholders' rights.

If the Court does not approve the Scheme, Foundation Life cannot proceed with the Scheme. See **Section 2.15** for more information on what happens if the Scheme is not approved.

Any Eligible Policyholder who wishes to appear at the second Court hearing must file with the Court, and serve on Foundation Life at its address for service for the purpose of the Court documents (see the Originating Application):

- A notice of appearance, or notice of opposition (in either case containing an address for service for the Eligible Policyholder); and
- if they oppose the application, an affidavit and a memorandum of submissions.

These documents must be filed with the Court by 5 working days before the second Court hearing date. After that date, Eligible Policyholders will need to apply for leave from the Court in order to file documents and be heard.

Eligible Policyholders can be represented at the second Court hearing by lawyers. If you wish to be heard, the Foundation Life Directors recommend that you seek legal advice.

8.6 NZ Resident Eligible Policyholders will be invited to choose the benefits they receive under the Scheme

If the Scheme is approved, Foundation Life will, shortly after the Scheme Approval Date, send Choice Forms to all NZ Resident Eligible Policyholders. The Choice Form will also be available to download and complete at www.foundationlife.co.nz/scheme-of-arrangement.

Overseas Eligible Policyholders who wish to should refer to **Section 1.15** for information on how and to whom they may transfer their Current Policy by 5.00pm on the Choice Date to enable the new Policyholder to access the Replacement Policy options from Chubb Life in respect of the Life Insured.

Completed Choice Forms must be returned to Foundation Life, c/- Computershare Investor Services Limited by post, online or by email and must be received by Foundation Life, c/- Computershare Investor Services Limited no later than 5.00pm on the Choice Date.

Foundation Life will request Current Policy documents to be returned with Choice Forms or for the Eligible Policyholder to confirm that their Current Policy document has been lost or destroyed. If Eligible Policyholders do not do this, their Current Policy document will be deemed to have been lost or destroyed as at the Effective Date.

If no Choice is made by an NZ Resident Eligible Policyholder, the default options described in **Section 1.11** will apply.

8.7 Assessment of the Sufficiency of the Participating Assets to meet the Scheme costs

Prior to the Effective Date, Foundation Life will evaluate whether, in Foundation Life's reasonable opinion, the Participating Assets will be sufficient to pay Chubb Life's premium, Policyholders' payments, the Shareholder Entitlement and other liabilities of the Participating Fund on the Effective Date. If there are insufficient Participating Assets to cover these costs of the Scheme, the Scheme will not proceed further.

8.8 End of cover under the Current Policies, issue of Replacement Policies, payments made by Foundation Life to Chubb Life and Cash Payments

If the Scheme is implemented, then at the end of the day immediately before the Effective Date, cover under the Current Policies will end. The Replacement Policies will take effect on the terms described in **Section 5** immediately following the expiry of cover under the Current Policies.

If you are sent a Replacement Policy, you have become a Chubb Life customer. If you have any questions about your Replacement Policy, then you should contact Chubb Life on email at Getintouch.nz@chubb.com or by calling 0800 900 047 or on Chubb Life's website at www.chubb.com/nz-en/.

Using the Current Policy data as at the Effective Date, Foundation Life expects to commence making payments approximately four weeks after the Effective Date to those Eligible Policyholders whose Scheme Outcome includes cash. Payments are able to be made by Foundation Life only after Foundation Life has received the necessary paperwork (including a bank account number and the required proof of identity documentation). Details of the documentation required by Foundation Life before it can process payments will be provided.

Foundation Life will endeavour to process payments as quickly as possible, but some delays may occur if a large amount of proof of identity documentation and bank account details are received at the same time.

Foundation Life cannot make a payment to an Eligible Policyholder until such time as Foundation Life is satisfied (acting reasonably) that all necessary documentation has been provided to it.

For any Cash Payments that remain unclaimed six months after the Effective Date, Foundation Life may pay these amounts to the Inland Revenue as unclaimed money. Eligible Policyholders would then need to apply to Inland Revenue to receive their payment. Payments due will not accrue interest.

8.9 Mailing of Replacement Policies

If the Scheme is implemented, it is expected that approximately four weeks after the Effective Date, Chubb Life will post to Policyholders their Replacement Policy documents.

Regardless of the date on which a Replacement Policy document is received, life cover from this policy will be effective on and after the Effective Date.

8.10 Closure of the Participating Fund

If the Scheme is implemented, then once:

- all amounts have been paid to Chubb Life by Foundation Life and the Replacement Policies have been issued by Chubb Life;
- Foundation Life has made all payments to Eligible Policyholders entitled to receive cash, and has paid any unclaimed cash amounts to Inland Revenue;
- the Scheme Expenses and other costs have been paid; and
- the Shareholder has been transferred the Shareholder Entitlement from the Participating Assets,

all of the Participating Assets will have been distributed. At that stage, and following any requirements of the Reserve Bank, Foundation Life will close the Participating Fund.

SECTION 9: ADDITIONAL INFORMATION

This Section contains additional information to assist Policyholders to understand matters relating to the Scheme which are not addressed elsewhere in this document.

9.1 Reliance on information in this document

This document has been prepared by the Foundation Life Directors based on information available. In some places, it contains considered opinions, matters of judgement and comments on future events.

The statements, opinions and information contained in this document are made, held or given respectively as at the date of this document unless another time is specified. Such statements, opinions and information are made, held or given solely by or on behalf of Foundation Life or the Foundation Life Directors unless expressly attributed to another party.

The information described in this document may change. Nothing in this document shall imply that the facts set out in it will not change. Any material changes to this document before the Scheme Meeting will be notified to Policyholders as described below.

Sums Insured or Cash Payment amounts included in the letters sent to Policyholders with this document are estimates only. They have been calculated on the basis of the Participating Assets as at 31 December 2024. Cash amounts calculated as at the Effective Date are highly likely to differ from the estimates included in the letters sent by Foundation Life with this document. Actual Sums Insured under Replacement Policies will be calculated only for those Policyholders who receive Replacement Policies.

9.2 Forward looking statements

This document contains certain statements which relate to the future, including considered opinions, matters of judgement and comments on future events. None of Foundation Life, the Foundation Life Directors, Chubb Life or any other person gives any representation, warranty or guarantee that the outcomes expressed or implied by the forward-looking statements in this document will actually occur. They involve known and unknown risks, uncertainties and assumptions, and may depend on factors that are beyond the control of Foundation Life or Chubb Life. This includes uncertainties associated with financial markets, interest rates, and the regulatory environment.

9.3 Independent financial advice

The Foundation Life Directors have not authorised any person to make any representation, whether oral, written, express or implied, concerning the Scheme, which is inconsistent with the statements made in this document. Consequently, if such representations are made, they should not be attributed to the Foundation Life Directors.

You should not treat the contents of this document as financial, legal, tax or other professional or financial advice. This document does not take into account your particular investment objectives, financial situation or particular needs. For that purpose, you may wish to consult a professional or financial adviser as to the financial, legal, tax or other implications of the Scheme and the steps you should take in connection with the Scheme.

Foundation Life cannot provide financial advice in relation to the Scheme, but can refer you to a financial adviser if you would like it to do so.

9.4 Settlement of annual renewal commission arrangements

As part of the Scheme, Foundation Life will pay out those advisers to whom it still pays annual renewal commissions.

9.5 Reserve Bank

In accordance with Insurance Legislation, the Foundation Life Directors have kept the Reserve Bank informed in relation to the proposed Scheme. The Reserve Bank has also approved the transfer of the unpaid claims from Foundation Life to Chubb Life in accordance with the Agreement to Issue Replacement Life Insurance if the Scheme is implemented.

A copy of this document has been provided to the Reserve Bank.

9.6 Indemnification and insurance for Foundation Life Directors

Under Foundation Life's constitution, Foundation Life has, to the extent permitted by law, agreed to indemnify all officers (including directors) for any liability, whether civil or criminal (including the costs and expenses of defending actions for an actual or alleged liability), which they may incur in that capacity in relation to the Scheme.

Foundation Life has agreed to pay premiums in respect of policies insuring all officers (including all Foundation Life Directors) against certain liabilities as permitted by the Companies Act.

9.7 Agreements and arrangements with the Foundation Life Directors

There are no interests, agreements or arrangements made between a Foundation Life Director and any other person in connection with, or conditional on, the approval and implementation of the Scheme. However, Richard Davies (who is a director of Foundation Life and, indirectly, a Foundation Life shareholder) will participate in the winding-up and distribution of assets of Foundation Life following the implementation of the Scheme, if approved.

9.8 Intentions for Foundation Life following the implementation of the Scheme

Other than as set out in this document, the Shareholder intends that, after the implementation of the Scheme:

- Foundation Life will have satisfied its obligations to Eligible Policyholders and Chubb Life under the Scheme (as described in this document and the Scheme Terms available at **Appendix 5**);
- Foundation Life will make payment of those Participating Assets which are allocated to the Shareholder (less the costs the Shareholder has agreed to meet) to the Shareholder;
- Foundation Life will apply to the Reserve Bank to cancel its licence;
- following cancellation of its licence, Foundation Life will be wound-up and voluntarily removed from both the Companies Office Register and the Financial Service Providers Register. As part of the winding-up process, Foundation Life will terminate its membership of the Insurance and Financial Services Ombudsman (IFSO) dispute resolution scheme and make a distribution of shareholder's capital to the Shareholder; and
- the employment of the present employees of Foundation Life will continue during the implementation of the Scheme, except for those employees who cease employment with Foundation Life through redundancy or the end of their employment contracts.

9.9 Material Scheme agreements

9.9.1 Scheme Terms

Foundation Life has prepared the Scheme Terms (a copy of which is set out in **Appendix 5**) which sets out the key terms for the implementation of the Scheme. The Scheme Terms will become binding on Foundation Life and all Eligible Policyholders if the Scheme is approved. The Scheme Terms set out the intended legal effect of the Scheme and matters relating to the implementation of the Scheme.

9.9.2 Agreement to Issue Replacement Life Insurance

On 4 July 2018, Foundation Life entered into an agreement with Cigna Life Insurance New Zealand Limited (as Chubb Life was then known) in relation to the issue of the Replacement Policies, Foundation Life's and Chubb Life's obligations in respect of the Replacement Policies and the Scheme, the implementation of the Scheme (as it relates to the Replacement Policies), the calculation of the premium for the Replacement Policies, the treatment of unsettled claims on the Effective Date, and various other matters in relation to the Scheme. This agreement was amended and replaced on 24 December 2020 and further amended on 23 December 2021, 12 January 2023, 15 March 2023, 30 March 2023, 2 May 2023, 18 August 2023, 23 August 2024 and 19 February 2025.

For a summary of the key terms of the Agreement to Issue Replacement Life Insurance and its effect see **Section 5**.

9.9.3 Registry Services Agreement

On 11 June 2018, Foundation Life entered into an agreement with Computershare Investor Services Limited for the provision of registry services in relation to the Scheme (including the Scheme Meeting).

9.10 Independence of advisers

Foundation Life confirms there are no existing relationships between Foundation Life and Melville Jessup Weaver, nor are there any other relationships or matters that may affect the independence of Melville Jessup Weaver from Foundation Life. Willis Towers Watson, an associated entity of Melville Jessup Weaver, developed the Model used to calculate the Policy Value for each Current Policy. The Foundation Life Directors do not consider that this affects the independence of the Independent Actuary.

9.11 Supplementary disclosure

Foundation Life will publish on www.foundationlife.co.nz/scheme-of-arrangement a supplementary document to this document as soon as practical if, between the date of this document being published and distributed to Policyholders and 5.00pm on the Record Date, Foundation Life becomes aware:

- that any statement in this document is or has become false, misleading or deceptive or likely to mislead or deceive (including by way of omission);
- that any representation in this document is or has become unsubstantiated;
- of a significant change affecting a matter included in this document; or
- that a significant new circumstance has arisen since the publication and distribution of this document to Policyholders that would have been included in this document if it had arisen before this document was published and distributed to Policyholders, and the circumstance is not so disclosed or otherwise contained in this document.

Any material changes to this document between its publication and distribution to Policyholders and 5.00pm on the Record Date will also be notified by way of prominent newspaper advertisements in major metropolitan newspapers.

9.12 Other material information

As at the date of this document, except as set out in this document, there is no other information within the knowledge of any of the Foundation Life Directors material to the making of a decision in relation to the Scheme which has not been disclosed to Policyholders.

APPENDIX 1:
NOTICE OF SCHEME MEETING

NOTICE OF MEETING OF ELIGIBLE POLICYHOLDERS OF FOUNDATION LIFE (NZ) LIMITED

NOTICE IS GIVEN that a policyholder meeting will be held at Eden Park, World Cup Lounge West, Level 4, Samsung South Stand, 42 Reimers Avenue, Kingsland, Auckland on 9 June 2025 commencing at 2.00pm (*the Scheme Meeting*). The meeting will be of policyholders who hold, at 5.00pm on 4 June 2025 (Record Date), a 'Whole of Life with profits' or an 'Endowment with profits' policy issued by Foundation Life (NZ) Limited (*Foundation Life*) in respect of which a Final Claim Event has not occurred, the policy has not lapsed and no surrender has been made before 5.00pm on the Record Date, and which is scheduled to mature on or after the Effective Date (*Eligible Policyholders*).

The purpose of the Scheme Meeting is for Eligible Policyholders to consider and, if thought fit, approve the scheme of arrangement (the Scheme) proposed by the board of directors of Foundation Life on the terms contained in the Scheme Terms for the Scheme of Arrangement between Foundation Life (NZ) Limited and its Eligible Policyholders (*Scheme Terms*), by passing the resolution set out below.

The Scheme has the effect of cancelling Eligible Policyholders' Current Policies and offering instead a Choice of Replacement Cover (and in some cases additional cash), a cash payment or one of two pre-determined combinations of Replacement Cover and cash to NZ Resident Eligible Policyholders, and a cash payment to Overseas Eligible Policyholders, in return for the cancellation of their Current Policies.

Resolution of Eligible Policyholders

It is hereby resolved, by way of a single resolution of the Eligible Policyholders, to:

1. ***approve the scheme of arrangement (Scheme) between Foundation Life and the Eligible Policyholders as set out in the Scheme Terms for the Scheme of Arrangement between Foundation Life (NZ) Limited and its Eligible Policyholders (Scheme Terms) contained in Appendix 5 of the Explanatory Statement which accompanied the notice of the meeting at which this resolution is passed, and all of the transactions and other matters contemplated by the Scheme Terms pursuant to Part 15 of the Companies Act 1993; and***
2. ***authorise the directors of Foundation Life to take all action, execute all documents and agreements and do all other acts, matters and things necessary, or considered by the directors to be desirable, to give effect to this resolution and to the transactions and other matters contemplated by, or necessary to give effect to, the Scheme Terms.***

By order of the Foundation Life Directors

Tim Sole
Chairman (Foundation Life (NZ) Limited)

EXPLANATORY NOTES

Explanatory Statement

Further information on the proposed Scheme to be voted on is set out in the Explanatory Statement which accompanies this Notice of Meeting. The Explanatory Statement can also be viewed and downloaded at www.foundationlife.co.nz/scheme-of-arrangement.

Resolution

The resolution will be passed if Eligible Policyholders vote in favour of the resolution:

- by more than 50% in number (1 vote per Current Policy) of the Current Policies held by Eligible Policyholders who vote; and
- by not less than 75% in value of the Current Policies held by Eligible Policyholders who vote. For this purpose, the value of a Current Policy will be the Surrender Value of that Current Policy as at 5.00pm on the Record Date.

Entitlement to Vote

Eligible Policyholders who have not already voted are entitled to vote at the Scheme Meeting by attending in person, by power of attorney, or by proxy (a proxy vote is where you appoint someone to vote on your behalf). Eligible Policyholders can also vote by completing and returning their Voting/Proxy Form by post or voting online by 4 June 2025. A Voting/Proxy Form is enclosed with this Notice of Meeting. See the instructions on the Voting/Proxy Form for an explanation of how to complete and return it.

Voting at the Scheme Meeting

It is intended that the Scheme Meeting will also be live-streamed. Voting at the Scheme Meeting (in person or virtually) shall be decided by a poll of all Eligible Policyholders entitled to vote. Eligible Policyholders shall vote as a single class.

James Ogden, Independent Director (or his nominee) will act as the Chairperson of the Scheme Meeting.

If the Scheme Meeting is adjourned, Voting/Proxy Forms received from Eligible Policyholders for the Scheme Meeting will stand.

Quorum

The quorum for the Scheme Meeting is three Eligible Policyholders having the right to vote at the meeting, present in person, by power of attorney, by proxy, or by casting a vote by post or online. If within 30 minutes after the time appointed for the Scheme Meeting a quorum is not present, the Scheme Meeting shall be adjourned to the same day in the following week at the same time and place (or to such other date, time and place as the Chairperson of the meeting may appoint) and, if at the adjourned meeting a quorum is not present within 30 minutes after the time appointed for the meeting, the Eligible Policyholders present or their attorneys or proxies are a quorum.

Defined Terms

Capitalised Terms used in this Notice of Meeting (including in the text of the resolution) have the meaning given to those terms in the Scheme Terms, unless otherwise defined in this Notice of Meeting.

APPENDIX 2:
SUMMARY OF APPOINTED ACTUARY'S REPORT

This Appendix contains a summary of the Appointed Actuary's Report on the Scheme. The full Appointed Actuary report is available from www.foundationlife.co.nz/scheme-of-arrangement or from Foundation Life using the contact details in **Appendix 8**. This summary uses the same definitions as those used in the Explanatory Statement to which it is appended.

Introduction

My report assesses the impact of the Scheme on Eligible Policyholders.

The report was written to assist Foundation Life, the Independent Actuary, the Reserve Bank of New Zealand, the High Court and Eligible Policyholders to form their own views on the Scheme. I concluded that the Scheme would be in Eligible Policyholders' individual and collective best interests, and I recommended to Eligible Policyholders that they vote in favour of the Scheme.

The Scheme

The Scheme has been described in the Explanatory Statement to which this summary is an Appendix.

Foundation Life has recognised that its Eligible Policyholders may be disadvantaged by their Current Polices as the policies are inflexible by modern standards, have had historically low bonus rates that are likely to stay low, and have Additional Bonuses on Whole of Life Policies that are projected to reduce to zero over the next 10 or so years. This situation is driven by:

- The necessity to target a low investment-risk asset allocation to help to ensure that Foundation Life can meet its guarantees to Eligible Policyholders
- Increasing expense rates per policy caused primarily by a declining number of policies.

These features have led Foundation Life to propose the Scheme. It involves offering NZ Resident Eligible Policyholders the Choice between:

- Replacement Cover option – a non-participating life insurance policy with a Sum Insured set at 105% of the Current Policy's Death Benefit at the Effective Date. The new insurer will be Chubb Life. No further premiums will be payable. Some NZ Resident Eligible Policyholders will receive additional cash ("Residual Payment") or extra life cover if their Policy Value is sufficiently high at the Effective Date that Foundation Life does not need to use all of the Policy Value to purchase the Replacement Cover.
- a Cash Payment option – set at a minimum of 105% of the Current Policy's Surrender Value, capped at the Current Policy's Death Benefit
- a mixture of set percentages of the Replacement Cover option and the Cash Payment option.

Overseas Eligible Policyholders will receive the Cash Payment option.

All Eligible Policyholders with Rider Benefits will be offered a payment equal to the cash value of their Rider Benefit. As an alternative, those NZ Resident Eligible Policyholders receiving Replacement Cover may choose to receive Replacement Benefits from Chubb Life similar to their Rider Benefits.

The purpose of this summary

This summary covers how Foundation Life will calculate each policy's Policy Value and how the Policy Values will be applied by Foundation Life to pay premiums for Replacement Cover and/or to provide payments to Eligible Policyholders.

This summary also sets out the results for Eligible Policyholders and the Shareholder if the Effective Date had been 30 September 2023. It is in two parts, which cover:

- Allocation of the assets of the Participating Fund to Eligible Policyholders and an overview of the results at 30 September 2023
- Assessment of the impact on Eligible Policyholders of the Scheme:
  - by comparing the results with the status quo; and
  - against a number of core principles.

Allocation of assets

Under the Scheme, all the assets of the Participating Fund will be used up in:

- Buying Replacement Cover for NZ Resident Eligible Policyholders
- Paying Eligible Policyholders
- Paying the Shareholder the Shareholder Entitlement
- Meeting remaining Scheme Expenses and the costs of administering the Cash Payments.

The assets of the Participating Fund will be ascertained as at the Effective Date of the Scheme.

Policy Values

The purpose of calculating the Policy Values is to allocate a share of the Participating Fund to each Eligible Policyholder, after allowing for the remaining costs that the Participating Fund has to meet and the Shareholder's share of the fund. This allocation must use up all the assets of the Participating Fund.

The method of valuation is described in section 5 and Appendix A of my report.

A discounted cash flow approach will be used. This approach recognises the cash flows expected for each Current Policy as if Foundation Life's Current Policies lasted until they had all been paid out. The Eligible Policyholders' cash flows are the premiums they will pay and the benefits they will receive. To deliver those benefits and to collect those premiums involves the investment of the assets of the Participating Fund and administration of the policies by Foundation Life. There are expenses and taxes incurred in doing so. These cash flows are all components of the valuation. The valuation takes the present value of these cash flows to obtain the value of each Current Policy.

The Policy Values will be calculated as at the Effective Date of the Scheme.

Allocation to Eligible Policyholders if the Scheme had taken effect on 30 September 2023

To analyse the effects of the Scheme, I modelled the attribution of the Participating Fund's assets as if the Scheme had taken effect on 30 September 2023.

To determine each Policyholder's share of the assets of the Participating Fund, I valued each Current Policy by modelling the future benefits that the Current Policy would have delivered and the costs of administering it. Each Current Policy's value was the present value of those future benefits and expenses less the present value of future premiums. Because the benefits delivered by a participating policy would vary with the future performance of the Participating Fund, I valued the policies in 10,000 randomly generated different scenarios of future investment returns etc. and took the average over all of the scenarios.

There will be additional allocations from the Participating Fund:

- For those receiving Replacement Cover, to pay any premium shortfall for Replacement Cover if their Policy Value is insufficient to meet the required premium.
- To top up the Policy Value of each Current Policy, if necessary, to be 5% above the Current Policy's Surrender Value at the Effective Date, but not exceeding the Current Policy's Death Benefit on that date.
- To increase the Policy Value in a few cases to meet various minimum benefit requirements.
- To pay various expenses associated with implementing the Scheme.
- To pay the Shareholder the Shareholder Entitlement.

Through an iterative process, Policy Values were adjusted until they totalled the net assets available after deducting the above payments from the Participating Fund.

Each Current Policy's Policy Value was then used to fund the options available under the Scheme as either payment of premium for Replacement Cover or a Cash Payment.

Outcome

At 30 September 2023, the Participating Fund had net assets of $484m. The Choices that NZ Resident Eligible Policyholders will make for Replacement Cover or the Cash Payment are not yet known. How the net assets of the Participating Fund would have been distributed at 30 September 2023 is shown below for Take-up Rates for Replacement Cover of 20%, 35%, 50%, 65%, and 80%.

The Scheme will not go ahead if there are, in Foundation Life's reasonable opinion, insufficient assets to pay premiums to Chubb Life, Eligible Policyholders' payments, the Shareholder Entitlement and other liabilities of the Participating Fund on the Effective Date. It is open to the Shareholder to reduce the Shareholder Entitlement of $16.05m to make the net assets of the Participating Fund sufficient for the Scheme to proceed. At the 80% Take-up Rate for insurance at 30 September 2023, the assets were insufficient unless the Shareholder Entitlement was reduced to $12.6m. Table 1 assumes that this reduction would have happened.

Table 1: Distribution of the Participating Fund at 30 September 2023 at different Take-up Rates of Replacement Cover

		Replacement Cover Take-up Rate				
		20%	35%	50%	65%	80%
		$m	$m	$m	$m	$m
Eligible Policyholders receiving Replacement Cover	Premium to Chubb Life	98.1	165.1	226.8	293.2	358.9
	Residual Payment	4.9	8.2	11.0	13.3	15.8
Eligible Policyholders receiving a Cash Payment		357.1	286.9	222.3	153.6	88.9
Total allocation to Eligible Policyholders		460.1	460.1	460.1	460.1	463.6
Payment of the Shareholder Entitlement		16.1	16.1	16.1	16.1	12.6
Other liabilities of the Scheme from 30/9/2023		7.8	7.8	7.8	7.8	7.8
Net assets at 30/9/2023		484.0	484.0	484.0	484.0	484.0

Note: Totals may not exactly add due to rounding

Rider Benefits

The cost of providing a payment or replacement insurance for Rider Benefits will come from the non-participating fund as these benefits are not covered by the Participating Fund, and are therefore not included in the above table. At 30 September 2023, 232 policies had Rider Benefits. The payment that would have been offered for these benefits totalled $0.05m.

Assessment of impact on Eligible Policyholders

I assessed the impact on Eligible Policyholders of the proposed Scheme by comparing the results first with the status quo, and then against a number of principles.

Comparison with the status quo

If the Scheme is rejected by Eligible Policyholders, the Current Policies would continue unchanged. This would mean that benefit payments would continue to be made to Eligible Policyholders, who would continue to pay premiums. There would also be payments from the Participating Fund for the costs of administering these Current Policies, commission to advisers, investment management of the assets, tax and for transfers to the Shareholder. The present values of these amounts are set out in the table below. It shows that Eligible Policyholders would have expected to receive, on a net present value basis, 69% of the net assets of the Participating Fund at 30 September 2023.

Table 2: Projection of how the Participating Fund would have been used assuming no Scheme

Present value of payments for:	Value $m	Value as % of assets
Death and Maturity Benefits	387.9	
Premiums payable to Foundation Life	(52.1)	
Net Eligible Policyholder insurance benefits	335.8	69%
Administration expenses	56.0	12%
Renewal commission to advisors	1.3	<1%
Investment Management Expenses	14.7	3%
Tax	48.3	10%
Future Shareholder Transfers	24.5	5%
Scheme expenses up to High Court hearing	3.4	1%
Net Assets at 30 September 2023	484.0	100%

Note: Totals may not exactly add due to rounding

Table 3 below shows the values for Eligible Policyholders if the Scheme is approved. It shows that Eligible Policyholders receive Replacement Cover and Cash Payments that are worth more than their existing benefits (valued at $335.8m in table 2) by $23.9m at an 80% take-up rate and by $90m at a 20% take-up rate. The value of benefits to Eligible Policyholders has increased from 69% to between 74% and 88% of the net assets of the Participating Fund. The increase mainly arises from Eligible Policyholders paying less for future administration expenses and tax if the Scheme is implemented.

Table 3: Projection of the value from the Participating Fund assuming the Scheme proceeds

	Replacement Cover Take-up Rate				
	20%	35%	50%	65%	80%
	$m	$m	$m	$m	$m
Eligible Policyholders receiving Replacement Cover	63.7	111.5	159.3	207.2	255.0
Additional cash for Eligible Policyholders receiving Replacement Cover	4.9	8.2	11.0	13.3	15.8
Eligible Policyholders receiving a Cash Payment	357.1	286.9	222.3	153.6	88.9
Net Eligible Policyholder benefits	425.8	406.6	392.6	374.1	359.7
Payment of Shareholder Entitlement	16.1	16.1	16.1	16.1	12.6
Value of Eligible Policyholder benefits as % assets	88%	84%	81%	77%	74%
Value of Shareholder Entitlement as % of assets	3.3%	3.3%	3.3%	3.3%	2.6%

Note: Totals may not exactly add due to rounding

Comparison of outcomes against principles

I have considered the benefits to Eligible Policyholders from the Scheme by comparing their situation under the Current Policies with their new situation proposed under the Scheme. I developed ten principles, as outlined in section 8 of my report, for assessing whether the Scheme is in Eligible Policyholders' best interests. I confirm that the Scheme meets these ten principles for each Policyholder.

Principle 1 – The tests are on Eligible Policyholders with New Zealand residential addresses

I understand that all Current Policies were initially sold in New Zealand. All my assessments have been performed on the basis that the Policyholder has a New Zealand residential address and is resident in New Zealand for tax purposes.

Principle 2 – Life cover in place must be honoured

The Replacement Cover offered is greater than each Current Policy's Death Benefit at the Effective Date.

Chubb Life is not able to issue a life insurance policy to someone with an overseas residential address. Foundation Life has endeavoured to tell all affected Eligible Policyholders how to assign their Foundation Life policy to a person or entity with a New Zealand residential address so that Replacement Cover can be issued should the Policyholder so wish.

Every Policyholder who receives Replacement Cover will have benefits on the death or Terminal Illness of the Life Insured that are greater than their existing benefits under their Current Policy on the Effective Date of the Scheme. Thereafter, they have greater benefits than expected from their Current Policies overall. Their Replacement Cover will also not be less than the expected cover from the Current Policy by more than 2% at any time and will frequently be higher.

I reviewed the Replacement Policies and Chubb Life's conditions for the Replacement Cover. I found that they were equivalent to or better than the conditions of Foundation Life's Current Policies. I also reviewed Chubb Life's solvency position. I found that Chubb Life would provide suitably high security for NZ Resident Eligible Policyholders who receive Replacement Cover.

Principle 3 – No Eligible Policyholder overall should be worse off when compared with the Eligible Policyholder's reasonable expectations for their existing benefits

Some Eligible Policyholders in some circumstances may not be better off under the Scheme. For example, at some durations they may have slightly less life cover than otherwise they might have had and at longer durations their Replacement Policies are likely to have lower Surrender Values than they might otherwise have had. However, in my view, these disadvantages are outweighed by the advantages of the Scheme for each Eligible Policyholder.

Each Eligible Policyholder will receive benefits under the Scheme in one or more of:

- Replacement Cover
- Cash payments
- Premiums saved.

I showed earlier that the Scheme was value enhancing for Eligible Policyholders as a whole. I have carried out the same analysis for each Policyholder. I found that every Policyholder had both a Replacement Cover option and a Cash Payment option that were worth more than the benefits, less premiums, under their Current Policy.

Principle 4 – The design in the opinion of the Shareholder must not be disadvantageous to the Shareholder

The Scheme could not proceed without Shareholder approval. The Shareholder supports the Scheme proceeding.

Principle 5 – Allocation of Scheme costs between Eligible Policyholders and the Shareholder to be fair and seen to be fair

The arrangement with the Shareholder, described in section 2.5, fixed the Shareholder Entitlement at $16.05m. Providing the Participating Fund with a mechanism for a fixed wind-up cost allows the full value of the Participating Fund after Scheme Expenses to be distributed to Eligible Policyholders.

I concluded that accepting the agreement offered by the Shareholder would be in the individual and collective best interests of Eligible Policyholders.

Principle 6 – The design must ensure the whole of the 'distributable fund' is distributed to Eligible Policyholders

The design achieves this. Eligible Policyholders' benefits will be crystallised as at the Effective Date and will not be affected by any events after that date. As already noted, the Shareholder will cover any unbudgeted Scheme and administrative costs after the Effective Date.

Principle 7 – The attribution of the 'distributable fund' between Eligible Policyholders to be fair and seen to be fair

I consider the Scheme is fair as between Eligible Policyholders because:

- Each Current Policy is valued by allowing for its individual characteristics;
- The Participating Fund pays for various benefit enhancements so that no Eligible Policyholder is disadvantaged by the Scheme;
- Eligible Policyholders receiving Replacement Cover pay a premium not based on their current state of health.

Principle 8 – In assessing overall benefit to an Eligible Policyholder, a greater weight is given to benefits that might be payable in the short term (less than ten years) than to those that might be payable in the long term (more than ten years)

I have compared Replacement Cover, including accumulated premium savings and any additional cash amounts, with Death Benefits expected from the Current Policies. Replacement Cover is:

- higher for at least the first two years;
- never more than 2% lower.

Given this, I have reviewed the 'overs' and 'unders' for Replacement Cover and placed more weight on the 'overs' and 'unders' in the short term. I concluded that the 'overs' will outweigh the 'unders'.

Principle 9 – If an Eligible Policyholder can be advantaged without disadvantaging other Eligible Policyholders, then do it

All Eligible Policyholders are advantaged by the Scheme in that they are being offered options at the Effective Date that are currently not available to them. These include a Cash Payment that is higher than their Current Policy's Surrender Value, a chance to have a partial surrender on more favourable terms than otherwise would have applied, and certainty as to the Death Benefit payable without further premiums being paid.

The Scheme also addresses two matters that will become issues in the future: the rising per policy expense costs as the number of policies being administered by Foundation Life falls, and the reduced ability of the Participating Fund to invest in growth assets as the relative size of the buffer assets shrinks.

Of note is that Eligible Policyholders who receive Replacement Cover will not be penalised by an anti-selection loading or equivalent because the Chubb Life Single Premium rates that will apply will be the rates that assume 100% take-up of Replacement Cover.

Principle 10 – It should be simple in design and the options for Eligible Policyholders easy to explain

It is my assessment that providing all NZ Resident Eligible Policyholders with four choices between a Cash Payment, Replacement Cover or one of two combinations of each, with the Replacement Cover being for a level amount that lasts for life, with no premiums payable for life, meets this Principle.

Alternatives considered

A number of alternative approaches for reconfiguring the Participating Fund are described in the Explanatory Statement. I reviewed those alternatives and I am satisfied that overall the approach chosen was the best one for Policyholders.

Paul Swinhoe
Appointed Actuary
Foundation Life (NZ) Limited

APPENDIX 3:
SUMMARY OF INDEPENDENT ACTUARY'S REPORT

This note is a summary of my independent actuarial assessment of the Foundation Life (NZ) Limited (Foundation) proposed Scheme of Arrangement (Scheme) as detailed in the Explanatory Statement. The full report is available from the Foundation website or on request from Foundation.

The Independent Actuary (IA) is David Chamberlain, Fellow of the New Zealand Society of Actuaries, of Melville Jessup Weaver. I am independent of Foundation apart from they have paid fees for my services. I have assessed whether the Scheme in my opinion is fair and equitable to all policy owners.

To do that I have considered whether the Scheme:

1. Offers the policy owners a fair value of their contractual benefits and other rights; and
2. Offers the policy owners benefits that can be considered to meet the value of their reasonable benefit expectations; and
3. Offers policy owners continuing security if they take continuing insurance with Chubb or elect to receive a cash payment from Foundation.

In forming my opinion, I have reviewed various documents underlying and describing the Scheme. I have made my own investigations where reasonable to assess whether it is reasonable to rely on the information provided to me.

The Scheme is a plan to wind up the "participating fund" of Foundation which has been closed to new business for over 20 years. On average the policies within the participating fund are small and the lives at risk are older. 50% of annual premiums and sums insured are less than $70 and $21,000 respectively. 50% of policy owners are 67 or older.

The Scheme is to divide an amount of money available today which would instead be distributed between policy owners, the shareholder and expenses over time. The fixed amount of money is the participating fund, consisting of approximately $484m of tangible assets as at 30 September 2023. The Scheme is a proposal to divide that money now based on the division that would be expected to emerge over time and thereby avoiding some of the costs of running a decreasing fund with increasing diseconomies of scale.

The following table shows the division of the participating fund between policy owners and the Shareholder under the status quo compared to an allocation under the Scheme. The amounts shown for the Scheme are the present value of the Scheme benefits using the Scheme valuation basis.

	Status Quo ($m)	Scheme* ($m)	Difference ($m)	Cash Outflows ($m)
Policy Owners (incl future bonuses)	388	374	-14	
Future Premiums	-52	0	52	
Policy Owners less Premiums	**336**	**374**	**38**	**460**
Shareholder	24	16	-8	16
Expenses/Other (incl allowance for tax)	141	94	-47	8
Total	**501**	**484**	**-17**	**484**

* at a 65% take up rate.

To assess the fairness of the Scheme two assessments are required:

- is the division between policy owners and the shareholder fair and equitable; and
- is the division amongst policy owners fair and equitable?

My assessment is that both those divisions for policy owners have been determined in a fair and equitable way. The Policy Owner/Shareholder division gives policy owners at least 80% of profits (as required under the Foundation company constitution and insurance legislation) and the division between policy owners is equitable. Policy owners will have to decide whether they prefer cash or insurance or a mix of the two. They benefit from the money being divided up now and thereby avoiding the diseconomies of scale of running the company in future. The diseconomies will be borne by the fund in the absence of Shareholder contributions.

The insurance being offered to participating policy owners is a level term insurance policy for life provided by Chubb Life Insurance New Zealand Limited (Chubb). The sum insured is equal to 105% of the policy's current death benefit (which includes any terminal bonuses but excludes any separate death sum insured provided by any Rider Benefits).

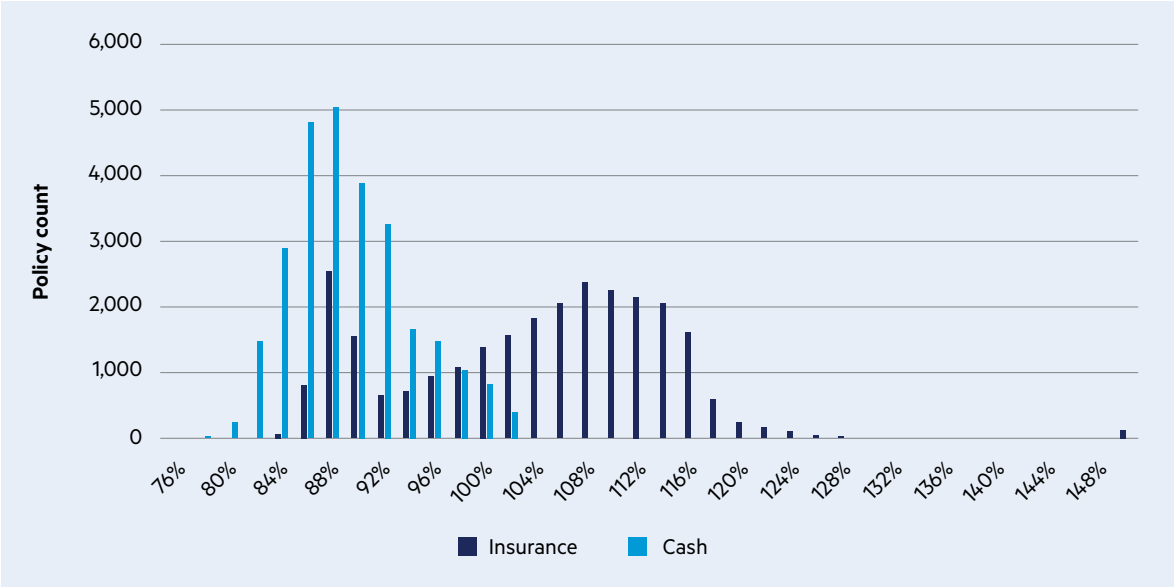
Important distinguishing features of this insurance from the existing insurance are:

- The sum insured is fixed and will no longer increase with bonuses;
- The sum insured is payable only on death or terminal illness, there is no fixed age (age 95 for the whole of life policies) at which it will be paid;
- No further premiums are payable as the policy is purchased with a Single Premium;
- The policy has a return of premium feature which is paid on policy cancellation. The basis for calculating the return of premium is not guaranteed.

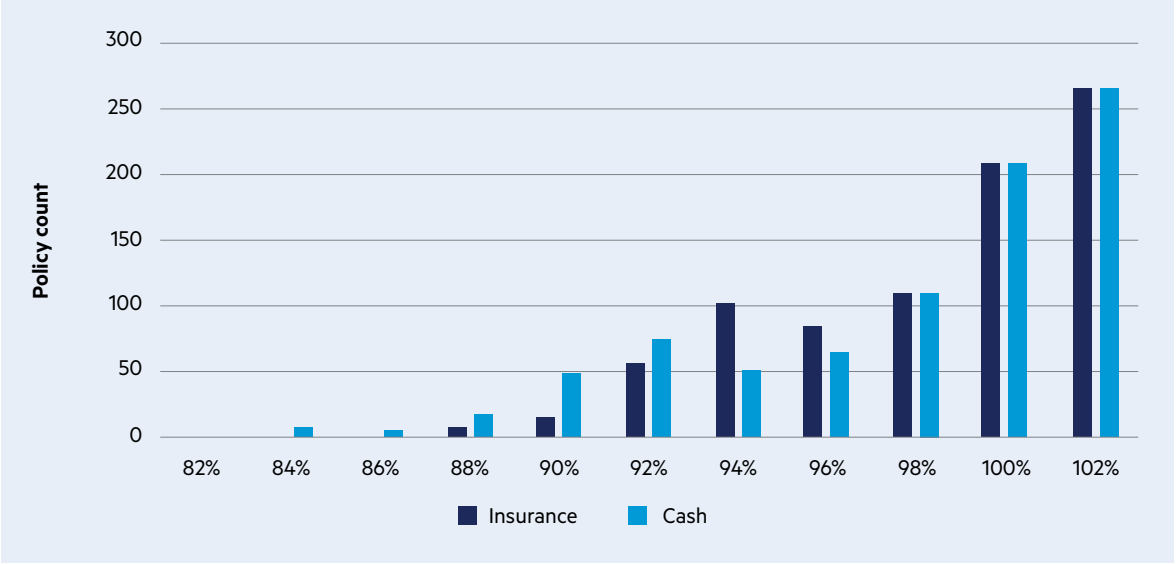
The Foundation Appointed Actuary report in sections 7 and 10 considers the new insurance provided through Chubb. It states "some Policyholders might at some durations have received higher amounts of cover under their existing policies through future bonuses. However, these Policyholders at no time will have a shortfall of more than 2% of the projected sum insured from their existing policies". That statement applies up to age 95. Beyond age 95 the existing policy benefit is assumed to be received and invested, thereby earning interest and the 2% threshold no longer holds. The assessment prior to age 95 adds any premiums no longer required to be paid with interest to the Chubb policy sum insured for purposes of the comparison. This is fair for value comparison purposes, but it should be noted that in real life the existing policy death benefit (which would have required any premiums due to be paid) could grow to be higher than the level Chubb death benefit.

The graphs below show the value of the insurance and cash choice (at a 65% insurance take up rate) as a proportion of the value of the policy under the status quo for each of the Whole of Life policies and the Endowment policies. This shows most Whole of Life policies choosing insurance get a transfer from the policies that choose cash. The transfer is funded from the expenses allocated to each policy and effectively is a reallocation of the expense allowance across policies.

Ratio of Scheme Choice to Policy Value – Whole of Life



Ratio of Scheme Choice to Policy Value – Endowment



If policy owners choose continuing insurance with Chubb, it is important the security of that insurance is not materially reduced compared to that of Foundation. The Chubb Appointed Actuary report considers Chubb's financial strength. I have read that report and conclude that the security is suitably high.

The cash lump sum offer is difficult for a policy owner to assess as there is no obvious existing comparator like the death benefit for the insurance cover. A policy owner can cancel their policy and receive a surrender value, a cash lump sum pay-out, but this incorporates a discount from the value of the policy and the surrender value basis is determined by the company. The surrender value basis was revised within the period the Scheme was being developed. The change in surrender value basis was raised with me at that time and after consideration I supported the change. A policy owner's share of the fund is set to a minimum of the surrender value with a 5% uplift, capped at the policy's Death Benefit.

The Foundation Appointed Actuary's report considers individual policy owners Scheme offers in section 11.4.1 and concludes "*that every Policyholder had both a life insurance option and a cash option that were worth more than the benefits, less premiums, under their existing policy*".

Policy owners receiving cash are better off to the extent that the value of their future expenses under the status quo is greater than the value of the Scheme charges allocated to them in their cash value. This makes intuitive sense as future administration and other expenses are avoided and distributed to policyholders after they pay the Scheme charges. This is the essence of the Scheme and there is no other sensible outcome unless the shareholders paid all or some of the Scheme charges, which would be to the advantage of policy owners.

If policy owners choose cash, it is important the security of the payout of cash is secure. The plans made by Foundation are reasonable in that regard.

It is my opinion the Scheme, if it had occurred on 30 September 2023, based on the financial information available to 30 September 2023, and assuming the Scheme was effective on that date:

- is fair and equitable to the participating policy owners; and
- offers the participating policy owners a fair value of their contractual benefits and other rights; and
- offers the participating policy owners benefits that can be considered to meet the value of their reasonable benefit expectations; and
- offers policy owners continuing security if they take continuing insurance with Chubb or elect to receive a cash payment from Foundation.

In forming that opinion, I have considered a matter as being not material if, in my view, that matter has such a small impact (or potential impact allowing for its probability) that it is inconsequential or not relevant for any individual policy owner.

The financial information relied upon is as at 30 September 2023 which is over a year ago. My assessment of the Scheme would not be altered by considering more up to date information.

I have no recommendations for modifications to the Scheme.

I have made all the enquiries that I believe are necessary and no material that I regard as relevant has, to my knowledge, been withheld from me or any other person.

APPENDIX 4:
INITIAL COURT ORDERS

In the High Court of New Zealand
Wellington Registry
I Te Kōti Matua O Aotearoa
Te Whanganui-ā-Tara Rohe

CIV-2025-485-142

in the matter of: a scheme of arrangement under Part 15 of the Companies Act 1993

between: **Foundation Life (NZ) Limited**, a duly incorporated company having its registered office at Ground Floor, 50 Customhouse Quay, Wellington

Applicant

Initial orders as to service, representation and directions

Dated: 24 March 2025

Sealed: ~~2025~~

THE SEAL OF THE HIGH COURT NEW ZEALAND

REFERENCE: M D Arthur (michael.arthur@chapmantripp.com)
J Marcetic (janko.marcetic@chapmantripp.com)

chapmantripp.com
T +64 9 357 9000
F +64 9 357 9099

PO Box 2206
Auckland 1140
New Zealand

Auckland
Wellington
Christchurch

chapman tripp

INITIAL ORDERS AS TO SERVICE, REPRESENTATION AND DIRECTIONS

To: the Applicant

1 The interlocutory application made by Foundation Life (NZ) Limited on 27 February 2025 was determined by Associate Judge Skelton on 24 March 2025.

2 The determination was made without a hearing and after reading memoranda of counsel for the applicant and of Mr Ross KC as amicus curiae.

3 The following orders were made:

Timetables

3.1 allocating this matter to Associate Judge Skelton who will hear the originating application for final orders approving the proposed scheme of arrangement (the **Application for Final Orders**);

3.2 scheduling a date and time for the Application for Final Orders to be heard, being 25 June 2025 at 10:00am;

Service Orders

3.3 directing that personal service of this proceeding upon all persons affected be dispensed with, and instead that service be effected as set out in these orders;

Court file

3.4 directing that the court file, including the Application for Final Orders, all interlocutory applications, affidavits, and all other documents related to this proceeding, shall not be searched, inspected or copied until such time as the **Policyholder Materials** (as defined in order 3.7 below) have been distributed to **Eligible Policyholders** (as defined in the Scheme Terms);

Scheme Meeting

3.5 directing that:

(a) the applicant, Foundation Life (NZ) Limited (**Foundation Life**) is to hold a meeting (the **Scheme Meeting**) of its Eligible Policyholders;

(b) the Scheme Meeting will be held at Eden Park, World Cup Lounge West, Level 4, Samsung South Stand, 42 Reimers Avenue, Kingsland, Auckland on 9 June 2025 at 2:00pm;

(c) the purpose of the Scheme Meeting is to seek approval of the proposed scheme of arrangement (the **Scheme**) on the terms set out in the Notice of Scheme Meeting sent by Foundation Life to its Policyholders, subject to any amendment or variation (the **Resolution**);

THE SEAL OF THE HIGH COURT NEW ZEALAND

100151972/3439-2705-7186

(d) the Eligible Policyholders shall vote on the Scheme as a single class;

(e) each Eligible Policyholder can vote at the Scheme Meeting by:

(i) attending in person; or

(ii) power of attorney; or

(iii) proxy; or

(iv) completing and returning their Voting/Proxy form by post; or

(v) voting online;

(f) the Resolution shall be approved if Eligible Policyholders voting "for" the Scheme:

(i) are more than 50% in number (assuming 1 vote per Policy) of the Policies held by Eligible Policyholders who vote; and

(ii) represent not less than 75% in value of the Policies held by Eligible Policyholders who vote. For this purpose, the value of a Policy will be the Surrender Value of that Policy as at the Record Date ("Surrender Value" and "Record Date" as defined in the Scheme Terms);

(g) James Ogden, a director of Foundation Life, or his nominee, act as chairperson of the Scheme Meeting; and

(h) the Scheme Meeting is otherwise to be conducted in accordance with Schedule 5 to the Companies Act 1993, provided that references to postal votes in the Schedule shall include votes delivered by electronic means;

Policyholder Materials and Notice of Scheme Meeting

3.6 requiring Foundation Life, at least 28 days prior to the Scheme Meeting to:

(a) post the Policyholder Materials referred to in order 3.7 below to all Eligible Policyholders at the addresses it holds for those Eligible Policyholders; and

(b) place a copy of the Further Materials referred to in order 3.9 below at www.foundationlife.co.nz/scheme-of-arrangement;

3.7 directing that the **Policyholder Materials** for the purposes of order 3.6(a) above are:

THE SEAL OF THE HIGH COURT NEW ZEALAND

(a) a covering letter, including an estimate to each Eligible Policyholder of the Sum Insured and Cash Payment ("Sum Insured" and "Cash Payment" as defined in the Scheme Terms) of the options available to that Eligible Policyholder under the Scheme;

(b) an Explanatory Statement, including a notice of Scheme Meeting, including the resolution to be voted on, the Scheme Terms, summaries of the Appointed and Independent Actuaries' reports, a copy of the replacement policy terms and an explanation of where to find the Further Materials; and

(c) a voting/proxy form,

in substantially the same form as the drafts which are referred to in and annexed to the affidavit of Timothy Charles Sole;

3.8 directing that the Policyholder Materials shall be deemed to have been received by those to whom they were ordered to be sent 48 hours after being sent (in the case of Eligible Policyholders in New Zealand) and five working days after being sent (in the case of Overseas Eligible Policyholders) in accordance with order 3.6(a) above;

3.9 directing that the **Further Materials** for the purposes of order 3.6(b) above are:

(a) a copy of the Policyholder Materials (except the covering letters referred to in order 3.7(a) above);

(b) templates of each form of covering letter sent to Eligible Policyholders which, to avoid doubt, shall contain no information about any individual Eligible Policyholder;

(c) a copy of the Appointed Actuary's full report;

(d) a copy of the Independent Actuary's full report; and

(e) all documents filed in this Court and minutes of the Court;

SEAL OF THE HIGH COURT NEW ZEALAND

3.10 directing that Foundation Life may, prior to the Record Date, make amendments, revisions and/or supplements to the Policyholder Materials and Further Materials. Should Foundation Life make any material amendments, revisions and/or supplements to the Scheme or the Resolution after the Policyholder Materials have been sent to Eligible Policyholders, it will notify Eligible Policyholders of such changes by way of advertisement in the newspapers listed in order 3.12 below, and announcements at www.foundationlife.co.nz/scheme-of-arrangement;

3.11 directing that:

(a) the accidental failure or omission by Foundation Life to send the Policyholder Materials to any Eligible Policyholder;

(b) the non-receipt of such documents by any Eligible Policyholder; or

(c) the fact that Foundation Life does not hold current address details for certain Eligible Policyholders,

will not constitute a breach of the orders, nor invalidate any resolution passed or proceedings taken at the Scheme Meeting, but if any such failure or omission is brought to the attention of Foundation Life, then it shall endeavour to rectify it by the method and in the time most reasonably practicable in the circumstances;

3.12 requiring Foundation Life, at least 28 days before the Scheme Meeting, to advertise the Scheme Meeting by placing in the following publications an advertisement in substantially the same form as the draft which is annexed to the affidavit of Timothy Charles Sole:

(a) The New Zealand Herald;

(b) The Waikato Times;

(c) The Bay of Plenty Times;

(d) The Post;

(e) The Press; and

(f) The Otago Daily Times;

Reporting of the results of the Scheme Meeting

3.13 requiring Foundation Life, prior to the Court's consideration of the Application for Final Orders, to file with this Court, and serve on any party who has filed a notice of opposition or a notice of appearance under order 3.16 below and on the amicus curiae, affidavit evidence verifying compliance with the requirements of these orders, and advising whether the Resolution was passed by the Eligible Policyholders at the Scheme Meeting;

Actions in respect of Current Policies between Record Date and Scheme Approval Date

3.14 Permitting Foundation Life, during the period from 5:00pm on the Record Date to the Scheme Approval Date, to cease processing for Eligible Policyholders:

(a) claims where a claim event occurs after 5.00pm on the Record Date in respect of an Eligible Policyholder until the amount of the claim can be determined under the

Scheme, except where payment is made under the arrangement set out in orders 3.15(a) or (c) below;

(b) surrender requests (including for partial surrenders) where the surrender date is after 5.00pm on the Record Date in respect of an Eligible Policyholder until the surrender amount can be determined under the Scheme, except where payment is made under the arrangement set out in order 3.15(b) below;

3.15 directing that, notwithstanding direction 3.14 above, Foundation Life may, in its sole discretion, agree with an Eligible Policyholder, during the period after 5.00pm on the Record Date and before the Scheme Approval Date, that:

(a) where a Final Claim Event has occurred after 5.00pm on the Record Date but prior to the Scheme Approval Date, the Eligible Policyholder receives the Current Policy's Death Benefit; or

(b) where the Eligible Policyholder's Current Policy is surrendered after 5:00pm on the Record Date but prior to the Scheme Approval Date, the Eligible Policyholder receives their Current Policy's Surrender Value;

in full satisfaction of the Eligible Policyholder's entitlements under the Scheme;

(c) where a Terminal Illness claim (which is not a Final Claim Event) or a Rider Benefit claim (other than a Final Claim Event) has occurred after 5.00pm on the Record Date but before the Scheme Approval Date, the Eligible Policyholder receives the Current Policy's Terminal Illness payment or Rider Benefit, in full satisfaction of the Eligible Policyholder's entitlement under the Scheme for that Terminal Illness cover or Rider Benefit;

Rights of opposition of Eligible Policyholders and other persons

3.16 directing that any Eligible Policyholder or any other person who wishes to appear and be heard on the Application for Final Orders must file in the Wellington High Court and serve on Foundation Life, at the address for service shown on the originating application, by 5 pm, 5 working days before the hearing scheduled under 3.2 of these orders:

THE SEAL OF THE HIGH COURT NEW ZEALAND

(a) a notice of appearance, or notice of opposition (in either case containing an address for service); and

(b) if they oppose the application, an affidavit and a memorandum of submissions, provided that if that person is not an Eligible Policyholder an application for leave to be heard must also be filed;

100151972/3439-2705-7186

3.17 directing that the amicus curiae file in the Court and serve on Foundation Life a report to the Court in relation to the Application for Final Orders no later than 5 working days before the hearing scheduled under 3.2 of these orders, and further directing that Foundation Life shall serve a copy of that report on all persons who have filed a notice of appearance or notice of opposition in this proceeding;

3.18 directing that the only persons entitled to appear and be heard at the hearing of the Application for Final Orders will be:

(a) Foundation Life;

(b) Amicus Curiae; and

(c) those persons who file a notice of appearance or a notice of opposition to the application for final orders in accordance with order 3.16 above, provided that if such a person is not an Eligible Policyholder that person may appear and be heard only if the Court first grants leave;

3.19 directing that if the hearing of the originating application for final orders approving the Scheme is adjourned, only those persons who have filed and served a notice of appearance or a notice of opposition in accordance with order 3.16 above need to be served with notice of the adjourned date;

3.20 requiring Foundation Life, following the Court's determination of the Application for Final Orders, to send by mail to each of the Eligible Policyholders, and to place on the website referred to above, written advice of the outcome of the Application for Final Orders;

3.21 granting Foundation Life or any interested party leave to apply at short notice to vary these orders and/or apply for such further orders as may be appropriate.

Date: 24 MARCH 2025
Signature:

Nathan Thatcher
~~Registrar/~~Deputy Registrar

THE SEAL OF THE HIGH COURT NEW ZEALAND

100151972/3439-2705-7186

APPENDIX 5: SCHEME TERMS

SCHEME TERMS FOR THE SCHEME OF ARRANGEMENT BETWEEN FOUNDATION LIFE (NZ) LIMITED AND ITS ELIGIBLE POLICYHOLDERS

BACKGROUND

A Foundation Life (NZ) Limited has proposed a scheme of arrangement between itself and its Eligible Policyholders, the terms of which are set out below.

1 **DEFINITIONS AND CONSTRUCTION**

1.1 **Defined terms**

In the Explanatory Statement for the Scheme and in these terms, unless the context requires otherwise:

Additional Bonus means, in relation to a Current Policy, a bonus which may be declared by Foundation Life at any time and accumulated to a Policyholder's Initial Life Cover. The declaration of Additional Bonuses is not guaranteed.

Agreement to Issue Replacement Life Insurance means the agreement of that name entered into between Foundation Life and Chubb Life dated 4 July 2018, which was amended and replaced on 24 December 2020 and further amended on 23 December 2021, 12 January 2023, 15 March 2023, 30 March 2023, 2 May 2023, 18 August 2023, 23 August 2024 and 19 February 2025.

Annual Bonus means, in relation to a Current Policy, each Policyholder's allocated share of the profits generated by the Participating Assets which may be declared by Foundation Life at the end of each of Foundation Life's financial years and accumulated to the Policyholder's Initial Life Cover.

Appointed Actuary means Mr Paul Swinhoe (FIA, FIAA, FNZSA), who is the appointed actuary of Foundation Life for the purposes of section 78 of the Insurance (Prudential Supervision) Act 2010.

Appointed Actuary's Report means the "Appointed Actuary's Report on Foundation Life (NZ) Limited's Proposed Scheme of Arrangement" dated 25 February 2025.

Approved means, in relation to the Scheme, the grant of orders by the Court approving the Scheme under section 236(1) of the Companies Act.

Bonuses means the Annual Bonuses and Additional Bonus.

Business Day means a day (other than Saturday, Sunday or a public holiday) on which registered banks are open for business in Auckland and Wellington.

Cash Payment means, in relation to a Current Policy held by an Eligible Policyholder, the cash payment determined by the Model in respect of that Current Policy as the Eligible Policyholder's Scheme Outcome.

Choice means a choice between the options described in clauses 3.1 and 3.2 below (as applicable) (and **Choose** has a corresponding meaning).

Choice Date means the date as determined by Foundation Life and notified to Eligible Policyholders, being the last date on which by 5.00pm NZ Resident Eligible Policyholders may Choose which Scheme option they receive, and any Eligible Policyholder (including Overseas Eligible Policyholders) may complete the transfer of their Current Policy to a new policyholder and/or repay Foundation Life some or all of any Policy Debt. The Choice Date is also the date as at which by 5.00pm Foundation Life finally determines who the Overseas Eligible Policyholders are and the date from which at 5.00pm Foundation Life will cease approving requests for new loans under the Current Policies. The Choice Date is expected to be 7 weeks after the Scheme Approval Date.

Choice Form means the form for NZ Resident Eligible Policyholders to indicate their Choice.

Chubb Life means Chubb Life Insurance New Zealand Limited (company number: 20561), previously known as Cigna Life Insurance New Zealand Limited, a New Zealand limited liability company and licensed life insurer.

Companies Act means the Companies Act 1993.

Court means the High Court of New Zealand (in Wellington).

Current Policy means a Whole of Life Policy or an Endowment Policy that has not had a Final Claim Event, been surrendered or lapsed on or before 5.00pm on the Record Date, and has a fixed Maturity Date which is scheduled on or after the Effective Date.

Death Benefit means, in relation to a Current Policy, at any time, the sum of the Initial Life Cover, plus any accumulated Bonuses, which at that time is payable to a Policyholder by Foundation Life on the Life Insured's death, less any Terminal Illness benefit previously paid to the Policyholder. It does not include any cover that is provided by a Rider Benefit.

Effective Date means the date, on or after 1 September 2025, determined by Foundation Life and notified to Eligible Policyholders by Foundation Life, as being the date on which, at the commencement of the day, life cover under the Replacement Policies starts and the date as at which each Eligible Policyholder's final Policy Value and the final value of the Scheme Outcome each Eligible Policyholder receives under the Scheme is calculated (amongst other things). For the sole purpose of determining who can vote on the Scheme, the Effective Date shall be taken to be 1 September 2025.

Eligible Policyholders means Policyholders who hold a Current Policy at 5.00pm on the Record Date. Notwithstanding this:

(a) where an Eligible Policyholder has transferred their Policy after 5.00pm on the Record Date but before 5.00pm on the Choice Date, the transferee shall be an Eligible Policyholder, and the transferor shall no longer be an Eligible Policyholder from the transfer date; and

(b) where an Eligible Policyholder has died after 5.00pm on the Record Date and before the Effective Date, the executors of the deceased policyholder's estate become the Eligible Policyholder from the date of death.

Endowment Policy means an endowment participating policy issued by Foundation Life which participates in the profits of the Participating Fund.

Endowment Policyholder means, in respect of an Endowment Policy, the Policyholder.

Explanatory Statement is the document provided to Policyholders by Foundation Life explaining the Scheme and its background.

Final Claim Event means, in respect of a Policy, the Life Insured has died, or a Terminal Illness claim equal to the Death Benefit has been accepted by Foundation Life.

FLNZH means Foundation Life (NZ) Holdings Limited (company number: 5246601), a New Zealand limited liability company, of which Foundation Life is a wholly-owned subsidiary.

Foundation Life means Foundation Life (NZ) Limited (company number: 868766), a New Zealand limited liability company and licensed life insurer.

Foundation Life Directors means the directors of Foundation Life, more information in respect of which is available in **Appendix 7**.

Foundation Life Nominees means Foundation Life Nominees Pty. Ltd. (ACN: 169711755), an Australian limited company, of which FLNZH is a wholly-owned subsidiary.

Full Replacement Cover Option means the option set out in clause 3.1(a).

IBNR Claim means an 'incurred but not reported' claim which, in respect of a date, is a Current Policy liability which has arisen but which has not been reported to Foundation Life as at that date.

Independent Actuary means Mr David Chamberlain (FNZSA) of Melville Jessup Weaver.

Independent Actuary's Report means the letter signed by Mr David Chamberlain, as a Principal of Melville Jessup Weaver, titled "Independent Actuary's review of the Foundation Life Scheme of Arrangement" dated 25 February 2025.

Initial Life Cover means, in relation to a Current Policy, the base amount of life cover elected by a Policyholder at the commencement of the Current Policy and agreed to be paid by Foundation Life on the Life Insured's death, or, where applicable, such reduced or increased amount of life cover as agreed with the Policyholder (including CPI increases). It does not include any life cover that is provided by a Rider Benefit or as a result of Bonuses.

Insurance Legislation means the Insurance (Prudential Supervision) Act 2010, the Insurance (Prudential Supervision) Regulations 2010, and the Life Insurance Act 1908.

Insurance-Receiving Policyholders means those NZ Resident Eligible Policyholders who are to be issued Replacement Policies as part of the Scheme.

IPSA means the Insurance (Prudential Supervision) Act 2010.

Life Insured means, in respect of a policy, the person whose life is insured by that policy. The life insured may be the same person as the policyholder or a different person.

Maturity Date means, in relation to a policy, the fixed date at which the Death Benefit will become payable under that policy, even if the Life Insured has not died.

Model means the model described at section 5 and Appendix A of the Appointed Actuary's Report for calculating each Eligible Policyholder's Policy Value and the value of their Scheme Outcome.

NZ Resident Eligible Policyholder means, on a date, an Eligible Policyholder who has a New Zealand postal address recorded in the Register on that date.

Overseas Eligible Policyholder means, on a date, an Eligible Policyholder who has a postal address recorded in the Register which is outside New Zealand on that date.

Participating Assets means, in relation to a date, the assets of Foundation Life's Participating Fund on that date.

Participating Fund means the sub-fund of the statutory fund in which the assets of the Current Policies are held, and in which Policyholders' premiums are invested.

Policy means a life insurance policy issued by Foundation Life.

Policy Debt means, in relation to a Current Policy, any Current Policy loans, premium debt or other debt owing to Foundation Life on that Current Policy.

Policy Value means, in relation to a Current Policy held by an Eligible Policyholder, the Eligible Policyholder's share of the Participating Fund in respect of that Current Policy as determined by Foundation Life using the Model.

Policyholder means, at a time, person(s) who is (are) recorded on the Register as the owner of a Policy (whether or not they are also the Life Insured under the Policy) at that time, and, in relation to a Policy, means the person(s) who is (are) recorded on the Register as the owner(s) of that Policy at that time.

Pre-Paid Premiums means, in respect of a Current Policy or a Rider Benefit, premiums which have been paid in advance and relate to any cover under the Current Policy for a period beyond the current premium payment period.

RBNA Claim means a 'reported but not admitted' claim, which is a claim under a Current Policy which is reported to Foundation Life before the Effective Date, but has not been admitted by Foundation Life for payment before the Effective Date.

RBNA Cover Amount means the aggregate amount of RBNA Claims transferred by Foundation Life to Chubb Life in accordance with the Agreement to Issue Replacement Life Insurance, together with any statutory accrued interest up to Effective Date.

Record Date means the day which is three Business Days before the date of the Scheme Meeting, being the date from which at 5.00pm Eligible Policyholders will be bound by the Scheme in respect of their Current Policies if the Scheme is Approved.

Register means Foundation Life's Policyholder register.

Replacement Benefit means, in relation to a Rider Benefit, a replacement benefit, which the NZ Resident Eligible Policyholder is to receive under the Scheme to replace that Rider Benefit, to be issued by Chubb Life in accordance with the Scheme in favour of the NZ Resident Eligible Policyholder who holds the Rider Benefit, for which no further premiums need to be paid (unless the Insurance-Receiving Policyholder and Chubb Life agree to amend the terms of the Replacement Policy or the Replacement Benefit at the Insurance-Receiving Policyholder's cost), whereby:

(a) guaranteed insurability Rider Benefits and the total and permanent disability Rider Benefit would become a Replacement Benefit to their Replacement Policy and existing term insurance Rider Benefits would become new standalone term insurance policies;

(b) the terms of the Replacement Benefits offered by Chubb Life will be at least as good as the terms of the Rider Benefits they replace, other than:

  (i) additional cover under Replacement Benefits for guaranteed insurability rider benefits will not allow policyholders to take out a new Whole of Life Policy or Endowment Policy; and

  (ii) increased cover under Replacement Benefits for term rider benefits will not be able to be converted into a new Whole of Life Policy or Endowment Policy; and

(c) additional life cover provided by Chubb Life as a result of a policyholder exercising their Replacement Benefit will instead be in the form of term insurance.

Replacement Cover means, in relation to a Current Policy held by an NZ Resident Eligible Policyholder who Chooses the Full Replacement Cover Option or one of the combinations of life cover and cash, a life insurance policy, to be issued by Chubb Life under the Agreement to Issue Replacement Life Insurance to the NZ Resident Eligible Policyholder, for which no further premiums need to be paid (unless the Insurance-Receiving Policyholder and Chubb Life agree to amend the terms of the Replacement Policy or the Replacement Benefit at the Insurance-Receiving Policyholder's cost), with any Chosen Replacement Benefits attached.

Replacement Policy means, in relation to a Current Policy held by an NZ Resident Eligible Policyholder, the life insurance policy issued by Chubb Life as part of the Scheme, being life insurance policies for Replacement Cover and policies for the Replacement Benefits for Rider Benefits, in respect of that Current Policy. For clarity:

(a) the Replacement Policy's surrender value is not guaranteed, but will not be more than the amount of the premium paid by Foundation Life to Chubb Life in respect of the relevant Replacement Policy. The Surrender Value will be calculated by Chubb Life based on circumstances at the time of surrender and may initially be well below the premium paid to Chubb Life by Foundation Life for that policy;

(b) claims under the Replacement Policy are payable solely:

(i) in the event of the Life Insured's death; or

(ii) in the event that the Life Insured is diagnosed with a Terminal Illness,

and a Replacement Policy will end only when the such event occurs and the Insurance-Receiving Policyholder receives the full Sum Insured under the Replacement Policy or the Insurance-Receiving Policyholder surrenders the Replacement Policy in accordance with its terms.

Reserve Bank means the Reserve Bank of New Zealand.

Rider Benefits means, in relation to a Current Policy, any non-participating guaranteed insurability benefits, supplementary temporary benefits, NT term benefits, decreasing temporary benefits and supplementary disablement maturity benefit (each as further described in **Appendix 7** of the Explanatory Statement) which are underwritten by Foundation Life in respect of that Current Policy.

Scheme means the scheme of arrangement pursuant to Part 15 of the Companies Act, the terms of which are set out in this document.

Scheme Approval Date means the date of the decision from the second Court hearing at which the Scheme is Approved and, if Approved, the date on which this document is binding on Foundation Life and all Eligible Policyholders.

Scheme Conditions means:

(a) Eligible Policyholders pass the Scheme Resolution approving the Scheme by the majorities set out below:

(i) by more than 50% in number (1 vote per Current Policy) of the Current Policies held by Eligible Policyholders who vote. For this purpose, where more than one vote is cast in relation to a Current Policy, only the vote of the joint Eligible Policyholder first named in the Register (or the proxy appointed by that person) will be counted; and

(ii) votes in favour, representing not less than 75% in value of the Current Policies held by Eligible Policyholders who vote. For this purpose, the value of a Current Policy will be the Surrender Value of that Current Policy as at 5.00pm on the Record Date;

(b) the Scheme is Approved; and

(c) all regulatory approvals, consents and other acts that are necessary to implement the Scheme are obtained from the relevant regulatory authorities on or before 9:00am on the date on which the Court hears the application to approve the Scheme.

Scheme Expenses includes all developmental and implementation costs of the Scheme, but does not include the administrative costs for paying Eligible Policyholders their cash entitlements under the Scheme.

Scheme Meeting means the meeting of Eligible Policyholders to be held at Eden Park, World Cup Lounge West, Level 4, Samsung South Stand, 42 Reimers Avenue, Kingsland, Auckland on 9 June 2025 at 2.00pm.

Scheme Outcome means, in relation to an Eligible Policyholder, the Replacement Cover and additional cash, Cash Payment or a combination of them, which an Eligible Policyholder will be eligible to receive under the Scheme if the Scheme is implemented.

Scheme Resolution means the resolution to be put at the Scheme Meeting, which is set out in the Notice of Meeting appended to the Scheme's Explanatory Statement (see **Appendix 1**).

Scheme Terms means the document contained in this Appendix 5 which sets out the scheme of arrangement which will become binding on Foundation Life and all Eligible Policyholders on and from the Scheme Approval Date if the Scheme is approved.

Shareholder means, in relation to Foundation Life, Foundation Life (NZ) Holdings Limited.

Shareholder Entitlement means the entitlement due to the Shareholder set out in clause 7.1 or any such lesser amount as the Shareholder may agree.

Single Premium means the aggregate amount of the premium payable by Foundation Life to Chubb Life under the Agreement to Issue Replacement Life Insurance for the issue of the Replacement Policies to the Insurance-Receiving Policyholders.

Statutory Fund means the fund that Foundation Life is required to maintain as a licensed life insurer in accordance with Insurance Legislation. The Statutory Fund is split into two sub-funds, the Participating Fund and the non-participating fund.

Sum Insured means, as the context requires, the Death Benefit in relation to a Current Policy, or the guaranteed sum insured in relation to a Replacement Policy determined by Foundation Life for that Replacement Policy using the Model. For clarity where a payment has been made under the Current Policy, which is less than the Death Benefit, the Sum Insured in respect of a Replacement Policy shall be the net amount after deducting such payments.

Surrender Value means the amount an insurer may agree to pay the policyholder if the policyholder wishes to cancel the policy.

Take-up Rate means the proportion of the Sum Insured of the Current Policies of Eligible Policyholders who receive Replacement Policies.

Terminal Illness means, in relation to a date, the diagnosis of a Life Insured with a terminal illness where the Life Insured's death is expected within 12 months of that date, supported by evidence accepted by the insurer.

Whole of Life Policy means a whole of life participating policy issued by Foundation Life which participates in the profits of the Participating Fund.

Whole of Life Policyholder means, in respect of a Whole of Life Policy, the Policyholder.

1.2 **Construction**

In the construction of these terms, unless the context requires otherwise:

Background and clauses: references to Background and clauses are to the background and clauses of these terms.

Business Days: anything required by these terms to be done on a day which is not a Business Day may be done on the next Business Day.

Currency: a reference to any monetary amount is to New Zealand currency.

Dates and Time: a reference to a time or a date is to a New Zealand time or date.

Defined Terms: words or phrases appearing in these terms with capitalised initial letters are defined terms and have the meanings given to them in these terms.

Documents: a reference to any document, including these terms, includes a reference to that document as amended or replaced from time to time.

Headings: headings appear as a matter of convenience and do not affect the construction of these terms.

Including: a reference to *including* or similar words includes a reference to "without limitation".

Joint and Several Obligations: any provision of these terms to be performed or observed by two or more persons binds those persons jointly and severally.

Negative Obligations: a reference to a prohibition against doing any thing includes a reference to not permitting, suffering or causing that thing to be done.

No Contra Proferentem Construction: the rule of construction, known as the "contra proferentem rule", does not apply to these terms.

Eligible Policyholders: a reference to an Eligible Policyholder includes that person's personal representatives, successors and permitted assigns.

Person: a reference to a person includes a reference to a body corporate, to a governmental agency and to an unincorporated body of persons.

Related Terms: where a word or expression is defined in these terms, other parts of speech and grammatical forms of that word or expression have corresponding meanings.

Rounding of calculated percentages and fractions: where these terms refer to:

(a) the Sum Insured by reference to a percentage of the NZ Resident Eligible Policyholder's Current Policy's Surrender Value; or

(b) cash amounts by reference to a fraction of a Policy Value,

those percentages and fractions are rounded to provide a meaningful indication of the percentages and fractions that will apply, and the actual percentages and fractions in each case will be determined by Foundation Life using the Model.

Singular, Plural and Gender: the singular includes the plural and vice versa, and words importing one gender include the other genders.

Statutes and Regulations: a reference to a statute or any regulations is a reference to that statute or those regulations as amended, or to any statute or regulations substituted for that statute or those regulations.

2 CANCELLATION OF CURRENT POLICIES

2.1 All Current Policies to be cancelled immediately before the Effective Date

The Current Policies and any existing entitlements under these policies will be cancelled with effect from the end of the day before the Effective Date. That cancellation will occur without the need for any notice by Foundation Life to any Eligible Policyholder. For clarity, this clause does not affect any entitlement derived under the Scheme.

3 ELIGIBLE POLICYHOLDER ENTITLEMENTS UNDER THE SCHEME

3.1 NZ Resident Eligible Policyholders to be given a Choice

Foundation Life will offer NZ Resident Eligible Policyholders, as compensation for the cancellation of their Current Policies under the Scheme, the Choice of one of the following options:

(a) Replacement Cover which will have a Sum Insured that, at the Effective Date, is 5% higher than the NZ Resident Eligible Policyholder's Current Policy's Death Benefit, for which no further premiums will need to be paid. Under the Model, some Policyholders will also receive a payment of the balance of their Policy Value from Foundation Life. Where such payment would be less than $1,000 and the Eligible Policyholder is to receive Full Replacement Cover, the payment shall be applied to increase the Sum Insured on the Replacement Cover; or

(b) a Cash Payment that will, at the Effective Date, be a minimum of 5% higher than the NZ Resident Eligible Policyholder's Current Policy's Surrender Value, capped at the NZ Resident Eligible Policyholder's Current Policy's Death Benefit; or

(c) a combination of life cover provided by Chubb Life and cash, with the emphasis on life cover or the emphasis on cash (the choice between those two options is to be chosen by the NZ Resident Eligible Policyholder), with the combinations representing an allocation of the Policy Value:

  (i) two thirds towards Replacement Cover and one third towards cash; or

  (ii) one third towards Replacement Cover and two thirds towards cash.

In each case, the Sum Insured and/or the Cash Payment (as applicable for the relevant Current Policy) and any other payments will be determined by Foundation Life using the Model.

3.2 NZ Resident Eligible Policyholders with Rider Benefits

Foundation Life will offer NZ Resident Eligible Policyholders whose Current Policy includes Rider Benefits, as further compensation for the cancellation of their Current Policies (which include their Rider Benefits) under the Scheme, a further Choice if they are to receive a Replacement Policy, of receiving either:

(a) Replacement Benefits; or

(b) an increase to their Cash Payment of an amount equal to the average cash value of their Rider Benefits (even if that cash value is less than the minimum $1,000 Cash Payment), which shall be determined by Foundation Life.

Those NZ Resident Eligible Policyholders whose Current Policy includes Rider Benefits who are to receive solely a Cash Payment of their Policy Value shall be deemed to have elected an increased Cash Payment under clause 3.2(b) and may not elect Replacement Benefits under clause 3.2(a).

3.3 **NZ Resident Eligible Policyholders to be notified of their options**

(a) As soon as reasonably practical after the Scheme Approval Date, Foundation Life will send to each NZ Resident Eligible Policyholder a Choice Form and allow those NZ Resident Eligible Policyholders approximately 6 weeks from the date the Choice Form is sent to them to make a Choice. To be effective, a completed Choice Form must be received by Foundation Life by 5.00pm on the Choice Date.

(b) If, on or following the Scheme Approval Date, but prior to 5.00pm on the Choice Date, Foundation Life becomes aware that a Current Policy which was owned by an Overseas Eligible Policyholder is now owned by an NZ Resident Eligible Policyholder (whether because of an ownership transfer registered by Foundation Life or otherwise), Foundation Life will send the NZ Resident Eligible Policyholder a Choice Form and will give the NZ Resident Eligible Policyholder until 5.00pm on the Choice Date to make a Choice.

(c) If, on or following the Scheme Approval Date, but prior to 5.00pm on the Choice Date, Foundation Life becomes aware that ownership of a Current Policy has been transferred between two NZ Resident Eligible Policyholders, Foundation Life will send the transferee NZ Resident Eligible Policyholder a Choice Form and will give the transferee NZ Resident Eligible Policyholder until 5.00pm on the Choice Date to make a Choice, and any Choice made by the transferor will be void.

(d) A Choice or deemed Choice cannot be changed after 5.00pm on the Choice Date.

3.4 **Where NZ Resident Eligible Policyholders do not make a Choice by 5.00pm on the Choice Date, their Scheme Outcomes will be set by default**

If a Choice Form is not received by Foundation Life from an NZ Resident Eligible Policyholder by 5.00pm on the Choice Date, or Foundation Life is not reasonably able to determine any actual Choice in a Choice Form, the NZ Resident Eligible Policyholder will be deemed to have chosen:

(a) for Whole of Life Policyholders, the option described in clause 3.1(a), including any entitlement to Replacement Benefits as described in clause 3.2(a); or

(b) for Endowment Policyholders, the option described in clause 3.1(b), including any entitlement to an increased Cash Payment of an amount equal to the cash value of any Rider Benefits as described in clause 3.2(b).

However, where the NZ Resident Eligible Policyholder has selected in a Choice Form an option in respect of their Rider Benefits but has not selected an option in clause 3.1, or Foundation Life is not reasonably able to determine the Choice of an option in clause 3.1 from their Choice Form, the Policyholder shall be deemed to have chosen the option in respect of the NZ Resident Eligible Policyholder's Current Policy that corresponds to the option Chosen in respect of their Rider Benefits.

If Foundation Life is not reasonably able to determine the Choice in respect of Replacement Benefits from a Choice Form, then an NZ Resident Eligible Policyholder shall be deemed to have Chosen to receive Replacement Benefits, except if the NZ Resident Eligible Whole of Life Policyholder has Chosen the Cash Payment option described in 3.1(b).

For clarity, clauses 3.10 and 3.11 override this clause 3.4.

3.5 **Overseas Eligible Policyholder Scheme Outcomes**

Overseas Eligible Policyholders will not be given a Choice. Policyholders who are Overseas Eligible Policyholders at 5.00pm on the Choice Date will receive the option described in clause 3.1(b), and those Overseas Eligible Policyholders whose Current Policy includes a Rider Benefit will receive an increased Cash Payment under clause 3.2(b).

3.6 **Determination of the amount of Eligible Policyholders' Scheme Outcomes**

As soon as reasonably practicable after the Effective Date, Foundation Life shall determine the amounts of Eligible Policyholders' Scheme Outcomes, the Policy Value and the amount of Single Premium payable to Chubb Life using the Model.

Foundation Life shall advise Chubb Life of the amount of the Sum Insured under the Replacement Policies in accordance with the Agreement to Issue Replacement Life Insurance.

3.7 **Payment of Cash Payments and any payment determined by the Model for the options in clauses 3.1(a) and 3.1(c)**

(a) Within a reasonable time after the determination of the Scheme's cash payments to Eligible Policyholders, Foundation Life will pay such amounts to those Eligible Policyholders whose Scheme Outcome includes a Cash Payment or to those Eligible Policyholders entitled to a cash payment under the options in clauses 3.1(a) and 3.1(c), provided the Eligible Policyholder has first provided Foundation Life all confirmation of identity documents reasonably required by Foundation Life, bank account details and any other details Foundation Life may require.

(b) Where Foundation Life has made reasonable efforts to contact an Eligible Policyholder who is entitled to a cash payment under the Scheme and the Policyholder has not responded or met the required conditions within the advised period to receive that payment, Foundation Life may pay that payment to the Inland Revenue in accordance with the Unclaimed Money Act 1971.

3.8 **Foundation Life will procure the issue of Replacement Policies**

Foundation Life will procure that Chubb Life:

(a) issues the Replacement Policies to the Insurance Receiving Policyholders, including any Replacement Benefits where the Scheme requires. Each Replacement Policy shall take effect from the commencement of the Effective Date, regardless of when the Replacement Policy document is actually received by the Insurance Receiving Policyholder; and

(b) sends the Replacement Policies to Insurance Receiving Policyholders if an address is known as soon as reasonably practical on or after the Effective Date.

Foundation Life will pay to Chubb Life the premiums required by the Agreement to Issue Replacement Life Insurance.

3.9 **Actions in respect of Current Policies**

Foundation Life shall, in respect of Eligible Policyholders:

(a) from the Scheme Approval Date, cease processing:

(i) claims where the claim event occurs after 5.00pm on the Record Date until the amount of the claim can be determined under the Scheme, except where payment is made under clause 3.10(a) or (c); and

(ii) surrender requests (including for partial surrenders) where the surrender date is after 5.00pm on the Record Date until the surrender amount can be determined under the Scheme, except where payment is made under clause 3.10(b);

(b) from 5.00pm on the Choice Date, in respect of the Current Policies, cease:

(i) processing ownership transfers;

(ii) accepting the repayment by Eligible Policyholders of Policy Debt; and

(iii) processing requests for new loans; and

(c) from the date three Business Days before Effective Date, in respect of the Current Policies, cease:

(i) collecting premiums;

(ii) accruing interest on outstanding Policy Debt;

(d) as at the Effective Date, write-off any amount of Policy Debt which is less than $50 in respect of a Current Policy.

3.10 **Alternatives for Policyholders after 5.00pm on the Record Date**

Notwithstanding any other clause in this document, Foundation Life may agree with an Eligible Policyholder, during the period after 5.00pm on the Record Date and before the Effective Date, that:

(a) where a Final Claim Event has occurred after 5.00pm on the Record Date but before the Effective Date, the Eligible Policyholder receives the Current Policy's Death Benefit; or

(b) where the Eligible Policyholder's Current Policy is surrendered after 5.00pm on the Record Date but before the Effective Date, the Eligible Policyholder receives their Current Policy's Surrender Value,

in full satisfaction of the Eligible Policyholder's entitlements under the Scheme and their Current Policy, or

(c) where a Terminal Illness claim (which is not a Final Claim Event) or a Rider Benefit claim (other than a Final Claim Event) has occurred after 5.00pm on the Record Date but before the Effective Date, the Eligible Policyholder receives the Current Policy's Terminal Illness payment or Rider Benefit, in full satisfaction of the Eligible Policyholder's entitlement under the Scheme and their Current Policy for that Terminal Illness cover or Rider Benefit.

3.11 **Treatment of claims (other than maturities) occurring after 5.00pm on the Record Date but before the Effective Date**

Notwithstanding clauses 3.4 to 3.8, where a claim event in respect of a Current Policy, other than a maturity, has occurred after 5.00pm on the Record Date, but before the Effective Date:

(a) the NZ Resident Eligible Policyholder shall be paid under the Scheme, as the NZ Resident Eligible Policyholder's sole entitlement under the Scheme:

(i) in respect of an NZ Resident Eligible Policyholder's Death Benefit, the Sum Insured of their Replacement Policy and any additional payment determined by the Model for the option in clause 3.1(a);

(ii) in respect of an NZ Resident Eligible Policyholder's Rider Benefits, any amount the NZ Resident Eligible Policyholder would have been entitled to under the Eligible Policyholder's Replacement Policy in respect of Replacement Benefits; or

(iii) in respect of an NZ Resident Eligible Policyholder's Terminal Illness, the Terminal Illness entitlement under the NZ Resident Eligible Policyholder's Replacement Policy,

less any payment received in respect of the NZ Resident Eligible Policyholder's Current Policy that is not reflected in the Sum Insured, as if the claim had arisen after the Effective Date; and

(b) an Overseas Eligible Policyholder shall be paid under the Scheme, as the Overseas Eligible Policyholder's sole entitlement under the Scheme:

(i) in respect of an Overseas Eligible Policyholder's Death Benefit, the Cash Payment determined by the Model for the option in clause 3.1(b); or

(ii) in respect of an Overseas Eligible Policyholder's Rider Benefits, any extra amount the Eligible Policyholder would have been entitled to as an increase to the Overseas Eligible Policyholder's Cash Payment under clause 3.2(b) in respect of the Overseas Eligible Policyholder's Rider Benefits,

less any payment received in respect of the Overseas Eligible Policyholder's Current Policy that is not reflected in the Sum Insured, as if the claim event had arisen after the Effective Date,

within a reasonable time on or after the Effective Date, provided the Eligible Policyholder has first provided Foundation Life or Chubb Life all confirmation of identity documents reasonably required by Foundation Life or Chubb Life, bank account details and any other details Foundation Life or Chubb Life may require, as if the claim event had occurred after the Effective Date (plus any statutory interest up to the date of payment), unless, in any case, the Eligible Policyholder receives in respect of such claim their Current Death Benefit, their Current Policy's Surrender Value or their Terminal Illness payment under clause 3.10.

Where an NZ Resident Eligible Policyholder makes a Terminal Illness claim under a Current Policy after 5.00pm on the Record Date and before the Effective Date, if the amount paid under this clause is less than an amount payable under this clause in respect of a Final Claim Event, any unpaid balance of the amount payable under this clause in respect of a Final Claim Event would be treated as the Sum Insured under the NZ Resident Eligible Policyholder's Current Policy for the purposes of rest of the Scheme.

3.12 **Repayment of Policy Debt**

An Eligible Policyholder, in their discretion, may repay their Policy Debt (in whole or in part) to Foundation Life prior to 5.00pm on the Choice Date. If the Eligible Policyholder's Policy Debt is not repaid prior to 5.00pm on the Choice Date, such Policy Debt shall be repaid out of the Policy Value attributed to the Eligible Policyholder and reflected in the Scheme Outcomes generated by the Model.

3.13 **Cost of Rider Benefits**

Foundation Life will pay all costs associated with:

(a) providing Replacement Benefits or increasing Cash Payments to NZ Resident Eligible Policyholders in respect of their Rider Benefits; and

(b) providing the cash value of their Rider Benefit to Overseas Eligible Policyholders,

from Foundation Life's non-participating fund.

4 CANCELLATION OF A REPLACEMENT POLICY BY AN INSURANCE-RECEIVING POLICYHOLDER

If an Insurance-Receiving Policyholder wishes to cancel their Replacement Policy and within 14 days of receiving their Replacement Policy documents notifies Chubb Life of this wish, then within a reasonable time after Foundation Life receives from Chubb Life written confirmation that Chubb Life is cancelling the Replacement Policy and will be repaying the amount of the premium paid to Chubb Life on the Insurance-Receiving Policyholder's behalf by Foundation Life for the Replacement Policy (to which Foundation Life is entitled under the Agreement to Issue Replacement Life Insurance) then once the Policyholder has provided Foundation Life with their bank account details and such confirmation of identity documents as required by Foundation Life, Foundation Life will pay the Insurance-Receiving Policyholder an amount equivalent to what that Policyholder would have received if they had chosen the Cash Payment option, less any payment they may have already received under the Scheme.

5 CONDITIONS

5.1 Scheme is Conditional

The Scheme is conditional on the satisfaction of each of the Scheme Conditions. If the Scheme Conditions are not met, the Scheme will not proceed and these terms will be of no effect.

5.2 Sufficient assets condition

If, prior to the Effective Date, in Foundation Life's reasonable opinion, the Participating Assets will not be sufficient to pay Chubb Life's premium, Policyholders' payments, the Shareholder Entitlement and other liabilities of the Participating Fund on the Effective Date then:

(a) from the date it is determined by Foundation Life that this condition is not met, clauses 3.9 (a) to (c) shall cease to have effect and Foundation Life shall resume with the activities under clause 3.9(a) to (c) as if those clauses had not existed;

(b) clauses 2, 3.6, 3.7, 3.8, 3.9(d), 3.11, 3.12, 3.13, 4 and 7 shall not come into effect and shall be terminated; and

(c) (for clarity) Foundation Life shall have no liability under the Scheme to make any payment to any Eligible Policyholder, or to procure for any Eligible Policyholder any Replacement Cover or Replacement Benefit, and every Endowment Policy and Whole of Life Policy shall continue, as they are.

6 SCHEME APPLICATION

6.1 Effect of the Scheme

The Scheme will bind all Eligible Policyholders in respect of their Current Policies irrespective of how any particular Eligible Policyholder voted and, for complete clarity, including any Eligible Policyholder in respect of whose Participating Policy a Final Claim Event occurs after 5.00pm on the Record Date and before the Effective Date, the policy liabilities in respect of which will be addressed by clauses 3.10 or 3.11.

7 SHAREHOLDER ENTITLEMENT AND EXPENSE CONTRIBUTIONS

7.1 Shareholder Entitlement and expense contributions

To the extent permitted by law, the Shareholder will be paid a fixed amount of $16.05m or such lesser amount as the Shareholder may accept in its discretion, or which is required to comply with the Insurance Legislation, in return for the Shareholder agreeing, at its own expense, to capitalise Foundation Life to enable Foundation Life to make payment of:

(a) any administrative costs incurred by Foundation Life for paying Eligible Policyholders' cash entitlements under the Scheme that are unable to be met by Foundation Life from its budget; and

(b) all costs incurred in relation to the winding-up and de-registration of Foundation Life from the New Zealand Companies Office register.

No further distributions shall be made to the Shareholder from the Participating Fund (aside from a final washup payment (if any) when the Participating Fund is closed).

8 GOVERNING LAW

8.1 Governing law

The Scheme is governed by the laws of New Zealand, and shall bind Foundation Life and all Eligible Policyholders pursuant to Part 15 of the Companies Act.

8.2 Submission to jurisdiction

Eligible Policyholders irrevocably submit to the exclusive jurisdiction of the courts of New Zealand in respect of any proceedings arising out of, or in connection with, the Scheme. Eligible Policyholders irrevocably waive any objection to the venue of any legal proceedings in New Zealand courts on the basis that the process has been brought in an inconvenient forum.

APPENDIX 6:
REPLACEMENT POLICY DOCUMENT (INCLUDING REPLACEMENT BENEFITS)

CHUBB®

Life Insurance

Policy Wording

Policy Wording

Contents

Introducing your policy 3

Your premium has been paid by FLNZ 3

You have 14 days to decide if Chubb Life Life Insurance is right for you 3

What you're covered for 3

Chubb Life's Insurance Promise 3

Life Benefit 3

Terminal Illness Benefit 3

Surrender value 3

Advanced Funeral Benefit 3

You agree to the following conditions 4

You need to let us know if your contact details change 4

When this policy will stop 4

Changing your cover 4

Cancelling your policy 4

Changing the policy owner 4

How to make a claim 4

Terms defined 4

If you need to register a complaint 5

IFSO contact details 5

About Chubb Life 5

Your insurance is protected by a statutory fund 5

Our privacy policy protects information you give us 5

Chubb Life's Financial Strength Rating 5

How to contact us 5

Introducing your policy

This Life Insurance *policy* pays you a lump sum on the death of the *life insured* or earlier diagnosis of the *life insured* with a *terminal illness*.

This *policy* is underwritten by Chubb Life Insurance New Zealand Limited (Chubb Life) which will be responsible for all claims and administration relating to this *policy*.

Please read this *policy* wording and your *policy summary* carefully.

These documents describe the terms and conditions that apply to your *policy* and form the basis of the contract between you and Chubb Life.

In this *policy* wording and *policy summary*:

- we, us or our means Chubb Life Insurance New Zealand Limited (Chubb Life), the insurer and underwriter of your *policy*
- you and your means the *policy owner* named on the *policy summary*.

Other important words and terms used throughout this *policy* wording that have a special meaning are shown in *italics*. The meaning of these words and terms are given on page 4 'Defined terms'.

All payments made under this *policy* are in New Zealand currency.

If you have any questions, please contact us. You'll find our contact details on page 5.

Your premium has been paid by FLNZ

Your premium has been paid by Foundation Life (NZ) Limited (FLNZ) on your behalf for this *policy*.

No further premiums are due.

You have 14 days to decide if Chubb Life Life Insurance is right for you

We offer you 14 days to make sure you're happy with your insurance. If for any reason you want to cancel this *policy*, please call us.

If you cancel within this 14-day period, the premium that has been paid by FLNZ on your behalf in relation to this *policy* will be refunded to FLNZ. It will then be FLNZ's responsibility to pay you your cash benefit, or the remaining cash benefit if you have already received a cash payment from FLNZ.

If you cancel outside this 14-day period, there will be a surrender value payable as described under 'What you're covered for'.

What you're covered for

Chubb Life's Insurance Promise

Chubb Life will pay you the benefits shown on the *policy summary* and as described here, provided all the conditions under this *policy* are met.

Life Benefit

We guarantee to pay the current *life cover amount* to you if the *life insured* dies on or after the effective start date of this *policy* and the following apply:

- this *policy* is in force
- the *life cover amount* hasn't been paid out as a result of a *terminal illness* claim.

Terminal Illness Benefit

If the *life insured* is diagnosed with a *terminal illness*, we'll pay you the current *life cover amount*, up to a maximum of $500,000.

We'll reduce your *life cover amount* by the amount paid under this benefit. The remaining *life cover amount* will be payable on the death of the *life insured*.

If we pay a Terminal Illness Benefit equal to the current *life cover amount*, the *policy* will end and no further benefits will be payable.

Surrender Value

A surrender value will be payable if you cancel this *policy* any time after the first 14 days, provided no valid claim has been made under this *policy*.

The surrender value is not guaranteed and will never be more than the premium paid by FLNZ to us for this *policy*.

The surrender value is a cash value determined by Chubb Life. The surrender value is lower than the death benefit of your *policy*.

Surrender values are determined at the time you surrender, taking into account your *policy* details, such as, the age and gender of the *life insured*, the premium that was paid for your cover, your sum insured, and the length of time you have held the Chubb Life *policy*.

Advanced Funeral Benefit

We'll pay you an Advanced Funeral Benefit on receipt of evidence of the *life insured's* death.

The amount payable will be the lesser of:

- $15,000; and
- 5% of the current *life cover amount*.

We'll reduce your current *life cover amount* by the amount paid under this benefit.

We have the right to recover any amount we pay to you under this benefit if the Life Benefit claim is then declined.

We'll only pay a maximum of $15,000 for the Advanced Funeral Benefit for all life insurance policies issued by Chubb Life in respect of the *life insured*.

You agree to the following conditions

You need to let us know if your contact details change

We'll send correspondence to the most recent contact details we hold for you, so if your details change please let us know. It's your responsibility to give us your new contact details so we can continue to send you important information about your *policy*.

When this policy will stop

We'll stop the *policy* when any of the following happens:

- you ask us to cancel this *policy*
- we pay out the full *life cover amount* due to death or diagnosis of a *terminal illness*.

Changing your cover

It's important to review your insurance regularly to make sure you have the right amount and type of cover for your needs. Simply contact us to discuss your options.

Any alternative cover may have different terms and conditions from this *policy*, which we can explain to you.

Cancelling your policy

You can cancel your *policy* at any time by calling us. There is a surrender value payable if you cancel this *policy* after the first 14 days, provided no valid claim has been made as described on page 3 'What you're covered for'.

If you cancel within the first 14 days, you'll receive a payment from FLNZ as described on page 3 'Introducing your Policy'.

Changing the policy owner

You can transfer *policy* ownership at any time, by contacting us. We'll need to register the transfer for it to be legally recognised.

How to make a claim

If you or your beneficiaries need to make a claim, contact us as soon as possible and we'll guide you through the process.

Phone 0800 900 047 or
+64 4 931 9772 if you're calling from overseas

Email Claims.NZ@chubb.com
Mail Chubb Life Insurance New Zealand Limited
Private Bag 92131
Victoria Street West
Auckland 1142

You'll need to complete a claim form and return it to us together with any information we ask for to assess your claim.

Any medical information we need to support your claim must be:

- provided by appropriately qualified medical practitioners registered in New Zealand or Australia (or any other country approved of by us)
- paid for by you.

If we require the *life insured* to have any other examinations or tests to confirm that the *life insured* is suffering a *terminal illness*, these costs will be met by us.

Terms defined

Life cover amount means the amount, as stated on the *policy summary*, or as changed due to any early payment made as described on page 3, that this *policy* will pay if the *life insured* dies.

Life insured means the person whose life is insured under this *policy*.

Policy means the terms and conditions applying to this insurance as described in the *policy* wording and the *policy summary*.

Policy owner means the person(s) named on the *policy summary*, or the assignee(s) named on the most recent change of *policy* ownership form, who is responsible for this *policy*.

Policy summary means the summary sent to you with this document (or any replacement summary), that lists details specific to your cover.

Terminal illness means an illness that we believe will result in the death of the *life insured* within 12 months of the *policy owner* applying for a Terminal Illness Benefit.The illness must be diagnosed while this *policy* is active. This illness must be supported by written diagnosis and prognosis by a registered medical practitioner.

If you need to register a complaint

If you have a complaint, please contact us on the details below to discuss it. We'll start our internal process for resolving complaints.

If you're not happy with what we suggest to fix the problem, you can contact the Insurance and Financial Services Ombudsman Scheme (IFSO Scheme). We're a member of this scheme, which is a free, independent service that can help settle any dispute you're unable to resolve with us. They will determine any dispute or action relating to this *policy* according to New Zealand law.

IFSO contact details

Post PO Box 10845, Wellington 6143
Phone 0800 888 202 or
+64 4 499 7612 if you're calling from overseas
Email info@ifso.nz
Website www.ifso.nz

About Chubb Life

Chubb Life is one of the country's leading providers of life insurance.

We've been operating in New Zealand for more than a century and are committed to being there for our customers when they need us most.

A copy of Chubb Life's latest financial statements is available on request.

Your insurance is protected by a statutory fund

We are required under the Insurance (Prudential Supervision) Act 2010 to establish a statutory fund. The statutory fund relevant to your *policy* is Chubb Life's Statutory Fund Number One.

Our privacy policy protects information you give us

We'll hold any details you provide securely and will only use them to provide you with quotations and information about our products and services, and to administer your *policy*. We'll never disclose your details to any third parties, except to set up and administer any *policy* you wish to take out.

We may contact you with information about products and services we feel may be of interest to you. If you'd prefer not to be contacted about these products and services, please call us.

Under the Privacy Act, you have the right to access and correct personal information provided by you. For more information on our privacy policy please refer to our full privacy statement at www.chubb.com/nz-en/footer/life-privacy or contact us on 0800 900 047.

This privacy policy also applies to the *life insured*.

Chubb Life's Financial Strength Rating

We have an A (Excellent) financial strength rating which was given by A.M. Best Company Inc. The rating scale is:

Secure		Vulnerable	
A++ A+	Superior	B B-	Fair
A A-	Excellent	C++ C+	Marginal
B++ B+	Good	C C-	Weak
		D	Poor
		E	Under regulatory Supervision
		F	In Liquidation
		S	Suspended

For more rating information visit
www.ambest.com/ratings/guide.pdf

How to contact us

By phone 0800 900 047 or
+64 4 931 9772 if you're calling from overseas

By email Getintouch.NZ@chubb.com
for general information about your *policy* such as premiums and address changes

ChubbLifeComplaints.NZ@chubb.com
to register a complaint

Claims.NZ@chubb.com
to request a claim form or ask any questions related to a claim

By letter Chubb Life Insurance New Zealand Limited
Private Bag 92131
Victoria Street West
Auckland 1142

CHUBB®

Chubb Life Insurance New Zealand Limited (Chubb Life)
Private Bag 92131, Victoria Street West, Auckland 1142
Toll Free **T** 0800 0900 047 **E** Getintouch.NZ@chubb.com

Guaranteed Insurability Benefit Terms And Conditions

Your Life Insurance policy includes a Guaranteed Insurability Benefit which gives you the option to take out additional cover for the *life insured*, without having to answer any medical questions or provide further evidence of the *life insured's* health.

You have 14 days to decide if this insurance is right for you

We offer you 14 days to make sure you're happy with your insurance. If for any reason you want to cancel this benefit, please call us. If you cancel within this 14-day period, the premium that has been paid by FLNZ on your behalf in relation to this benefit will be refunded to FLNZ. It will then be FLNZ's responsibility to pay you your cash benefit, or the remaining cash benefit if you have already received a cash payment from FLNZ.

If you cancel outside this 14-day period, there will be no surrender value payable.

How this benefit works

When you exercise this benefit we will issue a new Chubb Life Assurance Extra Life Cover policy, or any other similar policy that is issued by Chubb Life at the time. You won't need to provide evidence of the *life insured's* current health unless you are taking additional benefits. If you exercise this benefit more than once then we may choose to increase the amount of cover under the latest policy issued. The premiums for any new policy issued, or increase in cover will be based on the *life insured's* age at the time you exercise this benefit.

Each time you exercise this benefit the additional amount of cover you can take is the lesser of $40,000 or the *cover amount* you originally selected, as shown in your *policy summary*.

This benefit can be exercised on or within three months following the *life insured's* 20th, 24th, 28th, 32nd, 36th, 40th and 44th birthdays, known as birthday option.

Alternatively this benefit can be exercised before, and as a replacement to the *life insured's* next birthday option, within three months of either of the following events:

- The birth of a child to the *life insured* or their spouse or partner (or the legal adoption of a child)
- The *life insured* gets legally married or enters into a civil union.

When the benefit will end

This benefit will end when it reaches the expiry date shown in your *policy summary*.

CIG0386 V1

CHUBB®

Chubb Life Insurance New Zealand Limited (Chubb Life)
Private Bag 92131, Victoria Street West, Auckland 1142
Toll Free **T** 0800 0900 047 **E** Getintouch.NZ@chubb.com

Supplementary Disablement Benefit Terms And Conditions

Your Life Insurance policy includes a Disablement Benefit which provides cover if the *life insured* becomes totally and permanently disabled through illness or injury.

This benefit will provide you with a lump sum *cover amount* as outlined in the *policy summary*.

Your premium has been paid by FLNZ

Your premium has been paid by Foundation Life (NZ) Limited (FLNZ) on your behalf for this *policy*.

No further premiums are due.

You have 14 days to decide if this insurance is right for you

We offer you 14 days to make sure you're happy with your insurance. If for any reason you want to cancel this benefit, please call us.

If you cancel within this 14-day period, the premium that has been paid by FLNZ on your behalf in relation to this benefit will be refunded to FLNZ. It will then be FLNZ's responsibility to pay you your cash benefit, or the remaining cash benefit if you have already received a cash payment from FLNZ.

If you cancel outside this 14-day period, there will be no surrender value payable.

What you're not covered for

We won't pay any Disablement Benefit if the *life insured* becomes totally and permanently disabled:

- directly or indirectly by, or consequential upon, an act or acts of intentional self-inflicted injury; or
- after the policy anniversary date following their 60th birthday.

When this benefit will stop

We'll stop this benefit when any of the following happens:

- we pay the full *cover amount* under a claim; or
- the benefit reaches the expiry date shown in your *policy summary*, which is the policy anniversary date following the *life insured*s 60th birthday.

Meaning of totally and permanently disabled under this benefit

Totally and permanently disabled means:

i. the complete, total and irrecoverable functional loss, as supported by medical evidence, of:
   a. both hands; or
   b. both feet; or
   c. one hand and one foot; or
   d. one hand/foot and one eye; or
   e. loss of the sight in both eyes;

ii. because of an illness or injury, the *life insured* both:
   a. is unable to work, and hasn't worked, in their pre-disability employment for at least 6 months in a row; and
   b. in our opinion, after consideration of medical evidence satisfactory to us, is unlikely to ever be able to work in their pre-disability occupation or any gainful occupation that they're suitable for (based on their education, training, or experience).

CIG0387 V1

CHUBB®

Reducing Term

Policy Wording

Policy Wording

Contents

Introducing your policy 3

Your premium has been paid by FLNZ 3

You have 14 days to decide if Chubb Life Life Insurance is right for you 3

What you're covered for 3

Chubb Life's Insurance Promise 3

Life Benefit 3

Terminal Illness Benefit 3

You agree to the following conditions 3

You need to let us know if your contact details change 3

When this policy will stop 3

Changing your cover 4

Conversion option 4

Cancelling your policy 4

Changing the policy owner 4

How to make a claim 4

Terms defined 4

If you need to register a complaint 5

IFSO contact details 5

About Chubb Life 5

Your insurance is protected by a statutory fund 5

Our privacy policy protects information you give us 5

Chubb Life's Financial Strength Rating 5

How to contact us 5

Introducing your policy

This Reducing Term insurance *policy* pays you a lump sum on the death of the *life insured* or earlier diagnosis of the *life insured* with a *terminal illness*.

This *policy* is underwritten by Chubb Life Insurance New Zealand Limited (Chubb Life) which will be responsible for all claims and administration relating to this *policy*.

Please read this *policy* wording and your *policy summary* carefully.

These documents describe the terms and conditions that apply to your *policy* and form the basis of the contract between you and Chubb Life.

In this *policy* wording and *policy summary*:

- we, us or our means Chubb Life Insurance New Zealand Limited (Chubb Life), the insurer and underwriter of your *policy*
- you and your means the *policy owner* named on the *policy summary*.

Other important words and terms used throughout this *policy* wording that have a special meaning are shown in *italics*. The meaning of these words and terms are given in section 6 'Terms defined'.

All payments made under this *policy* are in New Zealand currency.

If you have any questions, please contact us. You'll find our contact details on page 5.

Your premium has been paid by FLNZ

Your premium has been paid by Foundation Life (NZ) Limited (FLNZ) on your behalf for this *policy*.

No further premiums are due.

You have 14 days to decide if Chubb Life Reducing Term insurance is right for you

We offer you 14 days to make sure you're happy with your insurance. If for any reason you want to cancel this *policy*, please call us.

If you cancel within this 14-day period, the premium that has been paid by FLNZ on your behalf in relation to this *policy* will be refunded to FLNZ. It will then be FLNZ's responsibility to pay you your cash benefit, or the remaining cash benefit if you have already received a cash payment from FLNZ.

If you cancel outside this 14-day period, there will be no surrender value payable.

What you're covered for

Chubb Life's Insurance Promise

Chubb Life will pay you the benefits shown on the *policy summary* and as described here, provided all the conditions of this *policy* are met.

Life Benefit

We guarantee to pay the *current cover amount* to you if the *life insured* dies on or after the effective start date and before the *expiry date* of this *policy*, and all of the following apply:

- this *policy* is in force
- the *current cover amount* hasn't been paid out as a result of a *terminal illness* claim.

Your *cover amount* will reduce each year following the *life insureds* 41st birthday, as outlined in your *policy summary*.

Terminal Illness Benefit

If the *life insured* is diagnosed with a *terminal illness*, we'll pay you the *current cover amount*.

If we pay a Terminal Illness Benefit equal to the *current cover amount*, the *policy* will end, and no further benefits will be payable.

You agree to the following conditions

You need to let us know if your contact details change

We'll send correspondence to the most recent contact details we hold for you, so if your details change please let us know. It's your responsibility to give us your new contact details so we can continue to send you important information about your *policy*.

When this policy will stop

We'll stop this *policy* when any of the following happens:

- the *policy* reaches its *expiry date* shown on your *policy summary*
- you ask us to cancel this *policy*
- we pay out the full *current cover amount* due to death or diagnosis of a *terminal illness*.

Changing your cover

It's important to review your insurance regularly to make sure you have the right amount and type of cover for your needs. Simply contact us to discuss your options.

Any alternative cover may have different terms and conditions from this *policy*, which we can explain to you.

Conversion option

If your *policy* includes a conversion option, it will be shown on your *policy summary*.

A conversion option will allow you to convert all or part of your cover under this *policy* to a new Chubb Life *policy*. The new *policy* can be Chubb Life Assurance Extra Life Cover, or another similar *policy* that is issued by Chubb Life at the time.

To use this conversion option you must not have had any claims paid under this *policy* and it must not be cancelled.

If you convert your *policy* to the same or lesser amount as your *current cover amount*, you won't need to provide evidence of the *life insured's* current health.

If you choose to apply for cover that is more than the *current cover amount*, or take additional benefits, you may need to provide evidence of the *life insured's* current health.

If you convert the full *current cover amount* under this *policy*, it will end when the new *policy* is issued.

The following conditions apply to this conversion option:

- the minimum amount of cover that can be converted is $2,000
- if you convert a part of this *policy*, the remaining *cover amount* of this *policy* must not be less than $1,000
- the conversion must be exercised at least 10 years prior to the *expiry date*.

The premiums for any new *policy* issued under this conversion option will be based on Chubb Life's standard premium rates at the time for that type of *policy*.

Cancelling your Policy

You can cancel your *policy* at any time, by calling us. There is no surrender value for this *policy* if you cancel it after the first 14 days.

If you cancel within the first 14 days, you'll receive a payment from FLNZ as described on page 3 'Introducing your Policy'

Changing the policy owner

You can transfer *policy* ownership at any time by contacting us. We'll need to register the transfer for it to be legally recognised.

How to make a claim

If you or your beneficiaries need to make a claim, contact us as soon as possible and we'll guide you through the process.

Phone 0800 900 047 or
+64 4 931 9772 if you're calling from overseas

Email Claims.NZ@chubb.com
Mail Chubb Life Insurance New Zealand Limited
Private Bag 92131
Victoria Street West
Auckland 1142

You'll need to complete a claim form and return it to us together with any information we ask for to assess your claim.

Any medical information we need to support your claim must be:

- provided by appropriately qualified medical practitioners registered in New Zealand or Australia (or any other country approved of by us)
- paid for by you.

If we require the *life insured* to have any other examinations or tests to confirm that the *life insured* is suffering a *terminal illness*, these costs will be met by us.

Terms defined

Cover amount means the amount, as stated on the *policy summary*, that this *policy* will pay if the *life insured* dies.

Current cover amount means the *cover amount*, as changed under this *policy* and stated on the most recent *policy summary*, that this *policy* will pay if the *life insured* dies.

Expiry date means the date, as stated on the *policy summary*, on which cover under this *policy* ends.

Life insured means the person who is insured under this *policy*.

Policy means the terms and conditions applying to this insurance as described in this *policy* wording and the *policy summary*.

Policy owner means the person(s) named on the *policy summary*, or the assignee(s) named on the most recent change of *policy* ownership form, who is responsible for this *policy*.

Policy Summary means the summary sent to you with this document (or any replacement summary), that lists details specific to your cover.

Terminal Illness means an illness that we believe will result in the death of the *life insured* within 12 months of the *policy owner* applying for a Terminal Illness Benefit. The illness must be diagnosed while this *policy* is active. This illness must be supported by written diagnosis and prognosis by a registered medical practitioner.

If you need a register a compliant

If you have a complaint, please contact us on the details below to discuss it. We'll start our internal process for resolving complaints.

If you're not happy with what we suggest to fix the problem, you can contact the Insurance and Financial Services Ombudsman Scheme (IFSO Scheme). We're a member of this scheme, which is a free, independent service that can help settle any dispute you're unable to resolve with us. They will determine any dispute or action relating to this *policy* according to New Zealand law.

IFSO contact details

Post PO Box 10845, Wellington 6143
Phone 0800 888 202 or
+64 4 499 7612 if you're calling from overseas
Email info@ifso.nz
Website www.ifso.nz

About Chubb Life

Chubb Life is one of the country's leading providers of life insurance.

We've been operating in New Zealand for more than a century and are committed to being there for our customers when they need us most.

A copy of Chubb Life's latest financial statements is available on request.

Your insurance is protected by a statutory fund

We are required under the Insurance (Prudential Supervision) Act 2010 to establish a statutory fund. The statutory fund relevant to your *policy* is Chubb Life's Statutory Fund Number One.

Our privacy policy protects information you give us

We'll hold any details you provide securely and will only use them to provide you with quotations and information about our products and services, and to administer your *policy*. We'll never disclose your details to any third parties, except to set up and administer any *policy* you wish to take out.

We may contact you with information about products and services we feel may be of interest to you. If you'd prefer not to be contacted about these products and services, please call us.

Under the Privacy Act, you have the right to access and correct personal information provided by you. For more information on our privacy policy please refer to our full privacy statement at www.chubb.com/nz-en/footer/life-privacy or contact us on 0800 900 047.

This privacy policy also applies to the *life insured*.

Chubb Life's Financial Strength Rating

We have an A (Excellent) financial strength rating which was given by A.M. Best Company Inc. The rating scale is:

Secure		Vulnerable	
A++ A+	Superior	B B-	Fair
A A-	Excellent	C++ C+	Marginal
B++ B+	Good	C C-	Weak
		D	Poor
		E	Under regulatory Supervision
		F	In Liquidation
		S	Suspended

For more rating information visit
www.ambest.com/ratings/guide.pdf

How to contact us

By phone 0800 900 047 or
+64 4 931 9772 if you're calling from overseas

By email Getintouch.NZ@chubb.com
for general information about your *policy* such as premiums and address changes

ChubbLifeComplaints.NZ@chubb.com
to register a complaint

Claims.NZ@chubb.com
to request a claim form or ask any questions related to a claim

By letter Chubb Life Insurance New Zealand Limited
Private Bag 92131
Victoria Street West
Auckland 1142

CHUBB®

Level Term

Policy Wording

Policy Wording

Contents

Introducing your policy 3

Your premium has been paid by FLNZ 3

You have 14 days to decide if Chubb Life Life Insurance is right for you 3

What you're covered for 3

Chubb Life's Insurance Promise 3

Life Benefit 3

Terminal Illness Benefit 3

You agree to the following conditions 3

You need to let us know if your contact details change 3

When this policy will stop 3

Changing your cover 4

Conversion option 4

Cancelling your policy 4

Changing the policy owner 4

How to make a claim 4

Terms defined 4

If you need to register a complaint 5

IFSO contact details 5

About Chubb Life 5

Your insurance is protected by a statutory fund 5

Our privacy policy protects information you give us 5

Chubb Life's Financial Strength Rating 5

How to contact us 5

Introducing your Policy

This Level Term insurance *policy* pays you a lump sum on the death of the *life insured* or earlier diagnosis of the *life insured* with a *terminal illness*.

This *policy* is underwritten by Chubb Life Insurance New Zealand Limited (Chubb Life) which will be responsible for all claims and administration relating to this *policy*.

Please read this *policy* wording and your *policy summary* carefully.

These documents describe the terms and conditions that apply to your *policy* and form the basis of the contract between you and Chubb Life.

In this *policy* wording and *policy summary*:

- we, us or our means Chubb Life Insurance New Zealand Limited (Chubb Life), the insurer and underwriter of your *policy*
- you and your means the *policy owner* named on the *policy summary*.

Other important words and terms used throughout this *policy* wording that have a special meaning are shown in *italics*. The meaning of these words and terms are given on page 4 'Terms defined'.

All payments made under this *policy* are in New Zealand currency.

If you have any questions, please contact us. You'll find our contact details on page 5.

Your premium has been paid by FLNZ

Your premium has been paid by Foundation Life (NZ) Limited (FLNZ) on your behalf for this *policy*.

No further premiums are due.

You have 14 days to decide if Chubb Life Level Term Insurance is right for you

We offer you 14 days to make sure you're happy with your insurance. If for any reason you want to cancel this *policy*, please call us.

If you cancel within this 14-day period, the premium that has been paid by FLNZ on your behalf in relation to this *policy* will be refunded to FLNZ. It will then be FLNZ's responsibility to pay you your cash benefit, or the remaining cash benefit if you have already received a cash payment from FLNZ.

If you cancel outside this 14-day period, there will be no surrender value payable.

What you're covered for

Chubb Life's Insurance Promise

Chubb Life will pay you the benefits shown on the *policy summary* and as described here, provided all the conditions of this *policy* are met.

Life Benefit

We guarantee to pay the current *cover amount* to you if the *life insured* dies on or after the effective start date and before the *expiry date* of this *policy*, and all of the following apply:

- this *policy* is in force
- the *cover amount* hasn't been paid out as a result of a *terminal illness* claim.

Terminal Illness Benefit

If the *life insured* is diagnosed with a *terminal illness*, we'll pay you the current *cover amount*, up to a maximum of $500,000.

We'll reduce your *cover amount* by the amount paid under this benefit. The remaining *cover amount* will be payable on the death of the *life insured*.

If we pay a Terminal Illness Benefit equal to the current *cover amount*, the *policy* will end, and no further benefits will be payable.

You agree to the following conditions

You need to let us know if your contact details change

We'll send correspondence to the most recent contact details we hold for you, so if your details change please let us know. It's your responsibility to give us your new contact details so we can continue to send you important information about your *policy*.

When this policy will stop

We'll stop this *policy* when any of the following happens:

- the *policy* reaches its *expiry date* shown on your *policy summary*
- you ask us to cancel this *policy*
- we pay out the full *cover amount* due to death or diagnosis of a *terminal illness*.

Changing your cover

It's important to review your insurance regularly to make sure you have the right amount and type of cover for your needs. Simply contact us to discuss your options.

Any alternative cover may have different terms and conditions from this *policy*, which we can explain to you.

Conversion option

If your *policy* includes a conversion option, it will be shown on your *policy* summary.

A conversion option will allow you to convert all or part of your cover under this *policy* to a new Chubb Life *policy*. The new *policy* can be Chubb Life Assurance Extra Life Cover, or any other similar *policy* that is issued by Chubb Life at the time.

To use this conversion option you must not have had any claims paid under this *policy* and it must not be cancelled.

If you convert your *policy* to the same or lesser amount as your current *cover amount*, you won't need to provide evidence of the *Life Insured's* current health.

If you choose to apply for cover that is more than the current *cover amount*, or take additional benefits, you may need to provide evidence of the *Life Insured's* current health.

If you convert the full *cover amount* under this *policy*, it will end when the new *policy* is issued.

If you convert part of the *cover amount* under this *policy*, the remaining *cover amount* of this *policy* must not be less than $10,000.

The premiums for any new *policy* issued under this conversion option will be based on Chubb Life's standard premium rates at the time for that type of *policy*.

Cancelling your Policy

You can cancel your *policy* at any time by calling us. There is no surrender value for this *policy* if you cancel it after the first 14 days.

If you cancel within the first 14 days, you'll receive a payment from FLNZ as described on page 3 'Introducing your *policy*'

Changing the policy owner

You can transfer *policy* ownership at any time by contacting us. We'll need to register the transfer for it to be legally recognised.

How to make a claim

If you or your beneficiaries need to make a claim, contact us as soon as possible and we'll guide you through the process.

Phone 0800 900 047 or
+64 4 931 9772 if you're calling from overseas

Email Claims.NZ@chubb.com
Mail Chubb Life Insurance New Zealand Limited
Private Bag 92131
Victoria Street West
Auckland 1142

You'll need to complete a claim form and return it to us together with any information we ask for to assess your claim.

Any medical information we need to support your claim must be:

- provided by appropriately qualified medical practitioners registered in New Zealand or Australia (or any other country approved of by us)
- paid for by you.

If we require the *life insured* to have any other examinations or tests to confirm that the *life insured* is suffering a *terminal illness*, these costs will be met by us.

Terms defined

Cover amount means the amount, as stated on the *policy* summary, or as changed due to any early payment made as described on page 3, that this *policy* will pay if the *life insured* dies.

Expiry date means the date, as stated on the *policy summary*, on which cover under this *policy* ends.

Life insured means the person who is insured under this *policy*.

Policy means the terms and conditions applying to this insurance as described in this *policy* wording and the *policy summary*.

Policy owner means the person(s) named on the *policy summary*, or the assignee(s) named on the most recent change of *policy* ownership form, who is responsible for this *policy*.

Policy Summary means the summary sent to you with this document (or any replacement summary), that lists details specific to your cover.

Terminal Illness means an illness that we believe will result in the death of the *life insured* within 12 months of the *policy owner* applying for a Terminal Illness Benefit. The illness must be diagnosed while this *policy* is active. This illness must be supported by written diagnosis and prognosis by a registered medical practitioner.

If you need a register a compliant

If you have a complaint, please contact us on the details below to discuss it. We'll start our internal process for resolving complaints.

If you're not happy with what we suggest to fix the problem, you can contact the Insurance and Financial Services Ombudsman Scheme (IFSO Scheme). We're a member of this scheme, which is a free, independent service that can help settle any dispute you're unable to resolve with us. They will determine any dispute or action relating to this *policy* according to New Zealand law.

IFSO contact details

Post PO Box 10845, Wellington 6143
Phone 0800 888 202 or
+64 4 499 7612 if you're calling from overseas
Email info@ifso.nz
Website www.ifso.nz

About Chubb Life

Chubb Life is one of the country's leading providers of life insurance.

We've been operating in New Zealand for more than a century and are committed to being there for our customers when they need us most.

A copy of Chubb Life's latest financial statements is available on request.

Your insurance is protected by a statutory fund

We are required under the Insurance (Prudential Supervision) Act 2010 to establish a statutory fund. The statutory fund relevant to your *policy* is Chubb Life's Statutory Fund Number One.

Our privacy policy protects information you give us

We'll hold any details you provide securely and will only use them to provide you with quotations and information about our products and services, and to administer your *policy*. We'll never disclose your details to any third parties, except to set up and administer any *policy* you wish to take out.

We may contact you with information about products and services we feel may be of interest to you. If you'd prefer not to be contacted about these products and services, please call us.

Under the Privacy Act, you have the right to access and correct personal information provided by you. For more information on our privacy policy please refer to our full privacy statement at www.chubb.com/nz-en/footer/life-privacy or contact us on 0800 900 047.

This privacy policy also applies to the *life insured*.

Chubb Life's Financial Strength Rating

We have an A (Excellent) financial strength rating which was given by A.M. Best Company Inc. The rating scale is:

Secure		Vulnerable	
A++ A+	Superior	B B-	Fair
A A-	Excellent	C++ C+	Marginal
B++ B+	Good	C C-	Weak
		D	Poor
		E	Under regulatory Supervision
		F	In Liquidation
		S	Suspended

For more rating information visit
www.ambest.com/ratings/guide.pdf

How to contact us

By phone 0800 900 047 or
+64 4 931 9772 if you're calling from overseas

By email Getintouch.NZ@chubb.com
for general information about your *policy* such as premiums and address changes

ChubbLifeComplaints.NZ@chubb.com
to register a complaint

Claims.NZ@chubb.com
to request a claim form or ask any questions related to a claim

By letter Chubb Life Insurance New Zealand Limited
Private Bag 92131
Victoria Street West
Auckland 1142

APPENDIX 7:
FOUNDATION LIFE AND THE CURRENT POLICIES

7.1 Summary of Foundation Life's life insurance business

Foundation Life is a Reserve Bank licensed life insurer. Foundation Life was previously known as TOWER Life (N.Z.) Limited, and formally changed its name to Foundation Life on 29 January 2015, after being acquired by the Shareholder from TOWER Insurance Limited on 29 August 2014.

Foundation Life's life insurance business comprises (all figures are as at 31 December 2024):

- a participating business, with 27,588 Policyholders who hold one or more Whole of Life Policies and/or one or more Endowment Policies. At 31 December 2024, there were 25,424 Whole of Life Policies and 623 Endowment Policies. These 26,047 policies which remain in force at 5.00pm on the Record Date and do not have fixed maturity dates before the Effective Date are the Current Policies, to which the proposed Scheme relates; and
- a non-participating business, with 75 policyholders who hold term life insurance and/or Fisher Funds FuturePlan cover.

The Scheme does not relate to the non-participating business, and non-participating policyholders' contractual rights are unaffected by the Scheme proposal. The Appointed Actuary has confirmed that the security of the non participating policyholders is very well protected if the transfer of their policies to Chubb Life fails but the Scheme proceeds.

7.2 Foundation Life's ownership and corporate structure

Foundation Life is a wholly-owned subsidiary of the Shareholder, a New Zealand holding company. The Shareholder is a private company that was set up to focus on the acquisition and long term prudential management of life insurance portfolios that are no longer being actively marketed. The Shareholder is a wholly-owned subsidiary of Foundation Life Nominees, an Australian holding company, which is ultimately owned by a range of investors.

7.3 Foundation Life's board of directors and relevant officers

Foundation Life's board of directors comprises three directors, Tim Sole (Independent Chairman), James Ogden (Independent Director), and Richard Davies (Non-Independent Executive Director). Details of the Directors, including their qualifications and experience, are set out below.

- ***Tim Sole BSc (Hons), MBA, Independent Chairman:*** Tim is a recently retired actuary and chartered statistician and has spent 26 years of his career as a Chief Executive. He is a former Chief Executive of Royal and Sun Alliance Life, State Insurance, Public Trust, and New Zealand Local Government Insurance Corporation Limited and he has worked as an actuary in the UK, Australia and New Zealand. His roles in New Zealand have included Chairman of the Life Office Association, Chairman of the Insurance and Savings Ombudsman Scheme and Chairman of the New Zealand Export Credit Office Advisory Board.

- ***James Ogden BCA (Hons), FCA, CFinstD, INFINZ (Cert), Independent Director:*** James provides consulting services to organisations in the private sector on mergers and acquisitions and investment strategy. His current directorships include: Chair of the Investment Committee of Pencarrow Fund V and Pencarrow Bridge Fund. Before becoming a consultant and director, James had extensive investment banking experience including six years as Country Manager for Macquarie Bank Limited and five years as a Director of Credit Suisse First Boston. James worked for eight years in the New Zealand dairy industry in chief executive and finance roles and in London for six years in finance roles. James has a professional accounting background with extensive experience in investment banking and capital markets. He is a Fellow of the Chartered Accountants of Australia and New Zealand, Chartered Fellow of the Institute of Directors, Member of the Institute of Finance Professionals New Zealand Inc. and a former New Zealand Stock Exchange Broker.
- ***Richard Davies B Ec, LLB (Hons), MBA (Hons)), Non-Independent Executive Director:*** Richard has over 23 years of broad financial markets experience with both public and private capital markets as an analyst, investor and director in both Australia and the United States. This experience includes founding Roadnight Capital, and managing the investment portfolio of the Bori Liberman Family which involved backing and financing start up payments and financial services companies and turning around a more than $1 billion property business. Between 1998 and 2002, Richard worked at Tiger Management and Kicap Management in New York. Prior to this, Richard practised as a lawyer at Baker & McKenzie and Freehills.

Insurance Legislation requires Foundation Life, as a licensed insurer, to have appointed a Chief Executive Officer, a Chief Financial Officer and an Appointed Actuary. Each of these persons is known as a "relevant officer", and have all been assessed as fit and proper persons as required by the Insurance Legislation. Foundation Life's relevant officers are:

- ***Grant Piercy (MBA with Distinction) Chief Executive Officer:*** Grant was appointed following FLNZH's purchase of Foundation Life, and had been responsible for the leadership of the business under its previous ownership since 2013. Previously, he was responsible for Foundation Life's operational activities for over six years, in his previous role as the Executive Strategy and Operations Manager at TOWER New Zealand. Grant has over 40 years' experience in the financial services industry, where he has held senior management positions in the insurance, funds management and banking sectors. The day to day leadership and management of Foundation Life is undertaken by the Chief Executive Officer under a formal delegation from the Foundation Life Directors, and by senior staff. The Chief Executive Officer is solely accountable to the Foundation Life Directors for management performance.
- ***Steve White (BCA) Chief Financial Officer:*** Steve was appointed as Chief Financial Officer in July 2024. Steve is a qualified Chartered Accountant who has over 30 years in the Financial Services and Insurance industries in both New Zealand, the United Kingdom and Singapore. Steve has held various finance and project management positions at Westpac Bank NZ, Barclays Bank UK, Barclays Bank Singapore and Credit Suisse Singapore. Steve joined Foundation Life in April 2019.
- ***Paul Swinhoe (FIA, FIAA, FNZSA) Appointed Actuary:*** Paul was appointed on 12 May 2016. For more information see **Section 1.3**.

7.4 Brief History of Foundation Life

TOWER Insurance began in 1869 when the New Zealand Government created the Government Life Insurance Office (*Government Life*). Government Life became a separate statutory body with the passing of the Government Life Insurance Act 1953, at which time it had around 500,000 policies. It was renamed TOWER Corporation in 1987. In 1990, ownership of TOWER Corporation was conferred to policyholders through the TOWER Corporation Act 1990 (the *TOWER Corporation Act*), allowing TOWER to be owned as a mutual association. During this time, the policies written by TOWER were dominated by whole of life and endowment with-profit policies (i.e. the type of Policies to which the proposed Scheme relates). TOWER also issued other policies including term insurance, insurance bonds, non-profit whole of life policies, group life policies and annuities.

TOWER undertook a demutualisation process in 1999 with the approval of its policyholders and the High Court by way of a scheme of arrangement under Part IV of the TOWER Corporation Act. The effect of this was to convert TOWER's legal status to a shareholder owned company. As part of the demutualisation, TOWER transferred its life insurance business to TOWER Life (N.Z.) Limited (now known as Foundation Life).

Following the demutualisation, TOWER Limited undertook a listing on the Australian and New Zealand stock exchanges in September 1999. On 1 November 2000, TOWER Life (N.Z.) Limited (now known as Foundation Life) ceased selling the policies to new customers, and closed its participating insurance book to new business. This decision was not peculiar to Foundation Life, with other New Zealand and Australian insurers ceasing to actively market whole of life and endowment policies around this time.

In 2012, TOWER made a decision to focus its business on general insurance and sell all other non-core businesses. As a result, in August 2014, FLNZH acquired TOWER Life (N.Z.) Limited, which is now known as Foundation Life.

7.5 The Participating Fund

Many Policyholders will be familiar with the structure of their Current Policies and the way in which the Participating Fund works. However, some more detailed information is set out below.

Participating Fund

The terms of the Current Policies require Foundation Life to account for and manage the Current Policies separately from its non-participating business. As a result, two sub-funds are maintained within the Statutory Fund. The Participating Fund backs the liabilities of the participating business and holds the retained profits of the Policyholders and some of the retained profits of the Shareholder.

Over time, a pool of assets has built up in the Participating Fund as premiums received were invested, and there were surrenders, deaths of Lives Insured and policy maturities. The assets of the Participating Fund are currently invested by Foundation Life in managed funds and direct investments managed by Fisher Funds Management Limited. The profits generated by the Participating Fund's investment activities, less claims and expenses, are accumulated in the Participating Fund together with new premiums received.

Participating Fund investment and profit allocations

Under the requirements of Insurance Legislation and Foundation Life's constitution, Policyholders are entitled to not less than 80% of the aggregate retained profits of the Participating Fund and the Shareholder is entitled to not more than 20%. The Shareholder is unable to access its share of the retained profits without making a distribution to the Policyholders, in the proportions above. The Policyholders' share of those profits is declared and allocated to the Policyholders in the form of Bonuses. The Bonuses reflect the profits that Foundation Life deems allocable to a Current Policy from the surpluses that have been declared. These surpluses are the profits of the Participating Fund that exceed the amount required to enable Foundation Life to prudently reserve for meeting Current Policy liabilities. Because it is not possible to calculate the exact amount of the Shareholder share of the retained profits until after the Scheme has been implemented, the Shareholder has agreed that the Shareholder Entitlement will be a fixed amount of $16.05m (or such lesser amount as the Shareholder may accept in its discretion, or which is required to comply with the Insurance Legislation).

7.6 The Current Policies

The Current Policies are a form of life insurance because the Current Policies guarantee payment of a minimum amount (the Initial Life Cover and declared Bonuses) on a Life Insured's death.

Whole of Life Policies pay out the Death Benefit at a Maturity Date which is when the Life Insured turns 95, or on the death or Terminal Illness of the Life Insured, if earlier. Endowment Policies pay out the Death Benefit at a Maturity Date elected by the Policyholder when the policy was issued (typically when the Life Insured turns 60 or 70), or on the death or Terminal Illness of the Life Insured, if earlier. Both Whole of Life Policies and Endowment Policies have historically paid Surrender Values if they are surrendered (given up) before a Final Claim Event occurs or the Maturity Date is reached (which is earlier). However, the payment of Surrender Values is not a policyholder right.

7.7 Summary of the key features of the Current Policies

The key benefit is the payment of claims on the death or Terminal Illness of the Life Insured or on the Maturity Date of the Current Policy.

Annual Bonuses

An allocation of surplus to Policyholders is made each year by Foundation Life (following actuarial review and recommendation) declaring Annual Bonuses for Policyholders. Annual Bonuses are declared by Foundation Life for the 12-month period ended 30 September. When setting Annual Bonuses, the Foundation Life Directors consider the recommendation of the amount of the Annual Bonuses made by the Appointed Actuary, and assess the prudence of the recommendation, taking into account Foundation Life's continuing solvency requirements and future expectations in relation to investment performance, mortality (death) rates and surrender rates (amongst other things). The declaration of the Annual Bonuses is discretionary. However, once declared, Annual Bonuses are guaranteed and increase the amount required to be paid to the Policyholder on the death or Terminal Illness of the Life Insured or the maturity of the Current Policy.

Additional Bonuses

If declared, an Additional Bonus is determined by Foundation Life with the support of the Appointed Actuary and is payable only on the occurrence of a Final Claim Event or on the Maturity Date (whichever is earlier). The amount of each Additional Bonus declared is determined taking into account the amount Current Policies have contributed broadly to the build-up of Participating Assets. A number of other factors are relevant, including the characteristics of the relevant Policyholder's Current Policy, Foundation Life's continuing solvency requirements and future expectations in relation to investment performance, mortality (death) rates and surrender rates (amongst other things). Additional Bonuses are drawn from undistributed profits held in the Participating Fund and are not guaranteed.

Reduction and cessation of Additional Bonus payments

In early 2016, Foundation Life (with the support of its appointed actuary at that time) sought to determine the possible nature and level of future Bonuses. It was concluded (on the basis of (then) current assumptions of low investment returns) that Additional Bonuses cannot be expected to be paid to Policyholders continuously into the future. As a result, Additional Bonuses are expected to be payable to policyholders of Whole of Life Policies at current rates only until 30 September 2025, and will then gradually reduce until 30 September 2035, after which time they are no longer expected to be payable. Additional Bonuses for Endowment Policies are no longer paid.

Current options for Policyholders to access the value of their Current Policy prior to the death or Terminal Illness of the Life Insured or maturity of their Current Policy

If a Policyholder is dissatisfied with their Annual Bonus levels or wants to cancel their Current Policy prior to a Final Claim Event and the Maturity Date for any reason, their only options are as follows:

- ***Surrender the Current Policy:*** A Policyholder may choose to surrender their Current Policy prior to a Final Claim Event and the Maturity Date, receiving the Surrender Value of their Current Policy, which is an amount which is less than the Death Benefit. The amount of the Surrender Value is not guaranteed under the Current Policy and is dependent on several factors. The Surrender Value methodology was reviewed in 2023 to improve equity issues for policyholders in the Participating Fund due to reducing asset values. The methodology considers the present value of a Policy's future benefits less premiums. It is augmented by a share of the present value of future expenses and taxes. The methodology also considers total premiums paid. Foundation Life now reviews Surrender Values three-monthly and will also do so on a significant and sustained change in interest rates. Foundation Life will stop allowing Current Policy surrenders (including partial surrenders) on and from the Scheme Approval Date.
- ***Loan against Current Policy value:*** A Policyholder may take out a loan against the value of their Current Policy, for a minimum of $1,000 up to 90 per cent of the Current Policy's Surrender Value. Policyholder loans currently attract interest of up to 8% per annum (which is reviewed by Foundation Life at least annually). Foundation Life will stop allowing new loans to be taken out from 5.00pm on the Choice Date.
- ***Sell the Current Policy to a third party:*** The market for second-hand Current Policies is very small. A Policyholder who wishes to sell their Current Policy may want to consider the above two options first.

Policyholders may also convert their Whole of Life Policy to an Endowment Policy or convert their Current Policy to a paid up Policy, which is discussed below. This contractual right is being discouraged by Foundation Life for Policyholders' benefit, because if the Scheme is approved Policyholders who converted their Current Policy would be adversely impacted. Foundation Life will allow conversion if a Policyholder demands this action.

Premiums

The premiums payable by each Policyholder were determined when the Current Policy was first issued and were based on the Initial Life Cover, the age of the Life Insured and their occupation (and perhaps their sports activities) when the Current Policy was issued, the Life Insured's gender, and the Life Insured's medical history.

Most of Foundation Life's participating business is on fixed premium rates, but some premiums have increased over time as a result of requests for increases in the life insurance cover, CPI adjustments, and the exercise of Rider Benefits.

Paid up Policies (PUPs)

Policyholders may cease paying premiums to make their Policy paid up (a PUP). Conversion to a PUP results in premiums already paid by the Policyholder being used to purchase a reduced level of Death Benefit. The amount by which the Death Benefit reduces is based on an actuarial calculation of the Current Policy's value that reflects the duration of that Policy, its term to maturity, and whether there is any Policy Debt, amongst other things. A PUP will continue to be entitled to receive future Bonuses, and a PUP may be surrendered or borrowed against.

Unpaid premiums

Policyholders are required to make all agreed regular premium payments for the contractual premium term of the Current Policy to receive the maximum value under their Current Policy on a Final Claim Event or on the Maturity Date (whichever is earlier).

If a Policyholder's premium has not been paid for more than 30 days after the premium due date, the Policyholder would be charged compound interest from the due date (currently 8% p.a. for Whole of Life and Endowment policies written from 1 January 1983 and 7% p.a. for Whole of Life and Endowment policies written prior to 1983). Outstanding premiums and interest are accumulated and deducted from the Surrender Value of the Current Policy. If a claim is made, the unpaid premium and interest would be deducted from the claim amount. The Current Policy will otherwise continue for so long as the Surrender Value continues to cover the unpaid premiums and interest charges. When overdue premiums and interest are equal to or exceed the Surrender Value of a Current Policy, the Policyholder is given the opportunity to make catch-up payments, or the Current Policy is lapsed and life cover ceases. Current Policy reinstatement is possible within 12 months of a Current Policy being lapsed if all arrears are paid in full, the Life Insured provides a health declaration, and Foundation Life consents to the reinstatement request. Foundation Life will not consent to a reinstatement after 5.00pm on the Record Date.

Rider Benefits

When the Current Policies were being actively marketed and sold, most of them included the option to add specific Rider Benefits which supplemented the benefits provided under the Current Policies. However, not many Rider Benefits now remain due to maximum age restrictions being reached for those Rider Benefits, and the discontinuance of actively marketing Rider Benefits over 30 years ago.

The remaining Rider Benefits at 31 December 2024 were:

- *Guaranteed Insurability Benefit (168 policies):* the Policyholder has the option to increase the Sum Insured under their Current Policy without evidence of health from the Life Insured by paying an additional premium. The maximum increase in Sum Insured available on any one life is $40,000. This option can be exercised by making an application to Foundation Life within three months of certain birthdays of the Life Insured (once every four years from age 20), on the marriage of the Life Insured or the birth or legal adoption of a child by the Life Insured. This rider expires on the Current Policy anniversary date after the Life Insured's 44th birthday, and may not exceed the contractual premium term of the Current Policy.

- *Supplementary Temporary Benefit (level term cover) (5 policies):* without evidence of health from the Life Insured and by paying an additional premium, the Policyholder may elect to increase the Sum Insured under their Policy for any term of 10 or more years, provided the new cover expires before the Current Policy anniversary closest to the Life Insured's 65th birthday, and may not exceed the term of the Current Policy. The Policyholder nominates an additional amount of life cover not less than $10,000, and not more than 10 times the Initial Life Cover under the Current Policy. If the Life Insured dies during the term of the benefit, the Death Benefit payable would be supplemented by this additional amount. This Rider Benefit also has the option to convert into a Whole of Life Policy or an Endowment Policy.
- *NT Term Benefit (level term cover) (1 policy):* this Rider Benefit operates in the same way as the Supplementary Temporary Benefit outlined above, but has no conversion option.
- *Decreasing Temporary Benefit (reducing term cover) (15 policies):* without evidence of health from the Life Insured and by paying an additional premium, the Policyholder may elect to take a number of units of life cover. The extra units have an initial value of $5,000 and decrease in value from the policy anniversary nearest to the Life Insured's 41st birthday. This Rider Benefit is only available until the anniversary nearest to the Life Insured's 60th or 65th birthday and must be exercised at least 10 years prior to its expiry. This Rider Benefit also has the option to convert into a Whole of Life Policy or an Endowment Policy.
- *Supplementary Disablement Maturity Benefit (1 policy):* this Rider Benefit allows the Policyholder to add, for an additional premium, a benefit that provides a lump sum cover if the Life Insured becomes totally and permanently disabled (as defined in the Rider Benefit) through illness or injury. This option is available until the anniversary following the Life Insured's 60th birthday.

All Rider Benefits are non-participating. They do not form part of the Participating Fund. See **Section 1.16** for further information in relation to the treatment of Rider Benefits under the Scheme.

Policy ownership change

A Policyholder can change the ownership of their Current Policy by completing a Memorandum of Transfer (located at the back of the Current Policy document) and sending this and the Current Policy document to Foundation Life, together with any other information Foundation Life may require for completing the transfer.

Cessation of Current Policies

Current Policies cease when:

- the Death Benefit is paid in the event of a Final Claim Event or the reaching of the Maturity Date (whichever is earlier);
- a Policyholder surrenders or "cashes in" their Current Policy; or
- it lapses.

APPENDIX 8: CORPORATE DIRECTORY

Foundation Life (NZ) Limited

Post: PO Box 590, Wellington 6040, New Zealand

Phone: 0800 808 581 (Freephone New Zealand) and +64 4 439 4300 (from overseas)
Monday to Friday 8.30am to 5.00pm (NZT)

Email: enquiries@foundationlife.co.nz

Website: www.foundationlife.co.nz

Chubb Life Insurance New Zealand Limited

Post: Freepost Authority 118004
Private Bag 921310
Victoria Street West
Auckland 1142

Phone: 0800 900 047

Email: Getintouch.nz@chubb.com

Website: www.chubb.com/nz-en

Computershare Investor Services Limited

Post: Computershare
Private Bag 92119
Victoria Street West
Auckland 1142
New Zealand

Phone: 09 488 8700

Email: corporateactions@computershare.co.nz

Website: www.computershare.com/nz

FOUNDATION
LIFE