

MILLIMAN REPORT

The Part VII Transfer of a portfolio of long-term insurance business from Canada Life Limited to Countrywide Assured plc

The Supplementary Report of the Independent Expert

27 January 2025

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1. Purpose and scope

THE BACKGROUND TO THE SCHEME AND PURPOSE OF THIS REPORT

- 1.1 It is proposed to transfer certain long-term insurance business from Canada Life Limited (“**CLL**”) to Countrywide Assured plc (“**CA**”), comprising approximately 37,900 (as at 31 December 2024) individual non-profit term assurance policies.
- 1.2 I am the Independent Expert in relation to this proposed transfer of long-term business. I have produced a report on the transfer dated 18 June 2024 and I now refer to that report as my Main Report.
- 1.3 My Main Report makes a number of references to matters being updated or considered further in my Supplementary Report, and this report is my Supplementary Report. This Supplementary Report must be read in conjunction with my Main Report.
- 1.4 The terms and abbreviations used in my Main Report are also used (without further definition) in this Supplementary Report. Appendix B contains the glossary of terms used throughout my Main Report and this Supplementary Report.
- 1.5 My appointment as Independent Expert and considerations of my independence were covered in my Main Report in paragraphs 1.6 to 1.10.
- 1.6 The purpose of this Supplementary Report is to:
- Provide the updates that I stated I would provide in my Main Report (including in relation to updated financial information);
 - Consider any matters arising including the complaints, objections and correspondence from policyholders following the policyholder communications process; and
 - Consider further whether the conclusions which I reached in my Main Report remain valid.
- 1.7 Appendix C sets out the main items of documentation and information which I have used in preparing this Supplementary Report. The parties for whom this Supplementary Report has been prepared are the same as set out in my Main Report.
- 1.8 Following the finalisation of my Main Report, the Scheme has been subject to the Directions Hearing at the Court. The Court has issued the relevant orders or approvals for the process of considering the Scheme to proceed to the next stage, and the dispensations sought by the Companies in respect of policyholder communications were granted. The Companies thus proceeded with the mailings, communications, website updates, advertisements, and notifications as set out in my Main Report.
- 1.9 This Supplementary Report will be made available on the relevant CLL and CA websites prior to the final Court or Sanction Hearing, scheduled to be held on 3 February 2025. In addition, any person who objects to or makes a representation in respect of the Scheme, any person who states they will attend the Sanction Hearing, and any person who requests a copy of my Main Report will be contacted and advised that this Supplementary Report is available on those websites and that a hard copy will be sent to them free of charge on request.
- 1.10 The Main Report and the Supplementary Report have been prepared in accordance with the approach and expectations of the PRA, as set out in PS1/22: “The PRA’s approach to insurance business transfers” dated January 2022 (the “**PRA Statement of Policy**”), as well as Chapter 18 of the Supervision Manual (“**SUP 18**”) contained in the FCA Handbook, and the FCA’s Final Guidance “FG22/1: The FCA’s approach to the review of Part VII insurance business transfers” dated February 2022 (the “**FCA Final Guidance**”).

RELIANCES AND LIMITATIONS

- 1.11 This Supplementary Report is subject to the same reliances and limitations as set out in my Main Report. This Supplementary Report has been prepared on a basis agreed with the PRA and the FCA and must not be relied upon for any other purpose. No liability will be accepted by Milliman, or me, for any application of this Supplementary Report to a purpose for which it was not intended, nor for the results of any misunderstanding by any user of any aspect of this Supplementary Report. In particular, no liability will be accepted by Milliman or me under the terms of the Contracts (Rights of Third Parties) Act 1999. This Report does not provide financial or other advice to individual policyholders.

REGULATORY AND PROFESSIONAL GUIDANCE

- 1.12 This Report has been prepared subject to the terms of the Technical Actuarial Standards applicable to Insurance transformations issued by the Financial Reporting Council. In my opinion, this Report complies with the TAS 200 v2.0: Insurance.
- 1.13 This Report is compliant with TAS 100 v2.0: Principles for Technical Actuarial Work, and in particular those aspects that are applicable to transformations.
- 1.14 In complying with these requirements, I note that a number of the key documents listed in Appendix C have been prepared or reviewed by individuals who were subject to professional standards in undertaking their work, including, where appropriate, TAS requirements.
- 1.15 Actuarial Profession Standard X2, as issued by the IFoA, requires members to consider whether their work requires an independent peer review.
- 1.16 In my view this Report does require independent peer review, and this has been carried out by an appropriate senior actuary in Milliman who has not been part of my team working on this assignment.

2. Executive summary

- 2.1 The financial analyses set out in my Main Report were based on information provided to me by CLL and CA as at 31 December 2023. In this Report, I have considered updated financial information as at 30 June 2024. I have also considered the effects of changes in financial markets between 30 June 2024 and the time of finalising this Supplementary Report. Updates to the key tables from my Main Report are also included in this Supplementary Report.
- 2.2 The updated financial and risk positions of the Companies, both pre-Scheme and post-Scheme, are fundamentally similar to those set out in my Main Report and I have highlighted and commented on the changes arising.
- 2.3 The Companies have entered into a second agreement to transfer further long-term insurance business from CLL to CA. There have been no other substantial changes to either Company's business operating model, governance, investment strategy, Risk Appetite or capital management policy ("**CMP**"). Neither of the Companies have undertaken any other acquisitions or disposals of business.
- 2.4 The risk profiles of the Companies have not materially changed since the date of my Main Report and no new material risks have emerged. In particular, there has not been any significant volatility in economic conditions or the financial markets over this period. While financial volatility or new financial risks may emerge ahead of the Effective Date, both Companies intend to manage this within the regulatory capital framework and their respective capital management policies.
- 2.5 I have considered and taken into account the latest available information and consultation papers from HMT and the PRA in relation to the ongoing implementation of the Solvency UK regime. I note and understand the reason for the differences in the impact of the Solvency UK reforms on CLL and CA, namely, the reforms to the MA and TMTP. I also note that the MA and TMTP are not applied in respect of the Transferred Policies and so the impact of the Solvency UK reforms on the quantification of the BEL and SCR of the Transferred Policies is limited, whether as part of CLL or CA. I therefore do not expect the Solvency UK reforms to have a significant impact on the Transferred Policies, including the valuation of the liabilities or the security of policyholders' benefits, with or without the Scheme being effected. Also, based on the Chief Actuaries' reports I do not expect the Solvency UK reforms to have a material impact on the financial strength of CLL or CA.
- 2.6 Since the Directions Hearing, the FCA Consumer Duty rules have become applicable to all insurance products and services to ensure good customer outcomes. The Companies have now implemented their Consumer Duty plans including in respect of the Transferred Business. I have reviewed CLL's current measures and the proposed process and plans for ensuring compliance from CA and SS&C. This includes consideration of specific measures and SLAs which will be in place following the Scheme and that CA and SS&C have existing business which is already subject to these rules. Based on the materials I have reviewed; I am satisfied that the Transferred Policyholders will not experience any material differences in their customer outcomes as a result of the Scheme.
- 2.7 I have been provided with CA's and SS&C's updated position in relation to the migration plan to implement the Scheme upon the Effective Date, and in particular SS&C's operational readiness to accept the administration and servicing of the Transferred Policies from the Effective Date onwards. I have, as necessary, raised questions on this and I am satisfied that these plans are progressing in line with the expected milestones to date and that, at the time of writing, there is no material adverse risk to the servicing and administration of the Transferred Policies during the transition from CLL to CA and the period immediately following.
- 2.8 CLL has informed me that it has reached an agreement with the policyholder of the Guernsey Policy to terminate the policy contract. As a result, this policy is no longer active. I am satisfied that the treatment of this policy has been fair, and that this policyholder has not been adversely affected by the proposal of the Scheme. I am also satisfied that CLL has taken into consideration the policyholder's needs to ensure a good customer outcome.
- 2.9 I have considered the impact of the second transfer mentioned in paragraph 2.3. I note the reasons for the second proposed Part VII transfer between CLL and CA and I note that the financial impact of the transfer is limited for both of the Companies. I have considered, amongst other things, whether the financial position and the servicing standards of the policyholders of CLL and CA would be adversely affected as a result of the proposed second transfer. Overall, I do not expect that this proposed Part VII transfer, will have any material adverse impact on the policyholders of CLL and CA prior to the current Scheme's Effective Date. The subsequent impact of the second transfer will be considered by the Independent Expert approved to review that transfer.
- 2.10 I have reviewed and discussed with the Companies the policyholder correspondence, complaints and objections received following the mailing and policyholder communications process. In particular, I have considered each

objection raised. Summarised information is contained within this Supplementary Report, including a summary of those types of objections which are relevant to the Scheme and how the Companies have responded to them. I am satisfied that the areas covered by all these objections have been considered in my Main Report, and I am satisfied that CLL has responded to the objections fully and appropriately. I note that, at the time of writing, CA has not received any objections in respect of the Scheme.

- 2.11 I can confirm that, taking into account the further analyses and updates set out in this Supplementary Report (as summarised above), the conclusions set out in Section 13 of my Main Report remain unchanged. For ease of reference I have set out those conclusions in Section 7 of this Supplementary Report. Should any material events or issues of relevance to the Scheme and its effects arise between finalising this Supplementary Report and the date of the final Court hearing, I will make arrangements via CLL and CA to inform the Court accordingly of my views and opinions.

3. The Scheme

- 3.1 CLL and CA have informed me that the Scheme has not undergone any material changes since the Directions Hearing, which I considered in my Main Report.
- 3.2 There has been one minor amendment which is described below in paragraphs 5.61 to 5.66.

4. Updates to financial aspects

INTRODUCTION

- 4.1 The financial analyses carried out and presented in my Main Report were based on financial information as at 31 December 2023. The Companies have provided me with a complete set of updated financial information as at 30 June 2024, including analyses of the changes in the key financial results between 31 December 2023 and 30 June 2024. I have considered this updated financial information and am satisfied with the explanations of the changes in the key financial results since 31 December 2023. I have set out below updated versions of the key analysis tables from my Main Report, together with my comments and conclusions arising from these updated tables. I am satisfied that the changes which have arisen since my Main Report are adequately conveyed and explained by the updates to the key analysis tables together with the commentaries and explanations that I set out in this Supplementary Report.
- 4.2 I note that the 31 December 2023 financial information contained in my Main Report has been subject to audit (as explained in my Main Report). The 30 June 2024 financial information contained in this Supplementary Report has not been subject to audit, but has been prepared on fundamentally the same bases, subject to the normal processes of updates, and has been subject to the normal internal review processes followed by the Companies. I am satisfied that this 30 June 2024 financial information is appropriate for the purposes of this Supplementary Report.
- 4.3 In addition to the updated 30 June 2024 position, I have also considered the financial position of the Companies after this date based on management information provided and in particular CLL and CA have each provided a qualitative analysis of the movement in their financial position after this date. I will continue to monitor the financial position of the Companies (based on management information provided) up to the dates of the final Court hearing.

UPDATED CLL SOLVENCY UK POSITION

- 4.4 Figure 4.1, below, summarises CLL's updated Solvency UK balance sheet and solvency coverage as at 30 June 2024.

Figure 4.1: CLL's Solvency UK balance sheet and solvency coverage as at 30 June 2024

£ million	30 June 2024
Assets (excluding Reinsurance Assets) (A)	24,088.3
Reinsurance Recoverable Assets (B)	2,092.9
Total Assets (C = A + B)	26,181.2
Best Estimate Liabilities (D)	19,909.9
TMTP (E)	306.0
Risk Margin (F)	233.8
Technical Provisions (G = D – E + F)	19,837.7
Other liabilities (H)	3,271.4
Sub debt and Ancillary Own Funds (I)	543.7
Own Funds (before restrictions) (J = C – G – H + I)	3,615.9
RFF Restriction (K)	-
Dividends (L) ¹	-
Restricted Own Funds (M = J – K – L)	3,615.9
SCR (N)	2,286.6
Excess Own Funds (O = M – N)	1,329.3
Solvency Ratio (P = M / N)	158%

Source: provided by CLL.

- 4.5 CLL's Solvency Ratio has fallen from 162% at 31 December 2023 to 158% at 30 June 2024. CLL has indicated that the drivers for the change in Solvency Ratio over this period were capital initiatives and dividend payments to shareholders approved by the CLL Board, as well as the impact of in force business run-off, new business strain

¹ No dividends are shown in Figure 4.1 and therefore the Restricted Own Funds, Excess Own Funds and Solvency Ratio do not allow for dividends; while the corresponding table for CA shown as Figure 4.4 does make an allowance for dividends, I have also considered the effect of removing the dividends on CA's balance sheet and solvency coverage in a footnote to Figure 4.4.

and market movements. The fall in Solvency Ratio of c.4 percentage points does not materially change the financial position and strength of CLL and CLL continues to monitor its Solvency Coverage against its CMP.

- 4.6 Figure 4.2, below, shows the pre-Scheme and pro forma, post-Scheme financial position of CLL. The figures are shown on a Solvency UK basis as at 30 June 2024. The table also shows the position if the Scheme were not to be sanctioned for any reason.

Figure 4.2: CLL pre- and pro forma post-Scheme Solvency UK balance sheet and solvency coverage as at 30 June 2024

£ million	Pre-Scheme	Pro forma post-Scheme	If Scheme not Sanctioned
Own Funds (A)	3,616	3,616	3,637
SCR (B)	2,287	2,287	2,289
Excess Own Funds (C = A – B)	1,329	1,329	1,349
Solvency Ratio (D = A / B)	158%	158%	159%

Source: provided by CLL.

- 4.7 Figure 4.2 shows that, if the Scheme had been implemented on 30 June 2024, the impact on the CLL Solvency Ratio is less than 1 percentage point. As mentioned in the Main Report, the reason for this limited impact is that the Reinsurance Agreement between CLL and CA has already transferred the majority of the economic interest of the Transferred Business to CA. In particular, CLL would continue to comfortably meet regulatory capital requirements as well as its target Solvency Ratio defined in its capital management policy.
- 4.8 If the Scheme were not to be sanctioned for any reason, the Reinsurance Agreement would be terminated, and the holders of the Transferred Policies would remain policyholders of CLL. In this scenario CLL would see an increase to the level of its Own Funds of c.£20 million and of its SCR of c.£2 million. This would result in an overall increase in the Solvency Ratio of approximately 1 percentage point and therefore I am also satisfied that, if the Scheme were not to proceed, there would be no significant financial risk to CLL.
- 4.9 The split of CLL's SCR as at 30 June 2024 by risk category is shown in Figure 4.3 below:

Figure 4.3: Breakdown of CLL's SCR by risk category as at 30 June 2024

	(£m)	Percentage of undiversified SCR
Standard Formula Risks		
Market	964.3	28%
Counterparty default	63.2	2%
Life underwriting	127.0	4%
Health underwriting	145.8	4%
Internal Model Risks		
Credit	1,061.9	31%
Longevity	624.7	18%
Catastrophe	443.7	13%
Total Undiversified Components	3,430.6	
Diversification	(1,216.5)	-
Adjustment due to aggregation	0	-
Other Adjustments		
Operational risk	192.3	-
Loss-absorbing capacity of deferred tax	(120)	-
SCR	2,286.6	

Source: provided by CLL.

- 4.10 CLL's SCR has increased by c.£83 million from £2,203.6 million as at 31 December 2023 to £2,286.6 million as at 30 June 2024. I included a breakdown of CLL's SCR as at 31 December 2023 in paragraph 4.37 of my Main Report, and I am content that there has been no significant change in CLL's risk profile over this period.

UPDATED CA SOLVENCY UK POSITION

- 4.11 Figure 4.4, below, summarises CA's updated Solvency UK balance sheet and solvency coverage as at 30 June 2024.

Figure 4.4: CA's Solvency UK balance sheet and solvency coverage as at 30 June 2024

£ million	30 June 2024
Assets (excluding Reinsurance Assets) (A)	4,330.5
Reinsurance Recoverable Assets (B)	163.0
Total Assets (C = A + B)	4,493.5
Best Estimate Liabilities (D)	4,125.3
TMP (E)	0.0
Risk Margin (F)	11.7
Technical Provisions (G = D - E + F)	4,137.0
Other liabilities (H)	160.9
Sub debt and Ancillary Own Funds (I)	0.0
Own Funds (before restrictions) (J = C - G - H + I)	195.6
RFF Restriction (K)	0.7
Dividends (L) ²	35.0
Restricted Own Funds (M = J - K - L)	159.9
SCR (N)	95.9
Excess Own Funds (O = M - N)	64.0
Solvency Ratio (P = M / N)	167%

Source: provided by CLL.

- 4.12 CA's Solvency Ratio has risen from 145% at 31 December 2023 to 167% at 30 June 2024. CA has indicated that the drivers for the increase in Solvency Ratio over this period were positive market movements. In particular, increases to the discount rates over this period reduced the level of underwriting risk due to a higher level of discounting and consequently reduced the SCR. The Own Funds also increased over the period as a result of the increase in the value of equities.
- 4.13 Figure 4.5, below, shows the pre-Scheme and pro forma, post-Scheme financial position of CA. The figures are shown on a Solvency UK basis as at 30 June 2024. The CA pre-Scheme position makes allowance for the Reinsurance Agreement covering the Transferred Policies from CLL. The Reinsurance Agreement is assumed to fall away in the post-Scheme balance sheet. The CA pre-Scheme position also makes allowance for a £35 million foreseeable dividend which had been approved by the CA Board as at 30 June 2024 and was paid to Chesnara during July 2024.

² For consistency with the respective Chief Actuary reports of CLL and CA, the impact of dividends is included in Figure 4.4, while the corresponding table for CLL shown as Figure 4.1 does not make an allowance for dividends. If Figure 4.4 were shown without an allowance for dividends, the Dividends, Restricted Own Funds, Excess Own Funds and Solvency Ratio would become £0.0 million, c.£194.9 million, c.£99.0 million and c.203% respectively. There would be no other impact on Figure 4.4.

Figure 4.5: CA pre- and pro forma post-Scheme Solvency UK balance sheet and solvency coverage as at 30 June 2024

£ million	Pre-Scheme CA	Pro forma post-Scheme CA	If Scheme not Sanctioned
Assets (A)	4,493.4	4,485.0	4,493.5
BEL (B)	4,125.3	4,117.1	4,137.3
Risk Margin (C)	11.7	11.6	10.9
Technical Provisions (D = B + C)	4,137.0	4,128.7	4,148.2
Other liabilities (E)	160.9	160.9	160.9
Own Funds (before restrictions) (F = A – D – E)	195.6	195.6	184.4
RFF Restriction (G)	0.7	0.7	0.7
Dividends (H)	35.0	35.0	35.0
Restricted Own Funds (I = F – G – H)	159.9	159.9	148.7
SCR (J)	95.9	95.9	93.4
Excess Own Funds (K = I – J)	64.0	64.1	55.3
Solvency Ratio (L = I / J)	167%	167%	159%

Source: provided by CA.

- 4.14 The pro forma, post-Scheme financial position of CA has been calculated under the following assumptions:
- That the Standard Formula is used to calculate the SCR both pre- and post-Scheme;
 - The VA is not applied to the Transferred Business pre- or post-Scheme. Regulatory approval would need to be sought by CA to apply the VA to the Transferred Business;
 - Additional diversification arises within the SCR and Risk Margin from the Reinsurance Agreement between CLL and CA falling away and being replaced by direct policies of CA for the Transferred Policies, however this is minimal; and
 - No additional dividends are foreseeable as a result of the Transferred Business becoming direct business of CA.
- 4.15 The table above shows that, as a result of the Scheme, the Own Funds, RFF Restriction, SCR, and hence the Excess Own Funds of CA, are largely unchanged post-Scheme as a result of the Transferred Business moving to CA. This is as a result of the Transferred Policies already being reinsured to CA and therefore being present in the pre-Scheme CA position as inwards reinsurance.
- 4.16 I am satisfied that the assumptions used to determine the pro forma post-Scheme financial position (in Figure 4.5) are reasonable.
- 4.17 Figure 4.5 shows that, on a Solvency UK basis, if the Scheme had been implemented on 30 June 2024:
- The Own Funds of CA post restrictions would have covered its SCR with a ratio of 167%. This represents minimal change relative to the pre-Scheme position (the impact is a c.0.08% increase to the Solvency Ratio, however this is not visible due to rounding). This is expected as a result of the Transferred Business already having been reinsured to CA. This position remains in excess of the CA Board Risk Appetite;
 - The movement in Own Funds is very small as a result of the transfer in of the Transferred Business to CA. This results in the existing Reinsurance Agreement being cancelled and the Transferred Business becoming direct policyholders of CA. The post-Scheme CA position is largely unchanged from the pre-Scheme CA position due to the Reinsurance Agreement having already transferred the majority of the economic interests of the Transferred Business to CA; and
 - The movement in SCR is also very small as a result of the transfer in of the Transferred Business to CA, again due to the Reinsurance Agreement having already transferred the majority of the economic interests of the Transferred Business to CA. The pre-Scheme SCR does include allowance for the Reinsurance Agreement and consequently the only impact is the small additional diversification benefit from the remaining expense risk transferring to CA.
- 4.18 Overall, the impact of the Scheme on the financial position of CA is not material.

4.19 If the Scheme were not to be sanctioned for any reason, the Reinsurance Agreement would be terminated, and the holders of the Transferred Policies would remain policyholders of CLL. In this scenario CA would see a decrease to the level of its Own Funds of c.£11 million and of its SCR of c.£2.5 million. This would result in an overall decrease in the Solvency Ratio of c.8 percentage points to 159%, which is still in excess of the CA Board Risk Appetite. Therefore, I am also satisfied that, if the Scheme were not to proceed, there would be no significant financial risk to CA.

4.20 Figure 4.6, below, shows the updated pre- and post-Reinsurance Agreement SCR breakdown of CA, alongside the SCR which arises from the Transferred Business.

Figure 4.6: CA pre- and post-Reinsurance Agreement SCR breakdown as at 30 June 2024

Risk category (£ million)	Pre-Reinsurance Agreement (A)	Transferred Business (B)	Synergy (C)	Post-Reinsurance Agreement (D = A + B + C)
Interest	12.2	(0.2)		12.0
Equity	43.6			43.6
Property	1.9			1.9
Spread	14.2			14.2
Market concentration	1.0			1.0
Currency	15.0			15.0
Diversification	(23.4)	0.1	(0.0)	(23.2)
Market	64.5	(0.0)	(0.0)	64.5
Counterparty default	5.7	0.1	(0.1)	5.8
Mortality	4.7	1.1		5.8
Longevity	5.6			5.6
Disability	0.6			0.6
Expense	17.2	1.4		18.5
Lapse	33.6	5.6		39.2
Catastrophe	1.7	0.9		2.7
Diversification	(15.5)	(2.3)	0.0	(17.8)
Life underwriting	47.9	6.8	0.0	54.7
Health underwriting	3.6			3.6
Diversification	(28.1)	(1.6)	0.0	(29.7)
Operational risk	6.5	0.0		6.5
LACDT	(6.6)		(2.7)	(9.4)
SCR	93.4	5.2	(2.8)	95.9

Source: provided by CA.

4.21 Figure 4.6, above, shows that the Reinsurance Agreement covering the Transferred Business resulted in higher levels of life underwriting risk. There is a small benefit from additional diversification within the life underwriting risk module. The impact of the Reinsurance Agreement on both counterparty default risk and health underwriting risk is limited.

4.22 As mentioned in my Main Report, the synergy shown in column C in Figure 4.6 is the difference between (i) the capital requirements which arise when the existing CA business is combined with the Transferred Business and (ii) the simple sum of the two capital requirements shown in columns A and B.

4.23 As shown in Figure 4.6, there is a LACDT synergy of £2.7 million which arises when the Transferred Business is combined with the existing CA business.

4.24 Overall, the CA SCR increases from £93.4 million to £95.9 million as a result of the Reinsurance Agreement which arises from an increase of £5.2 million of capital requirements related to the Transferred Business and allowing for synergies of a £2.8 million with CA's existing business.

- 4.25 The post-Reinsurance Agreement SCR of £95.9 million matches the amount shown in row J in the first two columns of Figure 4.5 above. Subject to rounding those two figures are the same, which indicates that as a result of the Reinsurance Agreement the majority of the additional diversification benefit has already been realised by CA.

Mass Lapse Reinsurance

- 4.26 CA currently has in place a mass lapse reinsurance treaty with Swiss Re which took effect from 31 December 2023 and covers the unit-linked, non-linked and term assurance business of CA, but excludes the with-profits business, the Transferred Business or business transferred from CASLP Limited (“CASLP”). The mass lapse reinsurance treaty is allowed for in the reported CA financial positions shown in this Supplementary Report.
- 4.27 CA has implemented a second mass lapse reinsurance treaty to cover the Transferred Business and the CASLP business where lapses are possible. The purpose of this second treaty is to further reduce CA’s aggregate exposure to mass lapse risk. The second mass lapse reinsurance treaty is not dependent on the Scheme being sanctioned and will remain in force to mitigate the exposure to mass lapse risk arising from the CASLP book regardless of whether or not the Scheme is sanctioned.
- 4.28 The second mass lapse reinsurance treaty is with Hannover Re (Bermuda) Limited, a subsidiary of Hannover Re, which has a credit rating³ of A+. The new reinsurance arrangement was approved by the CA Board and will be reflected in the full year financial figures as at 31 December 2024.
- 4.29 The new reinsurance treaty is open-ended with no fixed end date, however either party may terminate the treaty at any time subject to a 12-month notice period.
- 4.30 The impact of the new reinsurance treaty is estimated to be approximately a 15% increase in the Solvency Ratio of CA. The increase in the Solvency Ratio leaves the company in a stronger financial position in the short term as a result of the second mass lapse reinsurance treaty and consequently, the impact on the existing CA policyholders and the Transferred Policyholders is an increase in the level of protection in the short-term and a reduced exposure to mass lapse risk. Over the longer term, the main protection to policyholders will remain the CA Board Risk Appetite and CMP, however the reduced exposure to mass lapse risk will remain for as long as the treaty remains in force.
- 4.31 There will be no impact on the non-Transferred Policies of CLL as a result of the new mass lapse reinsurance treaty.
- 4.32 I am satisfied that the estimated financial position of CA allowing for the second mass lapse reinsurance treaty shows a stronger financial position in the short term and that this will have a beneficial impact on the existing CA policyholders and the Transferred Policyholders through reduced mass lapse risk exposure.

Chesnara Group Impact

- 4.33 Given the minimal impact of the transfer on the financial position of CA I expect a similar minimal impact for Chesnara and consequently on the Chesnara Group.

FINANCIAL UPDATES SINCE 30 JUNE 2024

- 4.34 Due to the date of this Supplementary Report, it has not been possible to receive a finalised financial position as at 30 September 2024 for either Company. However, the Chief Actuaries of both Companies have shared an estimate of their respective Company’s financial positions, which I consider below.
- 4.35 The Solvency Ratio of CLL was 154% as at 30 September 2024, a fall of c.4 percentage points from 158% as at 30 June 2024. The drivers for this change in Solvency Ratio include capital initiatives, business actions and dividend payments, as well as the impact of in force business run-off, new business strain and market movements. The dividend payments have been in line with CLL’s dividend policy and approved by the CLL Board. This still represents a reasonable level of solvency coverage and financial strength for CLL and CLL continues to monitor its Solvency Ratio against its CMP. 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.
- 4.36 As I described in Section 5 of my Main Report, the business of CASLP was transferred to CA in accordance with the Part VII of the FSMA on 31 December 2023 and this left CASLP without any remaining insurance business. On

³ The credit rating quoted is based on the lower of the two credit ratings provided on the Hannover Re website ([Ratings - Hannover Re](#)).

3 July 2024, CASFS Ltd (“**CASFS**”), previously a subsidiary of CASLP that provides administration of certain non-insurance products, was transferred to CA. The Own Funds associated with the holding in CASFS has improved CA’s Solvency Ratio.

- 4.37 CA estimate its Own Funds and SCR as at 30 September 2024 to be c.£168 million and c.£98 million respectively. The Solvency Ratio of CA was therefore estimated to be 172% as at 30 September 2024, an increase of c.4 percentage points from 167% as at 30 June 2024. As well as the transfer of CASFS described above, this increase in the Solvency Ratio of CA was aided by the run-off of the existing business and the writing of new onshore bond business. The Solvency Ratio of CA is estimated to have subsequently increased to 174% as at 30 November 2024 with the beneficial impact of the second mass lapse reinsurance treaty expected to increase the Solvency Ratio further when it is reflected in the 31 December 2024 position.
- 4.38 I am satisfied that the estimated financial position of both companies at 30 September 2024 was not materially changed compared to that at 30 June 2024.

VOLATILITY IN THE UK BOND MARKET

- 4.39 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 yields 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.
- 4.40 As I commented upon in paragraph 9.89 of my Main Report, the BEL of the Transferred Business is negative and therefore relatively few assets are required to meet the regulatory capital requirements in respect of the Transferred Business. I therefore do not consider the portfolio of assets backing the Transferred Business, and the volatility of that portfolio, to be material to the security of the benefits of the Transferred Policyholders.
- 4.41 Additionally, at a wider firm level, neither of the Companies expects the current level of financial volatility to cause significant concern to its compliance with its solvency or liquidity risk appetites, or in respect of its day-to-day management of its business.
- 4.42 As a result, I do not consider the level of volatility in the UK bond market at the time of writing to materially adversely impact the security of the Transferred Policyholder’s benefits post-Scheme and, as such, do not consider this to be a reason for the Scheme not to occur.

OVERALL CONCLUSION

- 4.43 I have considered the change in the financial positions of the Companies over the period 31 December 2023 to 30 June 2024. I am satisfied that that the conclusions which I reached in my Main Report are unchanged, i.e. that there is no significant financial risk to either CLL or CA as a result of the Scheme, or as a result to the Scheme not proceeding.
- 4.44 I have also considered the impact of the second mass lapse reinsurance treaty on CA’s financial position as well as considered updated financial positions of the Companies after 30 June 2024, for which I have largely relied on qualitative analyses provided by CLL and CA. I am satisfied that these changes do not change my conclusions mentioned above.

5. Updates to non-financial aspects

INTRODUCTION

5.1 There are various non-financial aspects considered in my Main Report where I stated that I would provide an update in my Supplementary Report. In this section, I have revisited these aspects. These include:

- The effect of the Scheme on the reinsurers of CLL and CA;
- The consequences of the Scheme on taxation issues;
- The Solvency UK review being undertaken by HM Treasury and the PRA;
- FCA Consumer Duty Rules;
- Emerging risks & volatility;
- Operational readiness for the Scheme;
- An issue identified regarding CLL's administration of the Inflation-Linked Option;
- The second transfer from CLL to CA;
- Access to the FSCS and FOS;
- The treatment of the Guernsey Policy;
- The treatment of the Isle of Man policyholders;
- Additional Excluded Policies;
- Other regulatory matters; and
- The comparison of SLAs in respect of policyholder complaints.

THE EFFECT OF THE SCHEME ON REINSURERS

5.2 As described in my Main Report the Companies have various external reinsurance arrangements. These arrangements will be unchanged by the Scheme, other than the Transferred Reinsurances with Swiss Re and Pacific Life Re currently held by CLL in respect of the Transferred Policies. These arrangements will, as part of the Scheme, be transferred and moved to become reinsurance arrangements of CA. Since the Directions Hearing, Swiss Re and Pacific Life Re have received formal notification as part of the Scheme communications, including details of their right to object to the transfer. CLL has indicated neither reinsurer has raised an objection to the transfer, nor does CLL expect either of the reinsurers to raise such an objection in the future.

5.3 The implementation of the Scheme will also result in the existing Reinsurance Agreement between CLL and CA in respect of the Transferred Policies ceasing. The exception to this would be if any Transferred Policies, which are under the scope of the Reinsurance Agreement but are not currently Excluded Policies, needed to be excluded for any reason or remain with CLL as a Residual Policy. In this scenario, the Reinsurance Agreement would remain in place for these policies. CLL has confirmed that, as of 31 December 2024, no such policies have been identified.

TAX

5.4 CLL has confirmed it has not received any further tax advice in respect of the Scheme since that on which my Main Report is based.

5.5 I indicated in my Main Report that CA would seek a corporation tax clearance from HMRC under Section 133 of the Finance Act 2012. I note that CA has now applied for this tax clearance. No other external tax advice has been sought in respect of this Scheme at this time.

SOLVENCY UK REFORMS

5.6 In my Main Report, I outlined the ongoing reforms to Solvency UK, the regulatory solvency regime that applies to insurers within the UK. Therein I identified the main impact of the outstanding Solvency UK reforms on CLL were

those as a result of the changes to the MA and the TMTP. I considered the impact of the outstanding Solvency UK reforms on CA to be limited, in part due to the fact that CA does not use either the MA or TMTP.

- 5.7 Since my Main Report, there has been no material change to the proposed reforms. I therefore consider the analysis in my Main Report of the likely impact of these reforms to still be valid. I mentioned in paragraph 11.29 of my Main Report that the Companies were still considering the potential impacts of Consultation Paper 5/24 – “Review of Solvency II: Restatement of assimilated law” (“**CP5/24**”), and I provide an update on this below. CP5/24 has now been followed by Policy Statement 15/24 – “Review of Solvency II: Restatement of assimilated law” (“**PS15/24**”) which set out the PRA’s final rules in relation to the Solvency UK reforms.
- 5.8 The Chief Actuary of CLL has reconfirmed that the impact of the Solvency UK reforms on CLL, including as a result of the changes to the MA and the TMTP, is expected to be less than a 1% reduction in CLL’s solvency ratio.
- 5.9 CLL is expected to make some developments to its Partial Internal Model to reflect the MA reforms under Solvency UK applicable from 31 December 2024, including an allowance for notching of assets within the MA portfolio, add-ons to the fundamental spread under stress and the removal of the limit on the MA arising from sub-investment grade assets. These developments are not expected to be completed until after the Effective Date.
- 5.10 CP5/24 and PS15/24 have introduced a requirement for firms to seek a waiver from the PRA for the use of increases in deferred tax assets in the calculation of the LACDT, either via demonstrating a Solvency Ratio above a certain threshold or providing other justification. CLL intends to apply for this waiver so that it may continue to benefit from its current level of LACDT and continue to reduce its SCR once this requirement becomes effective. This change only affects part of the LACDT calculation and is not contingent upon the Scheme, therefore I would not expect the impact to be material in the event of a waiver not being granted.
- 5.11 The Chief Actuary of CA has confirmed that the impact of the Solvency UK reforms on CA is expected to be immaterial. In particular, CA does not make use of the MA nor TMTP and therefore the reforms relating to these measures do not have any direct impact on CA. The Chief Actuary has not noted any significant impact on CA as a result of CP5/24 and PS15/24, including no impact on the calculation of CA’s LACDT as the firm does not rely on deferred tax asset generation to support the LACDT.
- 5.12 I note and understand that the reason for the differences in the impact of the Solvency UK reforms on CLL and CA. Given the impact of the Solvency UK reforms on CA are not expected to be material for the reasons outlined in paragraph 5.11, I do not believe the impact of the Solvency UK reforms on CA’s financial position introduce any adverse material risks on the security of the benefits of the Transferred Policyholders if the Scheme were to proceed.
- 5.13 I also note that the MA and TMTP are not applied in respect of the Transferred Policies and so the impact of the Solvency UK reforms on the quantification of the BEL and SCR of the Transferred Policies is limited, whether as part of CLL or CA. I therefore do not expect the Solvency UK reforms to have a significant impact on the Transferred Policies, including the valuation of the liabilities or the security of policyholders’ benefits, with or without the Scheme being effected.

FCA CONSUMER DUTY RULES

- 5.14 In July 2022, the FCA published its Policy Statement and Finalised Guidance for the new Consumer Duty (the “**FCA Consumer Duty Rules**”), which sets higher and clearer standards of consumer protection across financial services in the UK and requires firms to put their customers’ needs first.
- 5.15 The Consumer Duty includes a new Consumer Principle (Principle 12 of the Principles for Businesses) that requires firms to act in a way that delivers good outcomes for retail customers. These rules came into force on 31 July 2023 for new and existing products or services that are open to new business and came into force on 31 July 2024 for closed products or services, including the Transferred Business.
- 5.16 Since the Directions Hearing, the deadline of 31 July 2024 for implementing the FCA Consumer Duty rules in respect of closed products or services has now passed, following the deadline a year prior for products or services that are open to new business. As a result, CLL and CA have now implemented their Consumer Duty plans in respect of their entire businesses, including the Transferred Business currently under CLL. I provided further details on Consumer Duty requirements in Appendix A of my Main Report.
- 5.17 As mentioned in my Main Report, CLL and CA have been in regular communication (both before and after the 31 July 2024 deadline) to ensure the FCA Consumer Duty Rules are adhered to in respect of the Transferred Business.

- 5.18 In particular, CLL has shared the measures undertaken to ensure good customer outcomes for the Transferred Policyholders. As a result, CA has specified a number of measures it will also commit to undertaking in respect of the Transferred Policies should the Scheme be sanctioned, examples of which include:
- Mapping of customer journeys.
 - Communication standards being applied to policyholder communications (including for the migration stage). This will also extend to any communications SS&C issue to the Transferred Policyholders.
 - Introduction of feedback mechanisms such as post-call surveys, complaints feedback processes and a Vulnerable Customer Committee.
 - Management information (“MI”) will be produced for the monthly service review packs which include consideration of the FCA Consumer Duty Rules. The MI is already produced for CA’s existing business and the Transferred Business will be incorporated into this MI from the Effective Date, based on MI provided by SS&C.
- 5.19 Furthermore, in my Main Report, I analysed the SLAs applied by CA compared to those applied by CLL in paragraphs 10.23 to 10.26. I concluded that the SLAs applied by each Company are broadly comparable and that CA applies slightly stricter RAG thresholds than CLL. I have also considered the complaints SLA further below in paragraphs 5.70 to 5.74.
- 5.20 I am satisfied that CLL’s approach to implementing the FCA Consumer Duty rules in respect of the Transferred Policyholders is reasonable and that this is already in place for these policies.
- 5.21 I am also satisfied that CA and SS&C have processes and plans in place to ensure good customer outcomes are maintained after the Scheme Effective Date. Both CA and SS&C currently service other insurance policies which are subject to the FCA Consumer Duty Rules and are therefore familiar with the requirements of the rules and are experienced in ensuring good customer outcomes for existing policyholders. The measures and SLAs which will be in place for the Transferred Business are already maintained for existing business and consequently I am satisfied that the Transferred Policyholders will not experience any material differences in their customer outcomes as a result of the Scheme.

EMERGING RISKS AND VOLATILITY

- 5.22 When considering the impact of the implementation of the Scheme, I have continued to review emerging risks in the wider operating environment and whether these affect my conclusions in relation to the Scheme. In light of recent and ongoing events, such as the Covid-19 pandemic and geopolitical conflicts, I have considered a range of scenarios that, in my view, are the most plausible and relevant to the Scheme, including:
- The potential for further volatility in financial markets;
 - The potential for operational disruption within the Companies;
 - The potential for disruption to third parties that play a role in the implementation of the Scheme; and
 - The wider societal impacts that may affect policyholders’ ability to engage with the Scheme.
- 5.23 While I acknowledge that the war in Ukraine, the current political unrest in the Middle East, and the potential for further escalations in the months to come, present significant uncertainty to global politics and economies, I have no reason to believe that the policyholders of CLL or CA would be affected differently as a result of this with or without the Scheme taking place. In particular, I would expect both firms to manage any macroeconomic volatility that might result in line with their investment, liquidity and capital management policies that I referred to in my Main Report. I have commented on the recent volatility in the UK bond market above in paragraphs 4.39 to 4.42
- 5.24 CLL has confirmed to me that, at the time of writing, the daily checks performed by its Financial Crime team have not identified any of the Transferred Policyholders as sanctions targets or as PEP. Additionally, as I mentioned in my Main Report, there is no possibility of sanctioned financial assets being transferred under the Scheme given that no financial assets are included in the Scheme.
- 5.25 Based on current conditions, in my view it remains appropriate for the Companies to continue to pursue the Scheme. I will update the Court if any material risks emerge between the time of this report and the Sanction Hearing.

OPERATIONAL READINESS FOR THE SCHEME

- 5.26 In my Main Report, I described CA's plan to migrate the administration of the Transferred Policies from CLL to SS&C upon approval of the Scheme, which is part of a wider plan to outsource the majority of its policy administration to SS&C. This transfer of administration arrangements is not part of the Scheme itself.
- 5.27 All contractual options and rights as specified in the relevant terms and conditions will be unaltered by the Scheme for all types and all groups of policyholders of the Companies. No instances have been identified where changes are required as a result of the migration.
- 5.28 CLL, CA and SS&C have therefore been working to a migration plan that involves the migration of the Transferred Policies to SS&C's systems in advance of the Effective Date to help ensure that, as of the Effective Date, the administration of the Transferred Business is ready to be carried out entirely on SS&C's platform and independently of the CLL administration system. The administration of the Transferred Policies will then be performed by SS&C from the Effective Date onwards. The Companies are monitoring the operational readiness of SS&C to complete the migration of the administration of the Transferred Policies as part of this migration plan.
- 5.29 In my Main Report, I also described a contingency as part of the migration plan whereby, if SS&C were not ready to administer the policies within the planned time frame, the Effective Date could be delayed until up to and including 22 May 2025, during which time CLL would continue to administer the policies until the delayed Effective Date. In the event that the Effective Date of the Scheme had to be delayed beyond 22 May 2025 due to the migration to SS&C's systems not being ready on or before this date, CLL and CA would consider options for how to proceed. The Effective Date of the Scheme will not be able to be deferred beyond 22 May 2025 without additional approval from the Court.
- 5.30 CA has confirmed to me that the migration activity of the Transferred Policies has been progressing in line with the planned time frames, including completion of the preparatory analysis by SS&C required for the migration and the solution design by the target date of 29 November 2024 and completion of the build stage by the target date of 20 December 2024. This will be followed by a testing phase with a target completion date of 14 February 2025, ensuring that SS&C can accept the migration of the Transferred Policies ahead of the Effective Date of 23 February 2025. Whilst the deadlines are tight, based on what I have seen I believe that they should be achievable, noting that the target completion dates for the phases to date have been met. I will monitor progress and update the Court if there is a material deviation from the plan.
- 5.31 CA has also confirmed to me that SS&C's plan to ensure operational readiness, which seeks to ensure SS&C can service the Transferred Policies on an ongoing basis beyond the Effective Date, including ensuring sufficient capacity to ensure service standards, is progressing well. The operational readiness plan includes plans for provision of MI (which I have seen the details of) that will be available from the Effective Date in order to enable monitoring for Consumer Duty purposes.
- 5.32 The operational readiness plan also includes a cutover plan (a plan to transition from CLL's current servicing and administration of the Transferred Policies to the administration of the Transferred Policies going live on SS&C's systems on the Effective Date) which will commence in early February and is expected to complete in time for the migration, as well as staff training in advance of the Effective Date.
- 5.33 CA and SS&C have confirmed to me they remain confident that an Effective Date of 23 February 2025 is achievable and realistic and that they will continue to actively manage any issues arising in the project to minimise the risk of any delays.
- 5.34 CA has also confirmed to me that it has regular meetings with SS&C to monitor progress on migration and operational readiness activities.
- 5.35 Based on the updates provided to me by CA and SS&C, I am satisfied that the migration and operational readiness activities have been progressing in line with a timeframe consistent with the Effective Date of 23 February 2025 and, as such, there is no reason to believe the Effective Date of 23 February 2025 is not currently achievable, or that the Effective Date may need to be delayed. I therefore do not consider there to be a material adverse risk to the servicing standards or administration of the Transferred Policyholders, or any other policyholders of the Companies, during the transition of the Transferred Policyholders from CLL to CA or in the period immediately following.
- 5.36 I will continue to monitor the status of the migration and operational readiness activities until the Sanction Hearing. Should there be material adverse developments in the migration or operational readiness activities that put the smooth transition of the Transferred Policyholders from CLL to CA at risk, I will provide an update to the Court, and

I will also review the revised time frames for the migration and operational readiness, the temporary administration and serving arrangements in place, the revised Effective Date, any policyholder communications that may become necessary and any other relevant considerations.

ISSUE WITH ADMINISTRATION OF THE INFLATION-LINKED OPTION

- 5.37 CLL and CA have notified me that, 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 (the "**Inflation-linked Option**"). While this option is also available under other lines of CLL's business, the issue identified relates only to the level term assurance product within its individual protection business. CLL has notified the FCA of this issue.
- 5.38 Under the Inflation-linked option, both the premiums and sum assured of the policy increase in line with the Retail Price Index ("**RPI**") as of four months prior to the policy anniversary date, subject to certain restrictions. This option is only available at the outset of the policy. If selected at outset, the policyholder has the option to reject the annual inflationary increase at each policy anniversary. If the annual inflationary increase is rejected at any policy anniversary, it is not offered to the policyholder thereafter, and the policy remains a level term assurance from that point onwards.
- 5.39 As part of the migration undertaken by CA and SS&C, it was discovered that, in some cases, CLL has applied this inflationary increase using the RPI from three months prior to the policy anniversary date in error, rather than four months as stated in the terms of the policy. As a result, the affected policyholders have potentially paid either lower or higher premiums as compared to the agreed terms of the policy. However, in such instances, the sum assured has been increased in proportion to the premiums paid.
- 5.40 This issue relates to both Transferred Policies and non-Transferred Policies of CLL. The non-Transferred Policies affected are policies from CLL's individual protection business that have now expired i.e. policies that have lapsed or policies for which a claim has previously been settled. Approximately 2,200 of the Transferred Policies (that are still in-force) have been affected by this error.
- 5.41 For the avoidance of doubt, this issue is not connected to the proposed Scheme. 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. The precise time of the correction is not known at this stage.
- 5.42 Due to the complexity involved, I understand that CLL is still considering its remediation plan in respect of this issue at the time of writing. Given the proximity of the migration of the Transferred Policies to SS&C systems as part of the Scheme, to avoid confusion, CLL and CA propose that communications to the affected Transferred Policyholders will be issued by CA after the Effective Date. These communications will explain this issue and offer remediation options. CLL and CA have confirmed to me that the remediation offered to the affected Transferred Policyholders will be the same post-transfer (as part of CA) as it would be had these policies remained with CLL. In particular, all costs associated with the communications and remediation offered to the Transferred Policyholders will be paid for by CLL.
- 5.43 While the remediation to be offered in respect of affected Transferred Policies is necessarily different to that of non-Transferred Policies (given that the latter may have reached the claims stage), CLL has confirmed to me that it will apply the same principles in seeking to offer remediation to both sets of policyholders. I note that CLL is currently considering the appropriate remediation to be offered to affected policyholders, and in particular will seek the best customer outcome (which may or may not entail restoring a policy to the position it would have been in the absence of this error, depending on the customer's preference) in line with the FCA Consumer Duty rules. In particular, I note that CLL and CA have confirmed that they will work together to ensure action taken both before and after the transfer will comply with the Consumer Duty rules, and this includes the content of any communications.
- 5.44 The issue identified 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. Furthermore, while the details of the remediation offered to the policyholders are yet to be determined, the remediation offered to the affected Transferred Policyholders post-Scheme will not be different if the Scheme were not to occur. 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. I note also that this administrative issue will be rectified on SS&C's systems after the migration has taken place. I am satisfied that, given the proximity of the migration to SS&C's systems, it is appropriate to issue communications and take action to remediate affected Transferred Policyholders after the Effective Date.

SECOND TRANSFER FROM CLL TO CA

- 5.45 In late December 2024, CLL and CA informed me of 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 a closed portfolio of CLL's unit-linked bonds and legacy pension business.
- 5.46 Approximately 17,000 policies are in the scope of this transfer, with total assets under management of c. £1.5 billion.
- 5.47 CLL closed its onshore wealth business to new business in January 2024 and therefore this transfer allows CLL to focus its resources and investment on other lines of business, including its international wealth business. From the perspective of CA, this transfer is aligned with its strategic aim to acquire life and pensions business in order to strengthen its position within the UK consolidation market and achieve additional economies of scale as it spreads fixed costs over a greater number of policies.
- 5.48 While this Scheme involves the same parties as this second proposed transfer, I note that CLL's decision to sell this business, and its choice of CA as a counterparty, is unrelated to the current Scheme. The second Scheme will be reported on by the Independent Expert appointed for that Scheme. I as the Independent Expert for the current Scheme have only considered the expected impact of the proposed second transfer on the parties to, and timescale of, the current Scheme.
- 5.49 CLL's and CA's current intention is to enact this transfer by the end of 2025 under a new scheme of transfer that is independent of the current Scheme. CLL and CA have entered an arrangement whereby the transferring portfolio has been reinsured from CLL to CA, retrospectively effective from 31 December 2023.
- 5.50 The estimated impact of the back-dated reinsurance agreement on CLL's Solvency Ratio as at both 30 June 2024 and 31 December 2024 is an increase of less than 1 percentage point. The estimated impact of the back-dated reinsurance agreement on CA's Solvency Ratio as at 30 June 2024 is a decrease of approximately 6 percentage points. The estimated impact of the back-dated reinsurance agreement on CA's Solvency Ratio as at 31 December 2024 is not available at the time of writing, but CA has informed me that the impact on the Own Funds and SCR will be materially the same, and the resulting impact on the Solvency Ratio will depend on the overall balance sheet as at 31 December 2024.
- 5.51 I note that the impact of this reinsurance agreement does not affect either Company's compliance with its solvency risk appetite. I also note that the reinsurance cashflows are largely predictable until the proposed date of the transfer, and therefore there is no further material impact on either Company's Solvency Ratio in the future expected as a result of this reinsurance agreement.
- 5.52 CA and SS&C have together assessed whether they will have sufficient operational capacity to deliver this work without affecting the servicing of the Transferred Business post-Scheme and have concluded they believe this to be the case. As such, they do not foresee any impact on the servicing standards to the Transferred Business as a result of this second proposed transfer.
- 5.53 To date, CLL has identified one Transferred Policyholder that also has a policy that would be transferred under the second proposed transfer. This policyholder is not a Goneaway and has not been classified as a vulnerable customer.
- 5.54 I note the reasons for this proposed transfer and that the financial impact of the transfer is limited for both of the Companies. I have considered whether the servicing standards of the policyholders of CLL and CA would be adversely affected in the future as a result of this proposed transfer. Overall, I do not expect that this proposed Part VII transfer will have any material adverse impact on the policyholders of CLL and CA prior to the current Scheme's Effective Date. The subsequent impact of the second transfer will be considered by the Independent Expert approved to review that transfer.

ACCESS TO THE FINANCIAL SERVICES COMPENSATION SCHEME AND THE FINANCIAL OMBUDSMAN SERVICE

- 5.55 As I noted in paragraph 11.31 of my Main report, the Transferred Policyholders' access to the Financial Services Compensation Scheme ("FSCS") and Financial Ombudsman Service ("FOS") would be unaffected by the Scheme.

GUERNSEY POLICY

- 5.56 As mentioned in my Main Report, the Guernsey Policy was not to be transferred under the Scheme based on local legal advice and was therefore an Excluded Policy. CLL could theoretically have maintained a single individual non-profit term assurance policy, however CLL decided that reaching a settlement with the policyholder of the Guernsey Policy would be the most appropriate outcome and minimise any possibility of poor customer outcomes.
- 5.57 CLL considered the following when ensuring its consideration of the customer outcomes in respect of the Guernsey Policy:
- As a claim could be received at any time, which would pay out the sum assured, any value other than the sum assured could have led to detriment and a poor customer outcome;
 - Providing the policyholder with finances to secure an alternative policy was considered, however due to the potential for changes in the customer's health and lifestyle since the writing of the initial policy, this was considered to be potentially detrimental as an alternative policy may not have been available;
 - The customer's ability to receive the payment and to make appropriate financial decisions was considered and an offer was made to provide additional financial support should the policyholder wish to take any professional advice; and
 - CLL engaged with the policyholder through written correspondence and a follow-up call. The policyholder was satisfied with the proposal and signed an agreement to terminate the policy. No additional concerns nor vulnerabilities were identified which needed to be given additional consideration.
- 5.58 As noted, CLL has reached an agreement with the policyholder of the Guernsey Policy to terminate the policy contract in exchange for the full sum assured. As a result, this policy is no longer active.
- 5.59 I am satisfied that the treatment of the Guernsey Policy has been fair, and that this policyholder has not been adversely affected by the proposal of the Scheme. I am also satisfied that CLL has taken into consideration the policyholder's needs to ensure a good customer outcome.

ISLE OF MAN POLICYHOLDERS

- 5.60 As I commented on in paragraph 6.13 of my Main Report, there are a small number of Transferred Policyholders based in the Isle of Man and following local legal advice it was concluded that a separate legal scheme would not be required to transfer these policies. There has been no change in relation to these policies subsequent to the Directions Hearing. For the avoidance of doubt, my statement in paragraph 5.55 above that the access of the Transferred Policyholders to the FSCS and FOS would be unaffected by the Scheme also applies to those policyholders based in the Isle of Man. At the time of writing this Supplementary Report, there are nine such active policies remaining.

ADDITIONAL EXCLUDED POLICIES

- 5.61 The definition of Excluded Policies has been expanded since the Directions Hearing to include three policies with ongoing claims which would otherwise be Transferred Policies. These policies cover two policyholders with ongoing claims since 2022 following the deaths of the respective policyholders (the "**2022 Policies**"). The 2022 Policies have been excluded due to the complexity and nature of the claims. The Companies have agreed that the 2022 Policies remaining with CLL will result in the best outcomes for all stakeholders including those with an interest in the outcome of the claims. CLL will continue to administer the 2022 Policies and consequently these policies will be unaffected by the Scheme.
- 5.62 The three "2022 Policies" are complicated claims and are subject to dispute. They require experienced claims handling by individuals familiar with the details of the policies and the claims on them. These experienced staff are not transferring to CA as part of the Scheme and will remain at CLL to support these claims to resolution. The administration (and other) systems supporting the 2022 Policies will stay with CLL and will remain active after the Scheme to support the 2022 Policies.
- 5.63 By not transferring to a new insurer unfamiliar with the specifics of their cases, and to a third-party administrator in a similar position, I believe it is to the benefit of the 2022 Policies not to transfer, but to remain where they are with the continuity of support and expertise provided by CLL.

- 5.64 The policyholders of the 2022 Policies have not been communicated with regarding the Scheme as they were not intended to be part of the business transferred by the Scheme. There is a small risk that the policyholders of the 2022 Policies may indirectly become aware of the Scheme and there is some potential for their confusion. To forestall this risk CLL intends to write to the policyholders of the 2022 Policies making them aware of the Scheme and to confirm to the policyholders that they are unaffected by the Scheme. CLL will follow up with phone calls (or other appropriate forms of communication) if needed.
- 5.65 I have not identified any negative factors relating to the 2022 Policies not transferring.
- 5.66 I am satisfied that the expanded definition of Excluded Policies to cover the three policies termed the 2022 Policies is reasonable and that it does not change any of my conclusions in respect of the Scheme.

OTHER REGULATORY MATTERS

- 5.67 The PRA has recently released guidance on the use of Funded Reinsurance in its Supervisory Statement 5/24 – “Funded reinsurance” (“**SS5/24**”), which apply from 31 October 2024. This includes enhanced risk management, modelling and contractual practices around the use of Funded Reinsurance.
- 5.68 Both Companies have confirmed to me that they have complied with these newly introduced rules in respect of their use of Funded Reinsurance. As a result, I consider both Companies to be managing their use of Funded Reinsurance within the PRA’s expectations and therefore I am satisfied that this regulation will not have any significant adverse impact on the Transferred Policyholders, whether or not the Scheme goes ahead. Furthermore, I note that Funded Reinsurance is not used in respect of the Transferred Business.
- 5.69 The FCA has announced its intention to launch a market study into how pure protection insurance products are sold within the UK, with a focus on commission arrangements as well as providing good value for customers. The timing of this study is uncertain and may commence before or after the Effective Date. While it will not be possible to consider the findings of this study within this Report due to its timing, I note that both Companies are aware of this study and have confirmed they regularly consult material produced by the FCA that details the FCA’s expectations in respect of customer service, such as this survey, as part of its internal processes. I also note that the Companies’ Consumer Duty plans, as mentioned above, have been implemented to address these themes.

COMPLAINTS SLA

- 5.70 In paragraph 10.23 of my Main Report, I set out a comparison of the CLL’s and CA’s SLAs. I subsequently concluded that the SLAs applied by CLL and CA are broadly comparable.
- 5.71 I have considered further the SLA for handling complaints, which for CLL is 5 days for acknowledgement of the complaint, however CLL completes complaint investigations and full responses within 5 days as standard. For CA the SLA is 5 days for acknowledgment of the complaint, and 10 days for a full response to the complaint.
- 5.72 I note that the complaints response SLA for both Companies is compliant with section DISP 1.6 of the FCA Handbook relating to time limits for dispute resolution.
- 5.73 I understand the reasons for the variance in SLAs from company to company and as such I do not believe the SLAs for each and every metric would have to be at least as strict for CA as is currently for CLL in order to prevent an adverse material impact on the servicing standards of the Transferred Policyholders. In particular, there are other SLAs for which CA applies stricter turnarounds than are currently applied by CLL. In reaching my conclusion that the SLAs applied by CLL and CA are broadly comparable, I considered a wider set of SLAs, as well as the remedial actions applied by each Company to ensure the SLAs are maintained.
- 5.74 As a result, I do not consider the longer SLA of 10 days for responding to complaints for CA compared to that of 5 days for CLL to constitute a material adverse impact on the servicing standards of the Transferred Policyholders in isolation. In particular, CA does maintain a 5-day SLA for acknowledgement of the complaint, which is the same as the acknowledgment point for CLL.

OVERALL CONCLUSION

- 5.75 I note and understand that the reason for the differences in the impact of the Solvency UK reforms on CLL and CA. Given the impact of the Solvency UK reforms on CA are not expected to be material for the reasons outlined in paragraph 5.11, I do not believe the impact of the Solvency UK reforms on CA’s financial position introduce any adverse material risks on the security of the benefits of the Transferred Policyholders if the Scheme were to proceed.

- 5.76 I also note that the MA and TMTP are not applied in respect of the Transferred Policies and so the impact of the Solvency UK reforms on the quantification of the BEL and SCR of the Transferred Policies is limited, whether as part of CLL or CA. I therefore do not expect the Solvency UK reforms to have a significant impact on the Transferred Policies, including the valuation of the liabilities or the security of policyholders' benefits, with or without the Scheme being effected.
- 5.77 I am satisfied that CLL's approach to implementing the FCA Consumer Duty rules in respect of the Transferred Policyholders is reasonable and that this is already in place for these policies.
- 5.78 I am also satisfied that CA and SS&C have processes and plans in place to ensure good customer outcomes are maintained after the Scheme Effective Date. Both CA and SS&C currently service other insurance policies which are subject to the FCA Consumer Duty Rules and are therefore familiar with the requirements of the rules and are experienced in ensuring good customer outcomes for existing policyholders. The measures and SLAs which will be in place for the Transferred Business are already maintained for existing business and consequently I am satisfied that the Transferred Policyholders will not experience any material differences in their customer outcomes as a result of the Scheme.
- 5.79 When considering the impact of the implementation of the Scheme, I have continued to review emerging risks in the wider operating environment and whether these affect my conclusions in relation to the Scheme. Based on current conditions, in my view it remains appropriate for the Companies to continue to pursue the Scheme. I will update the Court if any material risks emerge between the time of this report and the Sanction Hearing.
- 5.80 I have considered the current status of CA's and SS&C's plan to migrate the administration of the Transferred Policies from CLL to SS&C upon approval of the Scheme, as well as ensure SS&C's ongoing operational readiness to service the Transferred Business after the transfer. Based on the updates provided to me by CA and SS&C, I am satisfied that the migration and operational readiness activities have been progressing in line with a timeframe consistent with the Effective Date of 23 February 2025 and, as such, there is no reason to believe the Effective Date of 23 February 2025 is not currently achievable, or that the Effective Date may need to be delayed. I therefore do not consider there to be a material adverse risk to the servicing standards or administration of the Transferred Policyholders, or any other policyholders of the Companies, during the transition of the Transferred Policyholders from CLL to CA or in the period immediately following.
- 5.81 I am satisfied that the treatment of the Guernsey Policy has been fair, and that this policyholder has not been materially adversely affected by the proposal of the Scheme.
- 5.82 Since my Main Report, I have considered further each Company's SLA for handling complaints, which is 5 days and 10 days respectively for CLL and CA. I understand the reasons there is variance in SLAs from company to company and as such I do not believe the SLAs for each and every metric would have to be at least as strict for CA as is currently for CLL in order to prevent an adverse material impact on the servicing standards of the Transferred Policyholders. In particular, there are other SLAs for which CA applies stricter turnarounds than are currently applied by CLL. In reaching my conclusion that the SLAs applied by CLL and CA are broadly comparable, I considered a wider set of SLAs, as well as the remedial actions applied by each Company to ensure the SLAs are maintained.
- 5.83 As a result, I do not consider the longer SLA of 10 days for complaints for CA compared to that of 5 days for CLL to constitute a material adverse impact on the servicing standards of the Transferred Policyholders in isolation.

6. Policyholder correspondence, complaints, and objections

INTRODUCTION

- 6.1 At the Directions Hearing for the Scheme on 28 June 2024, all of the dispensations applied for by CLL and CA were granted by the Court. The Mailing Packs (as described in my Main Report) were then sent to the various groups of policyholders in accordance with the agreed mailing plans, and the various advertisements in the press were made.
- 6.2 All of the relevant policyholder mailings and communications were completed by the end of July 2024, thus ensuring that, to the best of the knowledge of CLL, the relevant policyholders have had at least six weeks' notification prior to the final Court hearing, in accordance with the FCA's guidance. The exception to this are the policyholders whose mail has been returned after unsuccessfully reaching the recipient, which I consider in paragraphs 6.33 to 6.42.
- 6.3 Additionally, the relevant documents were made available on the CLL, CA and Chesnara websites, as described in my Main Report. This includes the Mailing Pack, Customer Guide, Scheme document, my Main Report and my Summary Report, the reports of the CLL and CA Chief Actuaries and CA WPA on the Scheme. The exception to this was that my Main Report was temporarily unavailable from the CLL website as a result of an IT issue, which I consider below. The websites also provided details for how policyholders can contact the Companies, raise objections, and/or attend the final Court hearing.

ERROR IN UPLOADING MY MAIN REPORT TO THE CLL WEBSITE

- 6.4 CLL notified me that on 14 October 2024, it received a query from a customer who was not a Transferred Policyholder to request a copy of my Main Report, as it was not available on CLL's website. CLL investigated this and concluded that the IE report had failed to upload to the website following the Directions Hearing on 28 June 2024. CLL rectified this error promptly and ensured my Main Report was made available later that day, and also shared a copy the report with the customer.
- 6.5 Having considered the impact of the IT issue, I do not consider there to be a material adverse impact on the Transferred Policyholders as a result of this error. I note that a small number of users have accessed the area of CLL's website relating to the Scheme to date, and that my Summary Report was available from the CLL website. Furthermore, I am satisfied CLL's response was appropriate and timely, and that my Main Report will still be available on CLL's website for more than three months in advance of the Sanction Hearing on 3 February 2025.

UNCLEAR INFORMATION REGARDING DATE OF SANCTION HEARING ON WEBSITE

- 6.6 CLL notified me on 10 January 2025 that certain wording regarding the date of the Sanction Hearing had been posted to the CLL website which was unclear. It stated that objections and their replies would be shared with the relevant parties before the Sanction Hearing on 20 January 2025. The correct date for the Sanction Hearing is on the 3 February 2025 and policyholders can raise objections up until this date. This issue was corrected on the CLL website on 9 January 2025.
- 6.7 I note that both the cover letters and the Customer Guide sent to the Transferring Policyholders clearly and correctly stated the expected date of the Sanction Hearing. The cover letter also clearly referred to the instructions for raising an objection included in the Customer Guide. Furthermore, I note that CLL has been in correspondence with those policyholders who have raised an objection to date and has, in all cases, reminded these policyholders of the instructions contained within the Customer Guide for raising an objection and attending the Sanction Hearing.
- 6.8 Given that the error on the CLL website was corrected three weeks in advance of the Sanction Hearing, and that other documents and sources were clear and correct in stating the date of the Sanction Hearing and the process for submitting an objection, I consider the impact of this issue to be limited and consequently I do not consider there to be a material adverse impact on the Transferred Policyholders and their ability to raise objections or attend the Sanction Hearing as a result of this error.

MANAGEMENT OF POLICYHOLDER CORRESPONDENCE

- 6.9 Following the mailings, CLL has maintained MI of all correspondence (including telephone calls, emails and post) received from policyholders in relation to the Scheme, and categorised this correspondence into general enquiries, technical enquiries, other enquiries, objections and complaints.

- 6.10 CLL's process for categorising policyholder correspondence may be summarised as the following:
- An "objection" refers to a statement or other representation made by a policyholder, or representative of a policyholder, which could reasonably be interpreted as an objection to the Scheme proceeding.
 - A "general query" refers to a query from the policyholder that does not constitute an objection and was covered by the information included in the Mailing Pack.
 - A "technical query" refers to a query from the policyholder that does not constitute an objection and relates to the operation of the Scheme.
 - An "other query" refers to a query from the policyholder that does not constitute an objection, a general query nor a technical query, or a query received from a trustee.

6.11 I have reviewed a sample of correspondence that has been categorised as each of the categories listed in paragraph 6.10 (with the exception of technical queries given no queries have been classified as such) and I am satisfied that these have been categorised correctly based on CLL's criteria.

6.12 Table 6.1 shows a summarised position of policyholder correspondence received by CLL as at 31 December 2024:

Table 6.1: Summary of policyholder correspondence received by CLL as at 31 December 2024

General query	Technical query	Other query	Document request	Objections	Complaints ⁴	Total
661	0	347	63	19	1	1,090

Source: provided by CLL

6.13 The MI has been updated on a weekly basis since the start of the mailing exercise and has been provided on a regular basis to the PRA and the FCA. I have also had regular discussions with CLL to monitor the correspondence received from policyholders and in particular to understand the concerns and issues raised by the affected policyholders.

6.14 As at 31 December 2024, CA has not received any policyholder correspondence. Should CA receive policyholder correspondence in relation to the Scheme prior to the Sanction Hearing, CA will inform CLL in order for such correspondence to be included within the regular updates to the PRA and FCA.

SUMMARY OF POLICYHOLDER OBJECTIONS

6.15 At the time of finalising this Supplementary Report, CLL has received nineteen policyholder objections to the Scheme. This includes seventeen policyholders whose objection was in respect to a negative perception of CA and two where the objection related to the right to opt out of the transfer or have an option to choose an insurer. One of these objecting policyholders has indicated that they, or an appropriate representative, may or will appear at the Sanction Hearing on 3 February 2025.

6.16 CLL has classified any response to the Scheme as an objection where the Transferred Policyholder has expressed dissatisfaction with the Scheme going ahead. This includes response received from individuals acting on behalf of Transferred Policyholders.

6.17 CLL has responded in writing to each policyholder's objection to confirm that their objection has been logged, informing the policyholder that a copy of their objection will be provided to the Court for their consideration at the final hearing. Where appropriate, CLL has responded to specific points raised by the policyholder, in particular to outline the reasons for the business decision to transfer the policies to CA.

MY REVIEW OF POLICYHOLDER OBJECTIONS

6.18 For each objection received, I have reviewed the full correspondence, including emails, letter and transcripts of phone calls between the policyholder and the Companies. CLL's classification of which responses to regard as objections is outlined in paragraph 6.16 and I note that this approach can be regarded as conservative as it is likely to include instances where a Transferred Policyholder is dissatisfied but may have not issued a formal objection. I am therefore comfortable that other correspondence received in respect of the Scheme where Transferred

⁴ One instance of correspondence from a policyholder was classified both as an objection and a complaint; the figures in Table 6.1 include this under both categories but only once under the total figure

Policyholders (or their representatives) have not expressed dissatisfaction with the Scheme is not likely to constitute an objection and that all formal objections have been accurately captured.

- 6.19 At the time of writing, all nineteen objections received have directly related to the Scheme and/or its effects. Seventeen of these relate to a negative perception of the Transferee and two of these objections relate to a right to opt out of the Scheme.
- 6.20 From my review of the policyholders' objections, I have identified the most common themes below:
- Concerns over CA's reputation or servicing standards;
 - Preference for CLL and the due diligence performed in choosing CLL as the insurance provider; and
 - The opinion that that policyholders should be able to opt out of the transfer.
- 6.21 The most common objection cited is a negative perception of CA's servicing standards, including one which questions CA's capacity to maintain service standards. One Transferred Policyholder referred to the FCA and its requirement for firms to treat customers fairly. One Transferred Policyholder specifically mentioned a concern of delays in payouts to customers of CA.
- 6.22 I have considered the impact of the Scheme on the servicing standards received by the Transferred Policyholders in Section 10 of my Main Report. CA's outsourced model ensures scalability to ensure that service standards are maintained and manages this through SLAs. Additionally, as I mentioned in paragraph 3.5 in my Main Report, I have sought to affirm that the Scheme has taken due account of the FCA Principles for Businesses, including the concept of treating customers fairly, both during the process and in the future. I have also considered the Companies' implementation of the Consumer Duty rules, both in my Main Report and above in paragraphs 5.14 to 5.20. I have concluded that the Scheme would not have any material adverse impact on the standards of service, administration, management and governance applicable to policyholders of the Companies, both during the Scheme process and the period following the Effective Date, once the Transferred Policies are part of CA. I believe this conclusion, and the analysis supporting this conclusion, address the objections of this nature.
- 6.23 In response to the concern regarding the delay in payouts to customers of CA, I refer to my comparison of the SLAs of the Companies in paragraphs 10.23 to 10.26 of my Main Report. While CA has a less strict SLA for claims processing of 5 days compared to 3 days for CLL, I note that CA has a stricter SLA of 2 days for monies out compared to 4 days for CLL. I commented in my Main Report that overall, the SLAs applied by the two Companies are broadly comparable and that both Companies have processes in place to take appropriate remedial action should any SLAs be breached. I am therefore satisfied that the implementation of the Scheme would not have an adverse effect on the standards of service and administration applicable to the Transferred Policies and that, in particular, the SLAs in place under CA will not lead to an adverse material impact on the speed or efficiency of benefit payouts to the Transferred Policyholders.
- 6.24 A small number of Transferred Policyholders objected on the grounds that they had performed due diligence in choosing CLL before taking out their insurance policy or that they chose CLL specifically based on its reputation. As I mentioned in paragraph 6.4 of my Main Report, CLL considered a Part VII transfer of the policies was the best available option to align with its future business strategy, which included the discontinuation of its individual protection business.
- 6.25 Furthermore, based on the analysis included in my Main Report and this Supplementary Report, I have assessed there to be no material adverse impact on the reasonable benefit expectations, security of the benefits, levels of administration, customer service, management and governance that apply to the Transferred Policyholder as a result of the Scheme. There is also no change to the contractual terms and conditions of the Transferred Policies under the Scheme. As a result, I do not consider this to be a material disadvantage to the Transferred Policyholders
- 6.26 A small number of Transferred Policyholders objected to the Scheme on the grounds that that they believe that they should have the right to opt out of the Scheme. I note that, under Part VII of the FSMA 2000, CLL is not required to seek the permission of the Transferred Policyholders to transfer these policies to a third party. As explained in this report and my Main Report I do not consider that the transfer will result in a material disadvantage to the Transferred Policyholders. Ultimately policyholders can choose to cancel their policies, rather than to be transferred, but such an action may not necessarily be in their financial interest.
- 6.27 One Transferred Policyholder objection raised a concern of the relatively smaller size of CA relative to CLL. One other Transferred Policyholder objection raised a concern that, in their view, CA was decreasing in size and was not operating profitably. In Section 9 on my Main Report, I provided the reasons why, in my opinion, there will be

no material adverse impact on the security of the benefits of the Transferred Policyholders as a result of the Scheme. Furthermore, regarding the financial performance of CA, I note that the size of CA has increased significantly recently due to the acquisition of the CASLP business and is expected to continue to grow with the completion of this transfer and the second transfer agreed with CLL. CA have continued to pay dividends during this time, reflecting that the business is generating surplus during this period. Therefore, allowing for these objections, I do not consider the transfer to result in a material disadvantage to the Transferred Policyholders.

FURTHER CLL COMMUNICATIONS IN RESPECT OF POLICYHOLDER OBJECTIONS

- 6.28 CLL has issued further communications to those Transferred Policyholders who had objected to ensure that these policyholders receive a response that directly addressed the particular concerns raised.
- 6.29 CLL has contacted each of the 19 Transferred Policyholders who had previously objected to the Scheme. These communications were sent out between 29 November 2024 and 5 December 2024 and I can confirm I have reviewed all of the follow-up communications, including subsequent correspondence following these follow-up communications.
- 6.30 Based on the follow-up communications I have reviewed I am satisfied that where relevant CLL has addressed the substance of any policyholders' concerns and in particular CLL has drawn out key information from the various reports and documentation surrounding the Scheme to provide clearer information in response to policyholders' concerns. I am furthermore satisfied that CLL's communications with Transferred Policyholders who have raised objections has provided additional information to assist customer understanding and to support good customer outcomes, in line with the FCA Consumer Duty Rules.

MY OVERALL CONCLUSION IN RESPECT OF RESPONSES TO POLICYHOLDER OBJECTIONS

- 6.31 Having reviewed the policyholder correspondence provided by CLL, I am satisfied that CLL's responses to policyholder queries and objections have been appropriate. In particular, CLL has confirmed that any objections have been noted and will be brought to the Sanction Hearing. Additionally, CLL has clearly signposted the right to attend the Sanction Hearing to Transferred Policyholders who have objected.
- 6.32 Should CA receive any policyholder correspondence before the Sanction Hearing, I will review such correspondence, any objections raised and CA's responses.

UPDATE ON GONEAWAY CASES

- 6.33 Paragraphs 12.14 to 12.19 of my Main Report considered the position of Goneaway policies amongst the Transferred Policies, of which there had been estimated to be 210 at the time of writing my Main Report.
- 6.34 Where mail posted by CLL to policyholders has been returned, CLL has attempted to contact such policyholder via other means, including telephone contact details and email addresses. Where contact still cannot be made with a policyholder, CLL continues to try to reestablish contact using contact details from third party databases commonly used in the financial services industry to trace customers.
- 6.35 As at 31 December 2024, there have been 1,188 instances of letters being returned to CLL after not having successfully reached the intended recipient. For the avoidance of doubt, these 1,188 instances include the 210 Goneaways referred to in my Main Report.
- 6.36 A total of 860 of these 1,188 cases correspond to Transferred Policyholders whose address details have now been corrected following CLL's tracing activities, and for which CLL has now resent the letters. A further 74 mailings have been reissued by email, resulting in 934 of the 1,188 returned mailings having been reissued to the Transferred Policyholders.
- 6.37 A further 75 Transferred Policies whose letters have been returned have now lapsed and consequently will no longer transfer as part of the Scheme. These 75 lapsed policies have not had letters reissued.
- 6.38 At the time of writing, there are additionally 22 Transferred Policyholders whose updated address details have been received however the letters have not yet been sent.
- 6.39 There are 157 policies remaining for which contact has not been successfully reestablished. As the process of tracing these customers is still ongoing, at the time of writing it is not yet known how many of these policies will be

classified as Goneaways as at the migration date. I will continue to monitor the outcome of this tracing exercise, as well as the total number of Goneaways, until the Sanction Hearing.

- 6.40 There are some policyholders whose mailing has been resent following an initial return of the mailing and subsequent tracing where the policyholder will not have received the notification ahead of the requisite six week minimum. CLL has continued tracing operations to contact as many Transferred Policyholders as possible ahead of the Sanction Hearing and to minimise the number of Goneaways even where this has resulted in Transferred Policyholders having less than the six-week notification period. As at 31 December 2024, 58 policyholder communications have been resent where the policyholders will not have the requisite six weeks prior to the Sanction Hearing. Any further communications resent after this date will also result in the policyholders not receiving the notification ahead of the requisite six-week minimum. This has only occurred in situations where the mailing was returned and subsequent tracing activity has taken significant time for individual policyholders. I will continue to monitor the number of Transferred Policyholders who did not have the minimum notification period until the Sanction Hearing.
- 6.41 I am satisfied that CLL's strategy for tracing customers described above is appropriate. I am satisfied that CLL has conducted its mailings and tracing activities in a timely manner in order to ensure that Transferred Policyholders had adequate time to consider the proposals.
- 6.42 Notwithstanding that the final number of Goneaways is still to be determined, I am satisfied that the Goneaways are not likely to make up a significant proportion (less than 0.5%) of the Transferred Policyholders. I will monitor the total number of Goneaways until the Sanction Hearing.

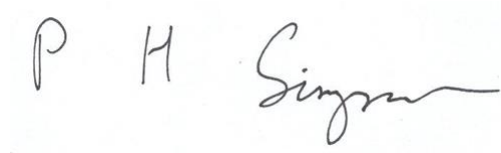
CONCLUSIONS

- 6.43 I note that the full mailing and communication exercise was completed by the end of July 2024 and thus, to the best of the knowledge of CLL, relevant policyholders have received the notification far in excess of the requisite minimum notice of at six weeks prior to the final Court hearing that is specified in the FCA guidance. The exception to this are the policyholders whose mail has been returned after unsuccessfully reaching the recipient which have subsequently gone through CLL's strategy for tracing customers and been reissued within six weeks of the Sanction Hearing.
- 6.44 I have considered the impact of the IT issue in which my Main Report was temporarily unavailable on the CLL website and I do not consider there to be a material adverse impact on the Transferred Policyholders as a result of this error. Furthermore, I am satisfied CLL responded to this in an appropriate and timely manner once it was made aware of this issue.
- 6.45 I confirm that I have reviewed the policyholder correspondence MI supplied by the Companies and I note that at the time of writing, CLL has received correspondence from policyholders whereas CA has not. I have reviewed each of the policyholder objections received by CLL and CLL's responses. I am satisfied that CLL has responded to the objections raised fully and in an appropriate manner, and I am satisfied that all of the objections raised which are of relevance to the Scheme and its effects relate to areas and aspects which are covered in my Main Report or this Supplementary Report. I can also confirm that the conclusions which I have reached in my Main Report remain unaltered in the light of these reviews and considerations.
- 6.46 I can confirm my view that policyholders who have wished to raise objections to the Court have had appropriate and clearly signposted opportunities to do so.
- 6.47 Any objections regarding the Scheme raised by policyholders before the Sanction Hearing but after this Supplementary Report has been finalised will be provided to the PRA, the FCA and myself, and will also be presented to the Sanction Hearing.
- 6.48 I have also considered the issues arising in relation to Goneaway policies. I am satisfied that CLL's strategy for tracing customers is appropriate. Notwithstanding that the final number of Goneaways is still to be determined, I am satisfied that the Goneaways are not likely to make up a significant proportion of the Transferred Policyholders. I will monitor the total number of Goneaways until the Sanction Hearing.

7. My conclusions

MY CONCLUSIONS IN RESPECT OF THE SCHEME

- 7.1 I have considered and analysed the effects and the impact of the Scheme on all of the policyholders of CLL and CA, including the Transferred Policies, as set out in previous sections of this Report.
- 7.2 In my opinion, the implementation of the Scheme will not have any material adverse effect on any of the following:
- The reasonable benefit expectations of the policyholders of CLL and CA.
 - The security of the benefits of the policyholders of CLL and CA.
 - The levels of administration, customer service, management and governance that apply to the policyholders of CLL and CA.

A handwritten signature in black ink, consisting of the initials 'P H' followed by the name 'Simpson' in a cursive script.

Philip Simpson

Fellow of the Institute and Faculty of Actuaries

Principal, Milliman LLP

27 January 2025

Appendix A – Certificate of compliance

I understand that my duty in preparing my report is to help the Court on all matters within my expertise and that this duty overrides any obligations I have to those instructing me and / or paying my fee. I confirm that I have complied with this duty.

I confirm that I am aware of the requirements applicable to experts set out in Part 35 of the Civil Procedure Rules⁵, the Practice Direction⁶ and the Guidance for the Instruction of Experts in Civil Claims 2014⁷ produced by the UK's Civil Justice Council and have complied with and will continue to comply with them. As required by Part 35 of the Civil Procedure Rules, I hereby confirm that I have understood my duty to the Court and have complied with and will continue to comply with this duty.

I confirm that I have made clear which facts and matters referred to in my report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.

I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.

Handwritten signature of Philip Simpson, consisting of the initials 'P H' followed by the name 'Simpson' in a cursive script.

Philip Simpson

Fellow of the Institute and Faculty of Actuaries

Principal, Milliman LLP

27 January 2025

⁵ Rules & Practice Directions - Civil Procedure Rules ([justice.gov.uk](https://www.justice.gov.uk))

⁶ PART 35 - EXPERTS AND ASSESSORS - Civil Procedure Rules ([justice.gov.uk](https://www.justice.gov.uk))

⁷ Guidance for the instruction of experts in civil claims | Courts and Tribunals Judiciary

Appendix B – Glossary of terms

A glossary of the abbreviations used throughout the report is given below.

	#
2022 Policies	Three policies covering two policyholders which have had pending claims since 2022. These policies are Excluded Policies due to the nature and complexity of the underlying claims.
	A
AG	Addleshaw Goddard LLP. A legal firm which advised CA on the Scheme until 14 March 2024 (inclusive).
APS	Actuarial Professional Standards. Standards for the actuarial profession produced by the IFoA which all members must adhere to regardless of location or area of practice.
	B
BEL	Best Estimate Liability. One of the components of the Technical Provisions under Solvency II (including Solvency UK). The BEL is calculated by projecting the expected future obligations of the insurer over the lifetime of the insurance contracts using the most up-to-date financial information and best-estimate actuarial assumptions. The BEL represents the present value of those projected cashflows.
	C
CA	Countrywide Assured plc. A UK life insurance subsidiary of the Chesnara Group focused on growing its position with the UK consolidation market.
Catastrophe risk	Catastrophe risk, or life catastrophe risk, is the risk of adverse change in the value of insurance liabilities resulting from the significant uncertainty of pricing and reserving assumptions related to extreme or irregular events.
CASLP	CASLP Limited. The business of Sanlam Life & Pensions which was acquired by the Chesnara Group. The business was renamed to CASLP upon acquisition and was transferred into CA on 31 December 2023 under a separate Part VII Transfer.
CASFS	CASFS Limited. Previously a subsidiary of CASLP that provides administration of certain non-insurance products, was transferred to CA.
Chesnara	Chesnara plc. The UK-listed holding company of the Chesnara Group of which CA is a subsidiary.
Chesnara Group	The group of companies controlled and managed by Chesnara plc. This includes CA in the UK.
CLG	The Canada Life Group (U.K.) Limited. CLG is an indirect subsidiary of GWL and is the parent company of the sub-group of companies of which CLL is a part.
CLL	Canada Life Limited. A UK life insurance subsidiary of CLG with a business strategy of being a leader in its chosen market of retirement, investments and group protection.
Companies	CLL and CA collectively.
Counterparty default risk	Counterparty default risk reflects possible losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors of insurance and reinsurance undertakings over the following 12 months, taking appropriate account of collateral and the risks associated therewith.
Court	Collectively, the High Court of Justice, Business and Property Courts of England and Wales, the Companies List, and the Court of Session.

Court of Session	The supreme civil court in Scotland.
CP5/24	Consultation Paper 5/24 – Review of Solvency II: Restatement of assimilated law. This CP includes various reform proposals related to PRA rules and other policy materials which will replace Solvency II assimilated law.
CMP	Capital Management Policy. The policy by which a firm sets out its controls, processes reporting and responsibilities in relation to capital management.
Credit risk	Credit risk, or spread risk, is the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.
Currency risk	Currency risk is the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates.
Customer Guide	A guide to the Scheme including summaries, detailed explanations and Q&A.
	D
Directions Hearing	An initial court hearing at which the Companies' plans for notifying policyholders (and other preliminary matters) are considered.
	E
EEA	The European Economic Area. An international agreement which enables the extension of the European Union's single market to member states of the European Free Trade Association. The EEA comprises the EU together with Iceland, Liechtenstein and Norway.
Effective Date	The date, expected to be 23 February 2025, from which the Scheme will be effective legally and for the purposes of financial and regulatory reporting.
EU	The European Union.
Equity risk	Equity risk is the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.
Excluded Policies	Policies which are not being transferred under the Scheme. The policies and the assets and liabilities related to such policies, will not transfer as part of the Scheme. The Excluded Policies of this Scheme includes all policies which are not Transferred Policies. Excluded Policies includes the three 2022 Policies.
Expense risk	Expense risk, or life expense risk, is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of the expenses incurred in servicing insurance or reinsurance contracts.
	F
FCA	Financial Conduct Authority. Responsible for regulating the conduct of financial services firms in the UK. Its roles include protecting consumers, supporting a stable financial sector and promoting healthy competition between financial service providers.
FCA Consumer Duty Rules	New FCA rules which are applicable from 31 July 2023 (for open products) and 31 July 2024 (for closed products, such as the Transferred Policies) and which require financial firms to seek good outcomes for their customers.
FCA Final Guidance	Guidance provided by the FCA, FG22/1: The FCA's approach to the review of Part VII insurance business transfers.
FCA Principles for Businesses	Fundamental principles to which firms under the jurisdiction of the FCA must adhere.

FOS	Financial Ombudsman Service. A service in the UK which settles claims between consumers and businesses that provide financial services.
FSCS	Financial Services Compensation Scheme. A scheme which provides compensation to holders of long-term insurance policies in the event of the insolvency of a UK or an EEA or other overseas insurer in respect of its UK customers
FSMA	Financial Services and Markets Act 2000. An Act that makes provision about the regulation of financial services and markets, provides for the transfer of certain statutory functions relating to building societies, friendly societies, industrial and provident societies and certain other mutual societies.
Funded Reinsurance	Funded Reinsurance is a form of collateralised quota share reinsurance contract which transfers part or all of the asset and liability risks associated with the reinsured business to a third party.
G	
Goneaways	Policies where the company does not have a valid address for the policyholder, and subsequent reasonable attempts to trace the policyholder have been unsuccessful
Guernsey Policy	The Guernsey based policy which is part of the Transferred Policies, but which will not be transferred under the Scheme.
GWL	Great-West Lifeco Inc., the ultimate parent company of The Canada Life Assurance Company and consequently of CLG, CLL and others.
H	
Health underwriting risk	Health underwriting risk refers to the risk arising from health insurance obligations, comprising at least mortality risk, longevity risk, morbidity risk, expense risk, revision risk, lapse risk and catastrophe risk.
HMRC	His Majesty's Revenue and Customs is the UK's tax, payments and customs authority.
HM Treasury	His Majesty's Treasury is the government's economic and finance ministry.
HSF	Herbert Smith Freehills. A legal firm advising CLL on the Scheme.
I	
IFoA	Institute and Faculty of Actuaries, the UK chartered professional body which is responsible for regulating actuaries.
Inflation-linked Option	An option available to policyholders at outset of certain CLL products whereby the premiums and sum assured increase annually in line with RPI.
Interest rate risk	Interest rate risks is the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.
Internal Model	An approach to calculating the SCR under Solvency II or Solvency UK where the Standard Formula is not used. Use of and the nature of an Internal Model must be approved by the appropriate regulator.
L	
LACDT	Loss absorbing capacity of deferred tax. A balance sheet item under Solvency UK that represents to the fact that, in a stressed situation, a deferred tax asset would arise, and therefore the Own Funds are increased.
Lapse risk	Lapse risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and surrenders.

Life underwriting risk	Life underwriting risk refers to the risk arising from life insurance obligations, comprising at least mortality risk, longevity risk, morbidity risk, expense risk, revision risk, lapse risk and catastrophe risk.
LLP	Limited Liability Partnership.
Longevity risk	Longevity risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where a decrease in the mortality rate leads to an increase in the value of insurance liabilities.
M	
Mailing Pack	An information pack distributed to policyholders setting out the details of the Scheme. This includes a cover letter and the Customer Guide which will contain details on how policyholders can raise responses, enquiries and objections in respect of the Scheme.
Market concentration risk	Market concentration risk is those additional risks stemming either from lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers.
Market risk	Market risk reflect the risk arising from the level or volatility of market prices of financial instruments which have an impact upon the value of the assets and liabilities, comprising at least interest rate risk, equity risk, property risk, credit risk, currency risk and market concentration risk.
Matching Adjustment or MA	The Matching Adjustment or MA is an upwards adjustment to the risk-free rate sometimes used under Solvency II or Solvency UK to discount long-term liabilities, where those liabilities are well-matched by long-term assets and the intention is to hold those assets to maturity. Its effect is to reduce the market value of the assets that must be held by an insurer to cover the relevant BEL. MA is a more extensive form of the VA with consequently more onerous requirements.
MCR	Minimum Capital Requirement. The MCR is lower than the SCR and defines the point of intensive regulatory intervention. The MCR calculation is simpler, more formulaic and less risk-sensitive than the SCR calculation.
Milliman	Milliman Limited Liability Partnership registered in England and Wales.
Morbidity risk	Morbidity risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of disability, sickness and morbidity rates.
Mortality risk	Mortality risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities.
O	
Operational risk	Operational risk refers to those operational risks to the extent they are not already reflected in the life underwriting risk, health underwriting risk, market risk and counterparty default risk.
Other Liabilities	These are liabilities under Solvency II (and Solvency UK) other than Technical Provisions which need to be added to the Technical Provisions in arriving at the total liabilities. For example, accounting liabilities such as tax due.
Own Funds	The excess of an insurer's assets over its liabilities on a Solvency UK basis.
P	
Part VII Transfer	The transfer of long-term insurance business under UK law in accordance with Part VII of the FSMA.

Peer Reviewer	A senior consultant at Milliman who has independently reviewed this Report.
Partial Internal Model or PIM	Partial Internal Model. A combination of an internal model and the prescribed Standard Formula method for calculating the SCR that requires approval from the relevant regulator (the PRA in the UK).
PEP	Politically Exposed Person. An individual entrusted with a prominent public function, either domestically, by a foreign country or by an international organisation.
PRA	Prudential Regulation Authority. Responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms in the UK.
PRA Statement of Policy	“The Prudential Regulation Authority’s approach to insurance business transfers”, dated January 2022, updating the April 2015 version.
Property risk	Property risk is the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of real estate.
PS15/24	Policy Statement 5/24 – Review of Solvency II: Restatement of assimilated law. This PS includes various reform proposals related to the final PRA rules and other policy materials which will replace Solvency II assimilated law. It includes feedback on the topics consulted on in CP5/24.
	Q
Q&A	Questions and Answers. A particular section of the Customer Guide covering common questions and the answers to provide information to the policyholders.
Quota share reinsurance	A reinsurance arrangement whereby the insurer cedes a fixed percentage of its insurance liabilities to a reinsurer.
	R
Reinsurance Agreement	The reinsurance agreement between CLL and CA to reinsure the risks of the Transferred Business to CA ahead of the Scheme, and separate to the other reinsurance arrangements CLL and CA have with other third parties.
Residual Policy	A Transferred Policy that is not able to be transferred from CLL to CA at the Effective Date of the Scheme, and will therefore be retained by CLL until such further date it can be transferred to CA.
Revision risk	Revision risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from fluctuations in the level, trend, or volatility of the revision rates applied to annuities, due to changes in the legal environment or in the state of health of the person insured.
RFF Restriction	Ring-fenced Fund Restriction. The restriction on the use of capital allocated to each with-profits fund within a company.
Risk Appetite	The amount of risk which a company is willing to accept in order to meet its business objectives. Details of how the Companies determine their respective Risk Appetites was provided in paragraphs 4.27 to 4.36 for CLL and 5.55 to 5.62 for CA in my Main Report. In particular, each Company has defined various thresholds for its Solvency Ratio and exposure to liquidity risk as well as the remedial action it could take should those thresholds be breached.
Risk Margin	The amount held under Solvency II or Solvency UK as part of Technical Provisions which is based on the cost of holding capital in relation to the non-hedgeable components of the SCR.
RPI	Retail Price Index. A measure of consumer inflation.

S

Sanction Hearing	A hearing of the Court to approve the terms of the Scheme prior to the Effective Date of the Scheme.
Sanlam	Sanlam Life & Pensions UK Ltd. A separate UK life insurance entity which was purchased by the Chesnara Group. The company was renamed to CASLP upon acquisition and was transferred into CA on 31 December 2023 under a separate Part VII Transfer.
Scheme	The Scheme and all proposals included in the Scheme, including any documents referred to in the Scheme relating to its proposed implementation and operation. Also referred to as “this Scheme” or “the current Scheme”.
Scheme Report	A report on the terms of the Scheme by an Independent Expert. This includes this Report and any subsequent Supplementary Reports covering the Scheme.
SLA	Service-level agreement. A target set of metrics for the performance of specific customer services provided.
Solvency Capital Requirement or SCR	Solvency Capital Requirement. One of the regulatory capital requirements under Solvency II (and Solvency UK). Intended to represent the amount required to ensure that an insurer’s assets continue to exceed its liabilities over a one-year time period with a probability of 99.5%.
SM	Slaughter and May. A legal firm advising CA on the Scheme from 15 March 2024.
Solvency II	The regulatory solvency framework for the European Economic Area insurance and reinsurance industry. See also Solvency UK.
Solvency UK	The regulatory solvency framework for insurance and reinsurance companies in the UK since 1 January 2021 when Brexit became fully effective.
Solvency Ratio	The Solvency Ratio is the ratio of the eligible Own Funds divided by the SCR as calculated under Solvency II or Solvency UK. It represents the extent to which an insurer covers their SCR and is required to be at least 100%.
SS&C	SS&C Technologies. A third-party outsourcing company, specialising in insurance policy administration, used by CA to administer certain blocks of business, including ultimately the Transferred Business.
SS5/24	Supervisory Statement 5/24 – Funded reinsurance. This SS sets out the PRAs expectations in respect of insurance companies making use of funded reinsurance.
Standard Formula	The prescribed method for calculating the SCR where an approved Internal Model is not used. Insurers are required to calculate their SCR using either the Standard Formula or an approved Internal Model.
Summary Report	The summarised version of the Scheme Report which will be made available to policyholders alongside this Report.
Supplementary Report	A further report produced prior to the Sanction Hearing to provide an update for the Court on the Independent Expert’s conclusions in the light of any significant events subsequent to the date of the finalisation of this Report.
SUP	The Supervision Manual contained in the FCA Handbook. This addresses the day-to-day relationship between the FCA, authorised persons (firms), key individuals within them, their appointed representatives and tied agents, and those who own or control them.
SUP 18	Chapter 18 of SUP, covering transfers of business.

T

TASs	Technical Actuarial Standards. The TASs are standards issued by the Financial Reporting Council which apply to work in the UK involving the use of actuarial principles and/or techniques and the exercise of judgement. Compliance with the TASs for work in their scope is required for members of the IFoA.
TAS 200: Insurance	The Technical Actuarial Standards applicable to Insurance transformations (such as the Scheme that is the subject of this Report), issued by the Financial Reporting Council.
Technical Provisions	The value of the technical insurance liabilities of an insurer, as determined for regulatory purposes. Under Solvency II (and Solvency UK), the Technical Provisions comprise the BEL and the Risk Margin. There are also Other Liabilities which need to be added to the Technical Provisions in arriving at the total liabilities.
Transferred Business	The Transferred Policies and the associated Transferred Liabilities which will transfer from CLL to CA on the Scheme Effective Date.
Transferred Liabilities	The associated liabilities of the policies which will transfer from CLL to CA on the Scheme Effective Date.
Transferred Policies	The policies which will transfer from CLL to CA on the Scheme Effective Date.
Transferred Policyholders	The holders of the Transferred Policies which will transfer from CLL to CA on the Scheme Effective Date.
Transferred Reinsurances	The two reinsurance treaties held by CLL covering the Transferred Business held with Pacific Life Re Limited and Swiss Re.
Transitional Measure on Technical Provisions or TMTP	Transitional Measure on Technical Provisions. The TMTP is intended to phase in (over 16 years) any increase in reserves that must be held for business written prior to 2016 arising from the introduction of the Solvency II regime on 1 January 2016. Insurers must apply to the regulator (the PRA in the UK) to use a TMTP.

V

Volatility Adjustment or VA	An increase to the discount rate sometimes used under Solvency II or Solvency UK in the calculation of the BEL (other than for liabilities that are subject to the MA) based on the rationale of avoiding forced sales of assets in the event of extreme bond spread movements. Its effect is to reduce the market value of the assets that must be held by an insurer to cover the relevant BEL.
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W

WPA	With-Profits Actuary. The person or persons fulfilling the With-Profits Actuary function. A regulated role in the UK with a responsibility for advising a firm's Board on the key areas of discretion exercised in managing its with-profits business.
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Appendix C – Documents and data relied on

C.1 In addition to discussions (comprising face-to-face meetings, video and telephone calls, and emails) with the staff of the Companies, I have relied upon the information shown in the list below in formulating my conclusions within this Supplementary Report. The list below comprises the main items of information and is not a complete list of all items:

- CLL Risk Appetite Framework
- CLL Capital Management Operating Policy
- Breakdown of CLL and CA Solvency II Balance Sheets as at 30 June 2024 under the following scenarios:
 - The Scheme is not sanctioned and the Reinsurance Agreement between CLL and CA is unwound;
 - The Scheme is not sanctioned and the Reinsurance Agreement between CLL and CA is not unwound;
 - The Scheme is sanctioned.
- Breakdown of CLL Solvency Capital Requirements as at 30 June 2024
- Breakdown of CLL Solvency Capital Requirements as at 30 June 2024, both pre- and post-Reinsurance Agreement with CLL
- Summary of Transferred Policies as at 30 June 2024 and 31 December 2024
- CLL and CA Reinsurer Credit Ratings as at 30 June 2024
- CLL and CA Reinsurance Balance Sheet impacts as at 30 June 2024
- CLL Chief Actuary Supplementary Report on the impact of the Scheme (version as at 24 January 2025)
- CA Chief Actuary Supplementary Report on the impact of the Scheme (version as at 24 January 2025)
- CA With-Profits Actuary Supplementary Report on the impact of the Scheme (version as at 24 January 2025)
- CA Consumer Duty Road Map
- The Scheme document (version as at 24 January 2025)
- CLL First Witness Statement (version as at 24 January 2025)
- CA Second Witness Statement (version as at 24 January 2025)
- Sample of policyholder correspondence under the various classifications
- Correspondence with the policyholder regarding termination of the Guernsey Policy
- Details of policyholder complaints and objections
- Follow-up communications issued to policyholders who have raised an objection or complaint
- Responses from CLL and CA to the questions and answer log maintained by Milliman