

**THE PROPOSED SCHEME UNDER PART VII OF THE
FINANCIAL SERVICES AND MARKETS ACT 2000 FOR A
TRANSFER OF BUSINESS TO COUNTRYWIDE ASSURED PLC**

**Supplementary Report of the Chief Actuary of
Canada Life on the Impact of the Scheme**

M Pibworth FIA
Director of Capital Management and Actuarial Function Head
Canada Life Limited

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1. Introduction and Purpose of the Supplementary Report

- 1.1 In my capacity as Chief Actuary for Canada Life Limited ("CLL") I prepared a report dated 19 June 2024 for the Board of Directors of CLL (the "Main Report") which considered the financial implications of the proposed insurance business transfer scheme (the "Scheme") from Canada Life Limited ("CLL") to Countrywide Assured plc ("CA plc") under Part VII of the Financial Services and Markets Act 2000 ("FSMA") and its potential impact on the existing and transferred policyholders of CLL.
- 1.2 A copy of the Main Report was provided to the Prudential Regulation Authority ("PRA"), the Financial Conduct Authority ("FCA") and was presented to the Court at the Directions Hearing which took place on 28 June 2024. A copy was also made available to the Independent Expert ("IE") and policyholders of CLL and CA plc.
- 1.3 In the Main Report (Section 11.8) I concluded that in my opinion the implementation of the Scheme is consistent with the fair treatment of all groups of policyholders, in particular noting that:
 - the security and reasonable benefit expectations of remaining CLL policyholders will not be materially adversely affected;
 - the security and reasonable benefit expectations of the transferred CLL policyholders will not be materially adversely affected;
 - there is no reason to believe that service standards for the transferred CLL policyholders will be materially adversely affected; and
 - there is no reason to believe that service standards for the non-transferred CLL policyholders will be adversely affected.
- 1.4 The purpose of this Supplementary Report (the "Supplementary Report") is to update my conclusions taking into account:
 - any updated financial information that is available; and
 - any other matters or developments that I consider material or relevant to my assessment of the Scheme, including policyholder responses to the Scheme and any amendments to the terms of the Scheme,and to confirm whether in light of these matters the conclusions stated in the Main Report hold true and it remains appropriate to proceed with the Scheme.
- 1.5 The Supplementary Report should be read in conjunction with the Main Report. Defined terms used but not defined in this Supplementary Report bear the meaning given to such terms in the Main Report. The disclosures set out in Section 1 of the Main Report are also equally applicable to this Supplementary Report.
- 1.6 This Supplementary Report, in conjunction with the Main Report, has been prepared in accordance with applicable standards, as outlined by the actuarial professional standard "APS X1: Applying Standards to Actuarial Work" issued by the Institute and Faculty of Actuaries, and in particular taking into account the Technical Actuarial Standards ("TAS") for actuarial work issued by the Financial Reporting Council, namely TAS 100: General Actuarial Standards and TAS 200: Insurance. In my opinion there are no material departures from the Technical Actuarial Standards noted above.
- 1.7 The Supplementary Report has been subject to appropriate peer review in accordance with the actuarial professional standard "APS X2: Review of Actuarial Work" issued by the Institute and Faculty of Actuaries.

1.8 In preparing my Supplementary report, I have read and considered CA plc's draft supplementary report by the Chief Actuary and a draft of the Independent Expert's supplementary report, in addition to the key documents¹ detailed in Section 12 of the Main Report.

¹ The documents listed by the Main Report are: the proposed Scheme; Countrywide Assured Chief Actuary and With Profits Actuary Reports; Countrywide Assured First Witness Statement; and Countrywide Assured plc Year-End 2022 SFCR.

2. Impact of the Scheme Based on Latest Available Information

- 2.1 The Main Report considered the financial effects of the proposed Scheme based on data as at 31 December 2023. This section updates the financial effects of the Scheme on CLL using financial data as at 30 June 2024. This section also outlines CLL’s Solvency Ratio to Q3 2024 and estimated as at Q4 2024..

Financial Position of CLL as at 30 June 2024

- 2.2 A summary of CLL’s balance sheet and capital requirements is shown in the table below. This shows CLL’s reported solvency position as at 31 December 2023 and an estimated position had the Scheme become effective at that date, both of which were included in the Main Report. It also shows CLL’s reported solvency position at 30 June 2024 and the impact of the Scheme as if it had taken place at 30 June 2024.
- 2.3 The Solvency Ratio of CLL as at 30 June 2024 was 158%. This is broadly the same as the level as at 31 December 2023 which was outlined in the Main Report. The main factors which have affected the solvency level over the first half of 2024 are the impact of market movements, the writing new business; and the run-off of in force business, and these have largely offset each other.
- 2.4 The table below also shows the balance sheet as at these dates assuming that the Scheme is not sanctioned (see final column). This scenario reflects the following, focusing on 30 June 2024 position:
- Termination of the Reinsurance Agreement (see Section 4 of Main Report) between CLL and CA plc. This would result in CLL holding Technical Provisions of negative c£17m in respect of the Transferred Business.
 - Estimates that CLL’s Deferred Tax Asset would increase by c£2m.
 - Assumes that the full costs of the transfer are still incurred.
 - Assumes return of the £9m reinsurance premium received in respect of the business is returned to CA plc. In addition, pursuant to the Reinsurance Agreement, payments made between CA plc and CLL would be returned, amounting to a payment of £12.3m to CLL. These two payments would be netted off each other, with CA plc making a payment of £3.3m to CLL.
 - The summation of the items above corresponds to the estimated £21m increase in CLL’s Own Funds between the “Post-Scheme” and “Position if Scheme not Sanctioned” columns.
 - The SCR is estimated to increase by c£2m.

CLL Solvency II Balance Sheet (£m)	31 December 2023			30 June 2024		
	Reported	Post-Scheme Estimate	Scheme not Sanctioned	Reported	Post-Scheme Estimate	Scheme not Sanctioned
Own Funds	3,567	3,567	3,588	3,616	3,616	3,637
Solvency Capital Requirement	2,204	2,204	2,206	2,287	2,287	2,289
Excess Own Funds over SCR	1,363	1,363	1,382	1,329	1,329	1,349
Solvency Ratio	162%	162%	163%	158%	158%	159%

- 2.5 As at 31 December 2024 there are a total of 37,900 policies subject to transfer under the Scheme. This compares to CLL’s total policyholders of c3.4m.

Events Impacting Solvency Ratio to 30 September 2024

- 2.6 In the period to 30 September 2024, CLL’s Solvency Ratio moved by c-4% to 154%. The movement in Solvency Ratio is due to a combination of capital initiatives, business actions and dividend payments (in line with company policy), as well as the impact of in force business run-off, new business strain and market movements.

- 2.7 Since 30 September 2024, CLL has completed the transfer of its deferred annuity business into its Matching Adjustment portfolio following approval in October 2024 and the CLL Board has also approved a further dividend. The Solvency Ratio of CLL as at 31 December 2024 is expected to be comparable to the 154% Solvency Ratio observed as at 30 September 2024.
- 2.8 The factors noted above do not materially change the impacts of the Scheme denoted by the table above.
- 2.9 Note that CLL aims to manage its Own Funds so that its solvency position stays above its Capital Operating Target² as set out in the Capital Management Operating Policy.
- 2.10 I note there has been a relatively higher level of volatility in the UK bond market over January 2025 and in recent months, with the returns on longer term gilts reaching their highest levels for decades. Notwithstanding the current high level of the return on these gilts, I note that it is common for there to be short-term fluctuations in the financial markets.
- 2.11 CLL invests in appropriate income-generating assets like bonds and gilts that are expected to match its contractual liability cashflows. In a scenario where interest rates are rising (falling), CLL's assets and liabilities are expected to fall (rise) in value in a broadly similar way such that changes in interest rates are expected to have limited impact on CLL's balance sheet.

Impact on the Non-Transferred CLL Policyholders

- 2.12 The implementation of the Scheme will have a negligible impact on the non-transferred policyholders. This is demonstrated by the materially similar Solvency Ratio expected after the Scheme becomes effective (see "Post-Scheme Estimate" column of table above). Furthermore, non-transferred policyholders will continue to be exposed to materially similar risks due to the relatively small size of the Individual Protection book.
- 2.13 Taking into account the above, I remain satisfied that the Scheme will not have a materially adverse impact on CLL's solvency position, and I consider that the security and reasonable benefit expectations of remaining CLL policyholders will not be materially adversely affected by the Scheme.
- 2.14 I note that the Individual Protection policy held by a policyholder resident in Guernsey (see Paragraph 5.10 of Main Report), which was not to be subject to the transfer, no longer holds this policy with CLL.
- 2.15 As per my Main Report, there also continues to be no reason to believe that service standards for the non-transferred CLL policyholders will be adversely affected.

Impact on the Transferred CLL Policyholders

- 2.16 I continue to hold the view that CA plc is an adequately capitalised company and supported by an adequately capitalised parent company, Chesnara plc. As such, I do not consider that there will be a material adverse impact on the security of benefits for the transferred policyholders. The overall Solvency Ratio of CA plc as at 30 June 2024 stands at 167%, noting the extension of mass lapse reinsurance which is expected to further improve the Solvency Ratio. Furthermore, the impact of the Scheme is in line with that outlined in my Main Report (Paragraph 11.2).
- 2.17 As noted in my Main Report, the administration of the Transferred Business is expected to move to CA plc's outsourcer, SS&C Technologies, upon implementation of the Scheme. I continue to hold the view that the expected service provided for customers should not be compromised when the book migrates on the basis of the service level analysis set out in my Main Report (Paragraph 11.4).

² CLL aims to manage its Own Funds so that its solvency position stays above a Capital Operating Target specified in the Capital Management Operating Policy. The Capital Operating Target is determined to ensure sufficient coverage above the SCR to enable CLL to meet its financial liabilities and have sufficient headroom to continue to operate its strategic plans following severe stress

3. Other Developments Relevant to the Assessment of the Scheme

3.1 This Section includes updates in respect of a range of other matters relevant to the Scheme.

Policyholder Communications and Objections

3.2 In accordance with the communication strategy outlined in the Main Report, CLL sent policyholders within the Transferred Business a letter containing a detailed guide to the Scheme, an explanation of the sources from which policyholders can obtain further information about the Scheme and communicating their right to make representations if they considered they might be adversely affected by the Scheme.

3.3 CLL and CA plc also arranged for notices to be published in certain national newspapers in the UK (namely The Times and the Daily Mail). Notices were also published in the London, Edinburgh and Belfast Gazettes. Relevant information has also been made available on the CLL and CA plc websites.

3.4 As at 31 December 2024 CLL has received 1090 responses (received via phone call and email) in connection to the communication outlined above, representing a response rate of approximately 3.4%.

3.5 Of the above 19 (nineteen) correspond to objections, 1 (one) of which has additionally been classified as a complaint (the nature of this complaint is covered by Paragraphs 3.10 and 3.11). The remainder of the responses corresponds to 661 general³enquiries, 63 document requests and 347 other⁴ enquiries.

3.6 17 (seventeen) policyholders have objected based on their negative perception of CA plc, of these, 3 (three) have cited concerns about the security of their benefits (which is additionally considered by Paragraph 3.9), with the remainder primarily concerned about the level of service. While I understand that some policyholders may have concerns about the ongoing quality of service, I consider that CA plc will be in a position to maintain the current standards of service once the transfer has occurred.

3.7 All 19 Objectors have received further communications to ensure that these policyholders receive a response that directly addresses the particular concerns raised.

3.8 I have given consideration to the service level analysis of my Main Report in forming the above view around CA plc maintaining the current standards of service. I have placed reliance on the assurance provided by CA on 29 October 2024, and ongoing management information that the migration programme is tracking to plan and the issues that have been identified during the programme have been actively managed between all parties.

3.9 As noted above, 3 (three) policyholders have cited concerns about the security of benefits within their objection. In respect of these objections, I note the following:

- As set out in my Main Report and reaffirmed by Paragraph 2.16, CA plc holds Own Funds that adequately exceeds its capital requirements, and that is expected to continue to be the case following the transfer.
- CA plc adheres to a Risk Appetite Framework, which aims to maintain a capital buffer above regulatory capital requirements and follow management actions to improve levels of Own Funds should they deteriorate below defined proportions of the Solvency Capital Requirement.
- Transferred policyholders will continue to have access to the UK Financial Services Compensation Scheme ("FSCS"). The FSCS would provide protection for 100% of the claim payments if CA plc was unable to make payments to policyholders, which is the same protection that is provided while they are policyholders of CLL.

As such, my view remains that the security of benefit expectations of the transferred policyholders will not be materially adversely affected.

³ General enquiries broadly cover: confirmation terms and conditions will not change as a result of the transfer; and requesting general details about the policy e.g., term length.

⁴ Other queries are broadly represented by cancellation requests and queries from additional trustees.

- 3.10 2 (two) policyholders have objected about the Part VII legal process in relation to them not giving their permission to transfer. I note that the transfer is being conducted in line with Part VII of the Financial Services and Markets Act 2000, which allows CLL to transfer the business to CA plc without obtaining the permission of the transferred policyholders. I also note that the decision to sanction the Scheme rests with the High Court, which will reach its decision after considering the views of the Independent Expert and the policyholder objections raised to it. As noted above, one of these objections is additionally classified as a complaint, further detail of this and CLL's response is outlined by Paragraph 1.
- 3.11 The complaint noted above is in relation to a customer expressing that they have no choice in CLL's decision to transfer their policy, and, not being able to have a full return of their premiums paid after the cancellation of their policy. The policyholder asked for a complaint to be raised after CLL explained that that it would not be possible to refund the premiums paid. The policyholder still requested for their policy to be cancelled, which CLL has actioned. CLL followed its usual processes with regards to this complaint and has not upheld this complaint.
- 3.12 1 (one) policyholder has notified CLL that they wish to attend the Sanctions Hearing to object to the Scheme. The Part VII process gives the right for policyholders to make such representations at the Sanctions Hearing.
- 3.13 CLL has responded in writing to each policyholder objection to confirm that their objection has been logged and informing the policyholder that a copy of their objection will be provided to the High Court for their consideration at the final hearing.
- 3.14 Having reviewed all of the objections and the responses provided, I do not consider that any of the issues raised change my conclusions on the Scheme as detailed in the main Report and which are restated in this Supplementary Report.
- 3.15 CLL has additionally received 1,188 returned mailings as at 31 December 2024. Of these, 860 policyholders have been located, all of which have had their mail reissued and, 75 correspond to out of force policies (which were in force at the time of mailing). The remainder represents customers that CLL has not been able to contact. CLL has attempted to contact all customers with returned mail at least once, which has been led by CLL's Customer Tracing Team - further detail can be found in CLL's Second Witness Statement.

Amendments to the Scheme

- 3.16 Amendments have been made to the draft of the Scheme which was provided to the Court at the Directions Hearing. The main amendment is to exclude the 2022 Policies from the Scheme, as described more fully in sections 5 and 6 of the first witness statement of Daniel Crook.

Impact of Solvency II Reform

- 3.17 In my Main Report I noted the ongoing reforms to the Solvency II regulation in the UK and their impact on CLL and CA plc in the context of the transfer.
- 3.18 Based on the currently available information, my expectation is that the reforms will have a small impact on CLL and an immaterial impact on CA plc. The difference in impact between the companies is driven by differences in Solvency II measures applied to their balance sheets, for example, CLL has approval to apply a Matching Adjustment and Transitional Measure on Technical Provisions (both impacted by the Solvency II Reform) whereas CA plc does not apply these measures. The small difference in impact anticipated between the two companies is such that my conclusions outlined in this report are not impacted.

Independent Expert Report not Published to CLL's Website

- 3.19 Following the Directions Hearing (28 June 2024) it was CLL's intent to publish copies of the Scheme document, the IE's reports (Main Report and Summary of IE Report), and the Customer Guide to the CLL website. However, it has since materialised, that the IE's Main Report was not published.
- 3.20 A root cause analysis has been undertaken and CLL has determined that the issue was caused due to a technical connection failure between CLL's document store and the website's content management system, which resulted

in the IE Report not being published. This error was identified by an individual (who is not a transferred policyholder) contacting CLL to request a copy of the IE's Main Report after not being able to find it on CLL's website.

- 3.21 Considering the above, CLL has introduced prevention measures, management updates and process updates to ensure that the same issue does not happen again in respect of any other documents to be published on its website.
- 3.22 It is noted that a copy of the IE's Summary Report was included in the CLL Policyholder Pack (which was distributed to transferred policyholders via mail in the week after the Directions Hearing), which was published to the website after the Directions Hearing.
- 3.23 The IE's Main Report was subsequently uploaded to CLL's website on 14 October 2024, the same day as identifying the issue. The FCA, PRA, IE and CA plc have been informed of this matter and CLL's actions to address it.
- 3.24 CLL has assessed the number of customers or third parties that may have been impacted by the IE's Main Report not being published and considers it to be low on the following basis:
- Other than the request on 14 October 2024, CLL received no notifications in respect of the IE's Main Report or notifications that suggested it or any other documents may be missing or could not be accessed;
 - 15 users of CLL's website had downloaded the IE's Summary Report;
 - 505 users had accessed the CLL webpage for the Individual Protection Part VII Transfer.

Issue with administration of the Inflation Linked Option

- 3.25 As part of the operational readiness and migrations plans described above, an issue has been identified regarding the administration of CLL's individual protection business where the policyholder has exercised the option to increase the premiums and sum assured of their policy in line with inflation.
- 3.26 This issue relates to both Transferred Policies and non-Transferred Policies of CLL.
- 3.27 For the avoidance of doubt, this issue relating to the administration of the Inflation-linked Option was not caused by the Scheme and is not related to the Scheme in any way.
- 3.28 CA and SS&C have confirmed that this issue will be corrected after the administration of the Transferred Policyholders is migrated onto SS&C systems.
- 3.29 CLL and CA propose that communications to the affected Transferred Policyholders will be issued by CA after the Effective Date.
- 3.30 CLL will apply the same principles in seeking to offer remediation to both sets of policyholders, and in particular will seek the best customer outcome in line with the FCA Consumer Duty rules.
- 3.31 I am therefore satisfied that the Scheme will have no adverse impact on the Transferred Policyholders in respect of the remediation due to the Transferred Policyholders.

Second transfer of business from CLL to CA

- 3.32 In December 2024, CLL and CA agreed a second proposed transfer of business from CLL to CA in accordance with Part VII of the Financial Services and Markets Act 2000. The proposed transfer relates to CLL's unit-linked bonds and legacy pension business.
- 3.33 This has no relevance to the Scheme and CA were chosen as CLL's partner independently of this transaction.

4. Conclusions

4.1 On the basis of the information set out in this report, I am satisfied that the conclusions set out in Section 11 of the Main Report continue to be appropriate. Specifically, it is my opinion that, under the implementation of the Scheme, all groups of CLL policyholders are treated equitably and fairly, and:

- the security and reasonable benefit expectations of the non-transferred CLL policyholders will not be materially adversely affected;
- the security and reasonable benefit expectations of the transferred CLL policyholders will not be materially adversely affected;
- there is no reason to believe that service standards for the transferred CLL policyholders will be materially adversely affected; and
- there is no reason to believe that service standards for the non-transferred CLL policyholders will be adversely affected.



Mark Pibworth FIA

Director of Capital Management and Actuarial Function Head, Canada Life Limited

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