

# Members' Update



November 2005

## Demutualisation and flotation – why it's important to you

### Board announcement

On 17 October 2005, the Board confirmed it intends to recommend to members that Standard Life should demutualise and float on the stock market, as long as all legal, regulatory and other processes are completed satisfactorily. We will be asking you – if you are eligible at the time – to vote on the *proposal for members* at a Special General Meeting planned for next May or June.

### Why demutualise and float?

There are three main reasons why we believe that it is now right for Standard Life to demutualise and float on the stock market. It would give all eligible members their share of the business, reduce their exposure to business risks and give Standard Life access to external equity capital to support and develop the group. Before making the announcement, the Board reviewed a range of other options – including selling parts of the group, staying mutual and closing to new business. We believe that demutualisation and flotation is in the best interests of members, customers and the company. Inside you can find out more about the reasons why and what it would mean for you.

“Standard Life want as many members as possible to vote. The company will not be able to demutualise and float unless at least 75% of members who vote at the Special General Meeting planned for next May or June, vote in favour of the proposals.”

### Keeping you updated

Changing from a mutual to a plc is a complex process. We've achieved a lot so far and there's still a lot to do. As we move forward, we'll be keeping you up-to-date with the developments. The information on page 2 shows where we are on the timeline.

Because flotation would be such an important change for Standard Life, thousands of members have been asking us questions and we're doing our best to answer them clearly and quickly. Inside this issue of Members' Update we've answered some of the questions that have come up most often.

### Making your decision

I'm committed to continuing to explain everything we can in a clear and concise way – so you can make a decision about the future of Standard Life that's right for you.

A handwritten signature in black ink that reads 'Sandy Crombie'.

**Sandy Crombie**  
Group Chief Executive

### Why it's important to you

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Dedicated team and helpline  
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# Why it's important to you

The Board has now confirmed it intends to recommend to members that Standard Life should demutualise and float on the stock market because it would:

	Give you your share of the business	Reduce your exposure to business risks	Give Standard Life access to external equity capital
<b>As a mutual company...</b>	...we used to be able to offer members the prospects of extra benefits. Today we don't have the same flexibility to do this.	...with profits policyholders carry the risks of our business. Now they are expected to become a smaller proportion of our total customer base. This means the level of risk for with profits investors is expected to increase.	...we have no access to equity capital. This will restrict our ability to support and develop the business.
<b>By demutualising and floating on the stock market...</b>	...we could unlock Standard Life's value and give you your share in the value of the business in place of your membership. You would also keep your policy.	...policyholders' risks should be reduced because shareholders would generally carry the overall risks of the business.	...we could access capital from the stock market to support and develop our business.



## What this means for you

- If you're eligible, you will receive shares as well as keeping your policy
- You could keep your shares as an investment – even after your policy has matured – or sell them for cash
- If you remain a shareholder, you could benefit from any future success of Standard Life

For legal and practical reasons, some members will not be able to receive shares – they will receive cash instead.

Find out more about shares on page 6>>

## Have you confirmed your details yet?

You won't be able to receive shares or other demutualisation entitlement unless you confirm your details. If you haven't already, please sign the form in your *confirmation of details* pack and send it back to us as soon as possible – even if all your information is correct.

If you have any questions, please call us on LoCall 1890 946 334.

## Your vote is important Every vote counts

Many people assume that demutualisation and flotation will definitely go ahead. This isn't the case.

Standard Life will not demutualise and float unless at least 75% of members who vote at the Special General Meeting, vote in favour of the proposals.

### Why it's important to use your vote

Demutualising and floating on the stock market is a big step for Standard Life and our members. We will be asking you – if you're eligible at the time – to vote on the *proposal for members* at a Special General Meeting planned for next May or June. Every member has one vote. Every vote counts.

### To find out...

- **The basics**  
Read your regular issue of *Members' Update*
- **The detail**  
Read the *proposal for members*, which we expect to send you in April or May next year

### Making sure the proposals are fair

Standard Life's regulator in the UK, the Financial Services Authority (FSA), must be satisfied the proposals are fair and that members' interests are protected. An independent expert, Mike Arnold, will review the likely effects of the demutualisation proposal and will produce a report for the Court of Session in Scotland. After the vote, the Court would have to approve the proposals before they could go ahead.

# Timeline

Below you can see where we are on the timeline – and what is planned for the future. There have been some important developments since your last issue of Members' Update.

The timeline shows the current plan, but this may change. A successful demutualisation and flotation will depend on a number of things, including how our business performs, stock market conditions and the support of members. There is no guarantee Standard Life will demutualise and float and you should not base your financial decisions on our plans at this time.

	What's happening...	You should... 
2005 October	<b>Confirmation of details mailing</b> You won't be able to receive shares or other demutualisation entitlement unless you confirm your details. If you haven't already, please sign the form in your <i>confirmation of details</i> pack and send it back to us as soon as possible – even if all your information is correct.	<b>Return your form as soon as possible</b> Please also let us know about any changes to your details which happen after you return your form – for example, if you move house or get married. If you have any questions, just call our dedicated helpline on <b>LoCall 1890 946 334</b> . Please note, if you have returned your form with changes, we may not have had a chance to update your details yet.
November	<b>Members' Update</b>	Read about what demutualisation and flotation means for you.
2006 February	Members' Update	Read more about shares and voting.
April or May	<b>Proposal for members mailing</b> Before the vote we will send you the <i>proposal for members</i> which will contain detailed information.	Read the proposal and, if you are eligible, decide how you are going to vote.
May or June	<b>Special General Meeting</b> Your opportunity to vote on demutualisation and flotation.	<b>Return the voting form or come to the meeting</b> If you are still eligible at the time of the Special General Meeting it is important for you to use your vote. Demutualisation and flotation will only go ahead if at least 75% of those who vote support the proposals.

<b>After that</b>	If our members vote in favour of demutualisation and flotation, the Court of Session in Scotland will be asked to approve the proposals.  If the Court approves the change, Standard Life plans to float on the stock market. The actual date of the flotation would be influenced by things like market conditions and the performance of our business.  Eligible members would receive their shares or other demutualisation entitlement as soon as practical after the company demutualises and floats.
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Various legal, regulatory and other requirements will also have to be met for demutualisation and flotation to take place.

# Three views on demutualisation and flotation

## What strengths does Standard Life have to be successful as a plc?

## What would happen if Standard Life stayed mutual?

### Tom McPhail – Head of Pensions Research, Hargreaves Lansdown



In 2002 Tom McPhail joined Hargreaves Lansdown, one of the UK's major brokers, which provides a range of investment services.

Hargreaves Lansdown has a good relationship with Standard Life and places a significant amount of business with our company. Tom has worked in the life and pensions industry for 19 years and is one of the UK's most widely quoted pensions commentators, appearing frequently in the national press, on radio and television. He writes regular monthly finance columns and has been involved in Government research and consultations on pensions reform.

"Standard Life is well run, and has adapted to the changing environment: new management has been brought in, the work-force has been stripped down, and business priorities have been refocused. It is one of the UK's handful of leading insurance companies, and has the necessary attributes to continue to be so. I think that the only significant drawback is its mutual status."

"The principal problem will be raising capital to finance new development. Historically, the capital has come primarily from the with profits fund. This is not expected to be possible going forward because of the declining importance of with profits in terms of new business – particularly in the UK – the changing market place and tighter regulations. So if Standard Life stays mutual, I think the company will struggle to remain competitive."

### David Stonebanks – a member of Standard Life



David Stonebanks, a retired college lecturer, started his first policy nearly 40 years ago. He voted in favour of demutualisation in 2000 and was involved in a bid to

demutualise the company in 2003. Earlier this year, he stood for election to the Board with the aim of backing the existing Board.

"Standard Life is well regarded: not only by the general public but, crucially, by those who ought to know – Independent Financial Advisers. The business also has a strong team in charge. Sir Brian Stewart has many years of experience leading a major plc and has shown strong leadership in demanding necessary changes at the top. With Sandy Crombie's knowledge of the business and Trevor Matthews' wide and relevant experience, I have every confidence that this strong Board can take this multi-billion pound business forward into the plc world."

"If Standard Life stayed as a mutual, then they would probably have to sell off parts of the group, to raise capital, or close to new business."

### Ned Cazalet – a financial commentator



An influential and independent financial commentator, often quoted in the money pages of daily newspapers, Ned Cazalet has been keeping a close eye on

how recent developments have affected all financial services companies. His company, Cazalet Consulting, offers a wide range of services to financial institutions, including Standard Life.

"Standard Life has had some success in diversifying its business away from its traditional core of UK Life and Pensions business. Its banking operation has grown steadily, and its fund management division – Standard Life Investments – has made good progress. Standard Life also has a good administration capability. This is likely to become increasingly important in the future as UK life companies evolve to become service providers offering a large number of funds from external providers, rather than just their own funds."

"In my opinion, Standard Life currently has insufficient capital to enable it to develop and grow its business, so it needs to demutualise to give it access to the financial resources it needs to go forward as a growing institution capable of competing for new customers and in new markets. I believe staying mutual would result in a company with limited prospects for success."

Next year, we will be asking every member, who is eligible at the time, to vote on whether Standard Life demutualises and floats. With an important decision like this to make, it's a good idea to get more than one point of view, so that's exactly what we've done. Here, three people – a pensions professional, an active member of Standard Life and a financial commentator – give their opinions about demutualisation and flotation.

What does demutualisation and flotation mean for members?	Why should members vote?	Do you think Standard Life should demutualise?
<p>"The key question that members need to ask themselves is: which route will be best for me? On one hand you can have your with profits policy with a mutual company or on the other you can have your with profits policy in a plc environment plus your demutualisation entitlement if the deal goes through. There are no certainties here, but it is clear to me that on the balance of probabilities, demutualisation offers better prospects for the future."</p>	<p>"Unless members vote for it, demutualisation isn't going to happen."</p>	<p>"Yes. Standard Life needs to demutualise to stay competitive. It is a tough market for insurance companies – some have fallen by the wayside in recent years. To date, Standard Life has been one of the survivors. However, its mutual status has now become a hindrance rather than a virtue."</p>
<p>"Most members will receive shares in the new company and may be offered the opportunity to buy more shares."</p>	<p>"A high turnout of members voting in favour would help satisfy both the FSA, as industry regulator, and the Scottish Court that the majority of members want to see the company demutualise and float."</p>	<p>"Yes. I respect the directors' past strategy for the company to remain as a mutual, but once it was clear that that was no longer sensible, I am impressed by the changes being made. As a plc the horizons for Standard Life are much wider than they would be as a mutual. That must be good for both employees and for members."</p>
<p>"The most important aspect for me is that members will have shares in 'Standard Life plc'. With the right business plan and resources I think this company has every chance of emerging as a financial services force to be reckoned with, and should be capable of delivering attractive returns for its shareholders in the future."</p>	<p>"Because the proposals will only go ahead if members vote in favour. If they don't, Standard Life will remain a mutual. I think if that happens the company would struggle to stay ahead in a competitive market – and members wouldn't get any shares or other demutualisation entitlement."</p>	<p>"There is no 'should' about it. I believe Standard Life's best option is to demutualise."</p>

Please note that Standard Life has not verified and is not responsible for the accuracy of any of the information contained in the statements from Tom McPhail, David Stonebanks and Ned Cazalet. The views expressed above are not necessarily those of Standard Life.



Demutualisation is an important step and we've been answering questions from thousands of members – over the phone, by letter and e-mail. Below are some of the questions that have come up most often. We will be including more in the next issue of Members' Update.

# Your questions answered

## Q: Who is eligible to vote on demutualisation and flotation and receive shares?

A: Generally speaking, you will be eligible to vote and get shares or other demutualisation entitlement if:

- You are a member for a policy which started on or before 30 March 2004 and which has been continuously invested in with profits from, at the latest, 30 March 2004,
- The conditions of your policy have been complied with, and
- Your policy is still in force on the day of the Special General Meeting held to vote on demutualisation and flotation – this is planned for next May or June.

You may not be eligible for a number of reasons – for example, you may have agreed that you will not be eligible to vote and get demutualisation entitlement in place of membership rights. This applies to most with profits policies where we received the policy application on or after 31 March 2004.

## Q: How would demutualisation and flotation affect my policy?

A: If we demutualise and float, ownership of Standard Life's business would be transferred to a new holding company, Standard Life plc. You would still keep your policy. This would be with a company in the Standard Life group.

Demutualisation and flotation would unlock value for eligible members, giving them their fair share of the value of the business – in the form of an allocation of shares or other demutualisation entitlement. At the same time, we will put enough value into the with profits fund to protect policyholders' interests and benefit expectations. We have a legal obligation to make sure your interests and security are protected.

## Q: When will I get my shares?

A: If everything goes to plan and members vote to demutualise at the Special General Meeting planned for May or June 2006, eligible members will receive shares as soon as practical after the company demutualises and is listed on the London Stock Exchange. This depends on a number of things, including legal and regulatory processes, as well as stock market conditions.

There is no guarantee Standard Life will demutualise and members should not base their financial decisions on our demutualisation plans at this stage.

Remember, you won't be able to receive shares or other demutualisation entitlement unless you confirm your details. If you haven't already, please sign the form in your *confirmation of details* pack and send it back to us as soon as possible – even if all your information is correct.

## Q: How many shares would I get?

A: This has not been finalised yet – it is likely that the number of shares that each eligible member gets will depend on things like the value of their with profits investments and how long their policy or policies have been invested in with profits. The *proposal for members*, which we expect to send to you in April or May 2006, will tell you the number of shares allocated to you.

## Q: What would my shares be worth?

A: It's not yet possible to tell you how much your shares would be worth. This won't be known until the time of flotation and will depend on things like how they are valued by the stock market, market conditions at the time, and the performance of our business. We will, however, give you a guide to how much the shares might be worth in the *proposal for members* and your Special General Meeting voting pack, which we expect to send you in April or May. See page 6 to find out more about shares.

## Q: My policy matures before the Special General Meeting – will I lose out?

A: If your with profits policy matures on or after 18 October 2005, you may still qualify for shares or other demutualisation entitlement. This would need to be approved by members at the Special General Meeting. If your policy matured before 18 October 2005, you will not be eligible to receive any shares or other demutualisation entitlement unless you are an eligible member through another policy.

## Q: How do I know that what you are proposing is fair?

A: For demutualisation and flotation to go ahead:

- Our regulator, the UK Financial Services Authority (FSA), must be satisfied the proposals are fair and that members' interests are protected
- An independent expert, Mike Arnold, scrutinises our proposals and prepares a report for the Court of Session in Scotland
- At least 75% of members who vote at the Special General Meeting must vote in favour
- After the vote, the Court will have to approve the proposals.

**For legal and practical reasons, some eligible members will not be able to receive shares – they will receive cash instead.**

## Do you have a question for us?

Call us on

**LoCall 1890 946 334**

Lines are open from 8.30am to 5.30pm, Monday to Friday.

**e-mail** members@standardlife.ie  
**post** Members' Update  
Standard Life House  
30 Lothian Road  
Edinburgh EH1 2DH

# About shares

If demutualisation and flotation goes ahead, most eligible members will get shares in place of their membership. If you receive shares, you will be able to choose what you want to do with them. You can sell them for cash or hold on to them as an investment.

## What are shares?

- A share is a part ownership in a company
- The more shares you have, the more of the company you own
- Plcs are managed by their directors, but shareholders have the right to:
  - attend Annual General Meetings and vote on things like:
    - election of directors
    - directors' remuneration
    - re-appointing the company's auditors
  - receive company accounts
  - be informed of important events and sometimes vote on them
  - receive dividends (payments from the company's profits), if the directors recommend these are paid.

## How much are shares worth?

The value of shares in a business can go up or down. How much shares are worth at any time depends on a number of things, including:

- **The value of the business**  
This is strongly related to how the business is performing. The more a business is worth, the more its shares are likely to be worth
- **How well the stock market is performing**  
The better the market is performing, the more shares, in general, tend to be worth

Share prices for most listed plcs are available regularly in the national newspapers and selected websites.



## What's in it for you?

### Selling your shares

**If you decide not to keep any shares that may be allocated to you, you will be able to ask for the shares to be sold and you will get cash instead:**

- The value of your shares would depend on how they are valued by the market at that time
- This would depend on things like how successful our business is and how the stock market in general is performing at the time

### Keeping your shares for the future

**If you decide to keep any shares you receive you would be able to hold them as an investment even after your policy has matured. You would have the rights of a shareholder in a plc, including:**

- Companies may be able to make payments to their shareholders out of their profits – these payments are called dividends
- Usually, shareholders can sell their shares for cash at any time
- The value of shares can go up or down

To help make sure any shares you receive are as valuable as possible, we are working hard to make our business as successful as it can be – both at the time of flotation and in the future. We expect to write to you in April or May to explain about shares and these options in more detail.

# Our team is here to help

In the run up to the vote on demutualisation and flotation, it's important for all our members to understand exactly what this change would mean to them. That's why we have a special team dedicated to keeping you in touch with what's happening through Members' Update.

If you have specific questions, you can also call the dedicated helpline, where our specially trained team is here to give you clear, straightforward answers to your questions.

Since we confirmed our intention to recommend to members that Standard Life should demutualise and float, this team has answered a record number of calls. Over 50,000 members have talked through their questions in the last few weeks – that's an average of around 3,000 calls every day.

The dedicated helpline is here to guide you through this important time and will be open until after the Special General Meeting that is planned for next May or June.

“Our team has an extensive knowledge of the demutualisation process and our role is to help give members the information they need. Whatever the question, we are dedicated to making sure that members who call get clear, individual answers.”

**Mark Winstanley**  
Customer Service Manager

## Using your personal details to keep you informed

We always try to keep our members informed about developments at Standard Life. We may tailor some of our demutualisation and flotation communications to help us send the most relevant information to you, by using the details we already hold about you. If you have any questions about the use of your personal details, please contact us on LoCall 1890 946 334 and we will be happy to help.

**Do you have a question for us?**  
call us on  
**LoCall 1890 946 334**

Lines are open from 8.30am to 5.30pm, Monday to Friday.

**e-mail** members@standardlife.ie  
**post** Members' Update  
Standard Life House  
30 Lothian Road  
Edinburgh EH1 2DH

So we can help you as efficiently as possible, please let us know your policy number when you get in touch.

**For security, we can only change your address details over the telephone or by letter.**

The information contained in Members' Update does not constitute an offer for sale of securities in the United States, Australia, New Zealand or any other jurisdiction. Eligible members who are resident in most overseas jurisdictions, including the United States, Australia and New Zealand, will not receive shares as their demutualisation entitlement and they would get cash instead.

The securities referred to in Members' Update may be not be offered or sold, directly or indirectly, into the United States unless they are registered under the U.S. Securities Act of 1933, as amended, or exempt from registration. Standard Life does not intend to register the securities referred to in this document in the United States or to conduct a public offering of the securities in the United States. Policyholders resident in the United States will not be eligible to receive shares or acquire shares in the flotation.

Members' Update is published by Standard Life in the UK for the information of members of Standard Life. It is based on our understanding of Irish and UK law as at November 2005 and does not provide financial or legal advice. This issue of Members' Update is directed at those members eligible to vote on the demutualisation proposal and/or receive demutualisation entitlement. Please note that the value of shares can go down as well as up. There is no guarantee Standard Life will demutualise and members should not base their financial decisions on our demutualisation plans at this stage.

The Standard Life Assurance Company adheres to the codes of conduct issued by the Financial Regulator  
Registered offices: 90 St. Stephens Green Dublin 2 (number 900060), StandardLife House 30 Lothian Road Edinburgh EH1 2DH (number SZ4).  
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