

# CASLP Ltd and Countrywide Assured plc

**Supplementary Report by the Independent Expert on the proposed transfer of the business of CASLP Ltd to Countrywide Assured plc by means of a Scheme under Part VII of the Financial Services and Markets Act 2000**

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**For and on behalf of Hymans Robertson LLP**

**14 December 2023**



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A term in this report that is underlined indicates that it is explained in the glossary, which can be found in Appendix 1. A number of abbreviations are also used throughout this report. These are defined where they are first used and also in Appendix 2.

# 1 Introduction

## Background and instructions

- 1.1. CASLP Ltd (“CASLP”) and Countrywide Assured Limited (“Countrywide Assured”) (together “the parties”) are making an application to the High Court of Justice in England and Wales (the “Court”) for approval of a scheme of transfer (the “Scheme”) pursuant to Part VII of the Financial Services and Markets Act 2000 (“FSMA”), which will transfer all of CASLP’s business to Countrywide Assured.
- 1.2. The application to the Court must be accompanied by a report on the terms of the transfer (the “Scheme Report”), produced by a person nominated or approved by the Prudential Regulation Authority (“PRA”) for that purpose (the “Independent Expert”). I have been instructed jointly by CASLP and Countrywide Assured to report in the capacity of Independent Expert on the terms of the Scheme, pursuant to Section 109 of FSMA. My appointment as Independent Expert has been approved by the PRA, them having consulted with the Financial Conduct Authority (“FCA”). I reported on my findings in relation to the Scheme in the Scheme Report dated 14 July 2023.
- 1.3. The conclusions drawn in the Scheme Report were as follows:
  - I was satisfied that the Scheme was not expected to have a material adverse effect on the benefit security of any group of policies,
  - I was satisfied that the Scheme was not expected to have a material adverse effect on the benefit expectations of any group of policyholders,
  - I did not expect the Scheme to result in any changes to the standards of service for, or the management and governance of, any group of policies,
  - I was therefore satisfied that the Scheme was equitable to all classes and generations of CASLP’s and Countrywide Assured’s policyholders,
  - I was satisfied that I did not expect the Scheme to have a material adverse effect on CASLP’s insurers and reinsurers whose contracts will be transferred to Countrywide Assured, or on Countrywide Assured’s existing reinsurers, and
  - I was also satisfied that I did not expect the Scheme to have a material adverse effect on any of the parties’ outsourced service providers.
- 1.4. The Scheme Report was submitted to the Court ahead of an initial hearing, referred to as the “Directions Hearing”, which took place on 26 July 2023. At the Directions Hearing, the Court gave CASLP permission to implement its plans to send communication packs to its policyholders, insurers, reinsurers and outsourced providers notifying them of the proposed Scheme, other than those for whom a waiver from doing so was granted. A waiver was also granted to Countrywide Assured such that it was not required to send communication packs directly to its existing policyholders.
- 1.5. Communication packs have subsequently been issued and, having considered their contents, some policyholders have exercised their right to object to the Scheme. The Court will take these objections into account when deciding whether or not to sanction the Scheme at the second hearing, referred to as the “Sanction Hearing”.
- 1.6. I stated in the Scheme Report that I would prepare a further report for the Court (my “Supplementary Report”), the purpose of which is to report on any developments since the date of the Scheme Report so as to confirm or otherwise update the conclusions drawn in the Scheme Report in the light of any

changed circumstances. I have considered the objections raised by policyholders as part of this assessment.

- 1.7. This report is my Supplementary Report. Some of the defined terms used in the Scheme Report have been used in this Supplementary Report without restating their definitions, although these are included in the glossary.
- 1.8. My duty is to the Court. This Supplementary Report is primarily for the purpose of assisting the Court in considering the Scheme being presented to it.
- 1.9. While not the primary audience of my Supplementary Report, I also expect it to be used by:
  - the policyholders of CASLP and Countrywide Assured, to assist them in understanding the likely effects of the Scheme,
  - the directors and senior management of CASLP and Countrywide Assured, to assist in the decision whether to present the Scheme to the Court,
  - the PRA and the FCA, and
  - the professional advisers of any of the above assisting in the development and implementation of the Scheme.

### Status, credentials and independence

- 1.10. Details of my status, credentials and independence from the parties – including in relation to those employees of Hymans Robertson LLP who have assisted me in preparing and reviewing this Supplementary Report – can be found in Section 1 of the Scheme Report. These remain unchanged as at the date of this Supplementary Report.

### Other advice and opinions

- 1.11. Jenny Wood, who is the Chief Actuary for CASLP, Rob Goodwin, who is the Chief Actuary for Countrywide Assured, and Karen Miller, who is the With-Profits Actuary for Countrywide Assured, each prepared separate reports on the Scheme for the relevant firm's Board. They have each subsequently prepared separate supplementary reports for the relevant firm's Board, which I have read. I have relied on the information and analysis set out in these reports, and I note their conclusions in respect of the impact of Scheme on policyholders' benefit expectations and on the future security of those benefits.

### Reliances and Limitations

- 1.12. This Supplementary Report should be read in conjunction with the Scheme Report and must be read in its entirety.
- 1.13. The reliances and limitations set out in the Scheme Report apply equally to this Supplementary Report. Like the Scheme Report, the Supplementary Report is also subject to the terms and conditions (including the reliances and limitations) of an engagement letter dated 10 October 2022.

### Regulatory and Professional Guidance

- 1.14. My Supplementary Report has been prepared in line with the regulatory guidance issued by the PRA, as set out in Statement of Policy "The PRA's approach to insurance business transfers" January 2022. Its preparation is also in line with the regulations set out in Chapter 18 of the Supervision Manual of the FCA Handbook ("SUP18") and the FCA's guidance set out in Finalised Guidance "FG22/1: The FCA's approach to the review of Part VII insurance business transfers".

1.15. I am a Fellow of the Institute and Faculty of Actuaries (“IFoA”). The Financial Reporting Council sets out technical actuarial standards for members of the IFoA. This Supplementary Report is subject to and complies with the following standards:

- Technical Actuarial Standard 100: General Actuarial Standards, and
- Technical Actuarial Standard 200: Insurance.

1.16. In addition, the IFoA sets professional standards for its members. This Supplementary Report has been prepared having due regard to APS X2: Review of Actuarial Work and has been subject to independent peer review.

### Structure of my Supplementary Report

1.17. The remainder of my Supplementary Report is structured as follows:

- Section 2 considers the updated financial positions of the parties.
- Section 3 provides an overview of the mailing exercise and a discussion of the communications received from policyholders and other stakeholders.
- Section 4 discusses other relevant developments since the date of the Scheme Report.
- Section 5 contains my conclusions, having now prepared this Supplementary Report.
- Section 6 certifies that the Scheme Report complies with Part 35 of the Civil Procedure Rules, Practice Direction 35, and the related Guidance for the instruction of experts in civil claims.

My Supplementary Report also has three appendices:

- Appendix 1 provides a glossary for certain terms used throughout. Where a term is underlined, this indicates that it is explained in the glossary.
- Appendix 2 provides definitions of the abbreviations used throughout.
- Appendix 3 lists the principal documents I have considered and relied upon in preparing my Supplementary Report.

## 2 Updated financial positions of the parties

2.1. The Scheme Report set out the financial positions of the parties as at 31 December 2022. The parties have subsequently provided me with details of their financial positions as at 30 June 2023.

### Assets

2.2. **Figure 1** shows a breakdown of CASLP's assets as at 30 June 2023. The breakdown as at 31 December 2022, as included in the Scheme Report, is also shown for comparison.

**Figure 1: CASLP's asset portfolio as at 30 June 2023 and 31 December 2022**

	30 June 2023		31 December 2022	
	£m	%	£m	%
Government bonds	21	0.8%	21	0.8%
Corporate bonds	47	1.8%	46	1.7%
Collective investment undertakings	33	1.3%	38	1.4%
Derivatives	0	0.0%	0	0.0%
Deposits (other than cash equivalents)	0	0.0%	0	0.0%
Assets held for <u>unit-linked</u> contracts	2,441	95.5%	2,509	95.4%
Insurance and intermediaries receivables	0	0.0%	0	0.0%
<u>Reinsurance</u> receivables	0	0.0%	0	0.0%
Receivables (trade, not insurance)	5	0.2%	7	0.3%
Cash and cash equivalents	6	0.2%	5	0.2%
Other assets	1	0.0%	1	0.0%
Holdings in related undertakings	4	0.2%	3	0.1%
<b>Total</b>	<b>2,557</b>	<b>100.0%</b>	<b>2,630</b>	<b>100.0%</b>

Source: CASLP

2.3. CASLP's assets have reduced in value slightly over the period, driven by a fall in the value of assets held for unit-linked contracts. However, the main points to note are that CASLP has not invested in any new asset classes over the period, with no new sources of risk having been introduced, and that the allocation across the various asset classes remains broadly unchanged. For the avoidance of doubt, the value of the liabilities has similarly reduced such that CASLP continues to comply with its capital management policy, as discussed from paragraph 2.6 onwards.

2.4. **Figure 2** shows a breakdown of Countrywide Assured's assets as at 30 June 2023. The breakdown as at 31 December 2022, as included in the Scheme Report, is also shown for comparison.

**Figure 2: Countrywide Assured's asset portfolio as at 30 June 2023 and 31 December 2022**

	30 June 2023		31 December 2022	
	£m	%	£m	%
Government bonds	116	6.5%	110	5.9%
Corporate bonds	42	2.4%	28	1.5%
Collective investment undertakings	212	11.9%	298	16.0%
Derivatives	0	0.0%	0	0.0%
Deposits (other than cash equivalents)	0	0.0%	1	0.1%
Assets held for <u>unit-linked</u> contracts	1,368	77.0%	1,396	74.7%
Insurance and intermediaries receivables	2	0.1%	2	0.1%
<u>Reinsurance</u> receivables	26	1.5%	21	1.1%
Receivables (trade, not insurance)	4	0.2%	3	0.2%
Cash and cash equivalents	8	0.5%	9	0.5%
Other assets	0	0.0%	0	0.0%
Holdings in related undertakings	0	0.0%	0	0.0%
<b>Total</b>	<b>1,777</b>	<b>100.0%</b>	<b>1,868</b>	<b>100.0%</b>

Source: Countrywide Assured

2.5. Countrywide Assured's assets have also reduced in value over the period but, like CASLP, the main points of note are that Countrywide Assured has not invested in any new asset classes over the period, with no new sources of risk having been introduced, and that the allocation between the various asset classes is broadly unchanged. Also like CASLP, the value of the liabilities has also fallen such that Countrywide Assured also continues to comply with its capital management policy, again as discussed from paragraph 2.6 onwards.

### Pro-forma financial positions

2.6. **Figure 3** sets out an estimate of Countrywide Assured's regulatory balance sheet as it would have been at 30 June 2023, had the Scheme been effective at that date. It also shows, for comparison, the actual regulatory balance sheets for CASLP and Countrywide Assured at that date.

**Figure 3: Regulatory balance sheets pre- and post-Scheme**

As at 30 June 2023 (£m)	CASLP pre-Scheme	Countrywide Assured pre-Scheme	Countrywide Assured post-Scheme
Total Assets	2,557.2	1,776.9	4,334.0
<u>BEL</u> (net)	2,473.6	1,517.5	3,991.1
<u>Risk Margin</u>	11.9	15.4	26.5
<u>Other Liabilities</u>	9.3	142.2	151.4
Total Liabilities	2,494.8	1,675.1	4,169.1
<u>Own Funds</u>	62.4	101.9	164.9
<u>Eligible Own Funds</u>	62.4	101.8	164.9
Foreseeable Dividends	10.0	0.0	10.0
<u>Eligible Own Funds</u> (post-dividends)	52.4	101.8	154.9
<u>SCR</u>	33.8	69.8	102.8
Excess assets	18.6	31.9	52.0
<u>Solvency coverage ratio</u>	155%	146%	151%

Source: Countrywide Assured

- 2.7. Countrywide Assured paid a £46m dividend to Chesnara plc (“Chesnara”) over H1 2023, reflected in its financial position at 30 June 2023. The additional £10m “foreseeable” dividend from CASLP had not been paid at 30 June 2023, but this has now been paid out to Chesnara.
- 2.8. I explained in the Scheme Report that the capital management policies of CASLP and Countrywide Assured have been aligned, with both parties aiming to maintain Eligible Own Funds of at least 120% of the regulatory SCR, with Own Funds in excess of this available to be paid out as dividends to Chesnara. In practice, both parties will target a higher level of Eligible Own Funds, but dividend payments will only be restricted should they result in the solvency coverage ratio falling below 120%. As shown in **Figure 3**, both parties complied with their capital management policies at 30 June 2023, with solvency coverage ratios well above 120%. **Figure 3** also shows that Countrywide Assured would have continued to comply with its capital policy had the Scheme been implemented on 30 June 2023.
- 2.9. The post Scheme regulatory balance sheet assumes that CASLP has been wound up and that all of its assets have been transferred to Countrywide Assured. However, the parties have informed me that the future position of CASLP has yet to be decided. In that regard I note that after the transfer and until such time as CASLP is deauthorised, should that be the route ultimately chosen, residual assets will be required to cover the minimum capital requirement permitted by regulation, which is €4.0m (equivalent to c.£3.4m at 31 December 2022). This is therefore a limitation of the parties' analysis, also present in the analyses underlying the Scheme Report (see paragraph 6.3 thereof). I am satisfied that this is not a



material limitation as retaining c.£3.4m in CASLP does not affect Countrywide Assured's ability to comply with its capital policy after the transfer.

### Acquisition of a portfolio of individual protection business from Canada Life

- 2.10. As discussed in paragraphs 11.1 to 11.3 of the Scheme Report, the proposed transfer of a block of individual protection business from Canada Life Limited ("Canada Life") to Countrywide Assured was announced in May 2023. Canada Life has already reinsured the protection portfolio to Countrywide Assured, with an effective date of 31 December 2022. The impacts of this reinsurance arrangement with Canada Life are included within Countrywide Assured's regulatory balance sheets shown in **Figure 3**.
- 2.11. If the proposed transfer of business from Canada Life to Countrywide Assured is not sanctioned then the reinsurance arrangement will be unwound. **Figure 4** assesses the impact on the pro-forma Countrywide Assured regulatory balance sheet (i.e. including CASLP) of the live reinsurance arrangement with Canada Life, of the Canada Life Part VII transfer being sanctioned, and of the Canada Life Part VII transfer not being sanctioned and the reinsurance being unwound.

**Figure 4: Impact of the proposed transfer of Canada Life's protection business on Countrywide Assured's regulatory balance sheet**

As at 30 June 2023 (£m)	Countrywide Assured post-Scheme with...		
	the Canada Life portfolio reinsured	the Canada Life Part VII sanctioned	the Canada Life Part VII not sanctioned
Total Assets	4,334.0	4,334.0	4,340.9
<u>BEL</u>	3,991.1	3,991.1	4,007.0
<u>Risk Margin</u>	26.5	26.5	25.0
<u>Other Liabilities</u>	151.4	151.4	151.4
Total Liabilities	4,169.1	4,169.0	4,183.4
<u>Own Funds</u>	164.9	165.0	157.4
<u>Eligible Own Funds</u>	164.9	164.9	157.3
Dividends	10.0	10.0	10.0
<u>Eligible Own Funds</u>	154.9	154.9	147.3
<u>SCR</u>	102.8	102.8	97.9
Excess assets	52.0	52.1	49.4
<u>Solvency coverage ratio</u>	151%	151%	150%

Source: Countrywide Assured

- 2.12. As shown in **Figure 4**, Countrywide Assured is expected to remain within its capital policy, with a solvency coverage ratio well in excess of 120%, whether or not the Canada Life transfer is sanctioned. I am therefore satisfied that the proposed Canada Life transfer does not change my assessment of the security of policyholder benefits after the proposed transfer covered by this Supplementary Report.

- 2.13. For the avoidance of doubt, this conclusion is not, and should not be seen as, an assessment of the proposed transfer of business from Canada Life. That transfer will be carried out by means of the process set out in Part VII of FMSA and will be presented separately to the Court alongside a report on that scheme from an Independent Expert.

#### **Changes to the parties' financial positions since 30 June 2023**

- 2.14. The parties have also provided me with their regulatory balance sheets at 30 September 2023. Both parties remain within their capital management policies at that date.
- 2.15. Having considered the parties' regulatory balance sheets as at 30 September 2023, there remains the question of whether market movements since then might cause me to reconsider my conclusions. In that regard I would note that financial markets have remained relatively stable from 30 September 2023 to 29 November 2023. For example, the Bank of England base rate has remained stable at 5.25%, while the FTSE 100 index has fallen slightly.
- 2.16. I am therefore satisfied that nothing has changed since 30 June 2023 which would impact my conclusion on the security of policyholder benefits.

#### **Conclusion drawn from the updated financial positions of the parties**

- 2.17. For the reasons discussed in this Section 2, I remain satisfied that the Scheme is not expected to have a material adverse effect on the security of benefits for any group of policyholders.

## 3 Policyholder communications

### Notification process

- 3.1. Shortly after the Directions Hearing, CASLP sent communication packs to all of its policyholders, other than those covered by the waivers granted by the Court. CASLP and Countrywide Assured jointly published notices of the Scheme in each of the London, Edinburgh and Belfast Gazettes, as well as in The Financial Times, The Times, The Daily Mail and the Daily Mirror. They also made the communication packs available on their websites together, with certain other materials as outlined in the Scheme Report.

### Correspondence and objections from policyholders

- 3.2. CASLP issued 39,599 communications packs to its policyholders. At 8 December 2023, the parties had received 745 responses from policyholders, representing 1.9% of the mailing packs issued. Of the policyholders who contacted CASLP, the vast majority were making a general enquiry, either about the Scheme or about their policy. However, six policyholders have objected to the Scheme proceeding. I discuss the nature of each of these objections in the following paragraphs.

#### Objection 1

- 3.3. One of CASLP's policyholders objected to the Scheme on three grounds, namely (i) that he was worried the transfer may result in a reduction in the value of his policy; (ii) that he had read reviews about "Countrywide" which he found concerning; and (iii) he was concerned about the need to apply to the Court before the transfer can happen.
- 3.4. In terms of point (iii), Court approval is required to effect this Scheme, and this was appropriately positioned by CASLP in its communication pack as being part of the set of safeguards for policyholders in such circumstances. I therefore focus on points (i) and (ii).
- 3.5. In relation to point (i), and as discussed in the Scheme Report, the transfer amounts to a "lift and drop" of CASLP's policies into Countrywide Assured, with no changes to how the policies are managed including terms and conditions. In particular, the policyholder will have allocated to his policy the same number of units in the same funds immediately after the transfer as was the case immediately before it, managed in the same way, and with the same charges. Noting that the policy will remain exposed to market movements, I am satisfied that the transfer itself will not cause the policy value to drop.
- 3.6. In relation to point (ii), I considered the likely effects of the Scheme on the service standards for CASLP's policies in the Scheme Report, notably in paragraphs 7.36 and 7.37. Although some changes were planned in relation to the employment status of CASLP's administration staff, which I discuss further in paragraph 4.20 below, the key point to note in relation to the proposed transfer was that CASLP's policies would continue to be administered by the same people and on the systems after the transfer as was the case before it, thus ensuring retention of administration staff knowledge and continuity of service.
- 3.7. CASLP arranged a call with the policyholder to explain the essence of these points, and then followed up with an explanatory letter to confirm the information relayed on the call. While the policyholder ultimately chose to cash in his policy, I remain satisfied that the Scheme would not have materially adversely affected the policyholder's benefit expectations or the level of service provided to him.

#### Objection 2

- 3.8. Another of CASLP's policyholders objected to the Scheme because of concerns over certain "broad legal statements" made by me in the Scheme Report, citing in particular paragraphs 7 and 11 of my Summary Report for Policyholders. Paragraph 7 of my Summary Report stated that "I do not expect the transfer to significantly reduce the security of benefits for policyholders transferring from CASLP to Countrywide

Assured”, while paragraph 11 was an analogous statement in respect of Countrywide Assured’s existing policyholders.

- 3.9. I contributed to CASLP’s response to this policyholder, which explained that my particular use of language is consistent with the expectations of the UK’s insurance regulators that policyholders should not be “materially adversely affected” by a proposed transfer. The response also pointed out that the rationale behind these statements was set out in paragraphs 8-10 and 12-13 of my Summary Report immediately following paragraphs 7 and 11, and is based on each firm’s compliance with their capital management policies.
- 3.10. As explained in the Scheme Report, as the parties’ capital management policies are materially aligned they can therefore be considered to be of approximately equal financial strength provided they comply with these policies. In that regard, the analysis within the Scheme Report, as supplemented by Section 2 of this Supplementary Report, shows that Countrywide Assured complies with its capital policy and is expected to continue to do so following the implementation of the Scheme. I am therefore satisfied that Scheme will not materially adversely affect the policyholder’s benefit security.

### Objection 3

- 3.11. Another CASLP policyholder objected to the Scheme on the basis of concerns over the level of service expected after the transfer, having read negative reviews online of “Countrywide” customer service.
- 3.12. As discussed in paragraph 3.6 above, the key point to note in relation to the impact of the proposed transfer on service standards is that CASLP’s policies will continue to be administered by the same people and on the systems after the transfer as was the case before it. I therefore remain satisfied that Scheme will not materially adversely affect the level of service provided to the policyholder.

### Objection 4

- 3.13. Another CASLP policyholder objected to the Scheme on the basis that he wanted more time to consider the communication pack, to assess whether he had any concerns.
- 3.14. All policyholder communication packs were issued by 16 August 2023, and should therefore have been received by 18 August 2023. The time available for policyholders to consider the information and raise any objections was therefore well in excess of the usual regulatory expectation of at least six to eight weeks. Noting also that policyholders can continue to raise objections all the way to the Sanction Hearing, expected to be on 21 December 2023, I am satisfied that policyholders have had sufficient time to consider the Scheme and to raise any objections they might have.

### Objection 5

- 3.15. Two joint CASLP policyholders have objected to the Scheme on the basis that: (i) they believe that they have been misled because, despite continuing to pay monthly premiums, their whole of life policy is not on track to provide the intended sum assured; and (ii) that they consider the Scheme to be a means by which CASLP can disguise its mistakes.
- 3.16. In relation to point (i), it is not for me to say whether the policy was mis-sold to the policyholders in question, although I am advised by CASLP that a claim in that regard was time-barred by the Financial Ombudsman in June 2023, as a similar complaint had been made in 2016. Regardless of that, all of CASLP’s mis-selling liabilities will transfer to Countrywide Assured under the terms of the Scheme. It is also not for me to consider and comment on whether the policy in question is on track to deliver the benefits expected. Instead, it is my role to comment on the Scheme’s likely effects on policyholders’ benefit expectations, among other areas, which I did in detail in the Scheme Report.

- 3.17. In relation to point (ii), the Scheme will transfer all of CASLP's obligations to Countrywide Assured, and there is no sense in which it is a means for CASLP to disguise any historical practices or otherwise escape from any of its responsibilities.

#### **Objection 6**

- 3.18. Another of CASLP policyholders has notified CASLP that he wishes to appear at the Sanction Hearing to object to the Scheme, and has provided CASLP with details of his objection. One of his policies is a whole of life assurance, on which the supportable level of cover has fallen significantly. My reading of the policyholder's communication with CASLP is that he wishes the transfer to be delayed at least until a thematic regulatory review (i.e. into the conduct of CASLP and other companies in relation to such policies) can be undertaken and so that that a judicial review into the conduct of regulators (overseeing such matters) can also be undertaken.
- 3.19. Similar to the discussion in paragraph 3.16, it is not for me to consider and comment on whether the policy in question is on track to deliver the benefits expected. Instead, it is my role to comment on the Scheme's likely effects on policyholders' benefit expectations, among other areas, which I did in detail in the Scheme Report. In relation to the policyholder's specific circumstances, I note that the reduction in life cover referred to in the previous paragraph is not related to the Scheme, having arisen as a result of premium reviews carried out by CASLP in 2015 and 2020.
- 3.20. Furthermore, it is not for me consider and comment on the need for thematic and judicial reviews. However, my terms of reference do require me to identify and comment upon the expected effects of the Scheme on "any other interested parties", and so I would consider it to be appropriate to comment if I believed that the Scheme was likely to create an issue of wider public interest. In that regard, I do not consider that it is likely to do so, but given the policyholder's specific objection I confirm that I do not consider that the Scheme would in any way impede such reviews if they were ultimately deemed to be appropriate.
- 3.21. If the policyholder appears at the Sanction Hearing, as he is entitled to do, I will provide further views on his objection at that point, as appropriate. To assist the policyholder in preparing for that, I note that CASLP's legal advisers have provided the policyholder with the bundle of documents that was filed with the Court prior to the Directions Hearing and that they will follow up with the Sanction Hearing bundle, including this Supplementary Report, once that has been filed.

#### **Conclusion from policyholder objections**

- 3.22. None of the objections received from policyholders cause me to reconsider the conclusions in the Scheme Report.

#### **Communications with insurers, reinsurers, outsourced service providers, and other partners**

- 3.23. The parties have provided communication packs to their respective insurers, reinsurers, outsourced service providers, and other partners, including Allianz Insurance plc ("Allianz") and Munich Re United Kingdom Life Branch ("Munich Re"). None have objected to the Scheme.

## 4 Other developments since the date of the Scheme Report

### Changes to the Scheme

- 4.1. The parties have made some amendments to the Scheme since the date of the Scheme Report:
- to allow policies to more easily be designated as “Excluded Policies” by written agreement between the parties,
  - to clarify the intention to transfer the whole business of CASLP at or before the Transfer Date, including mis-selling liabilities, and
  - to clarify that the costs associated with the Scheme are being borne by Chesnara, not by the parties themselves.
- 4.2. I consider all of the changes to the Scheme described in paragraph 4.1 to be minor. I therefore remain satisfied that the Scheme is not expected to result in a material adverse effect on the benefit expectations or the security of benefits for any group of policyholders.

### Political sanctions

- 4.3. In paragraph 5.3 of the Scheme Report I noted that CASLP had advised me that none of its policyholders were subject to any political sanctions. CASLP performs quarterly screening of all of its policyholders against stated sanction lists, with the most recent screening completed at 30 September 2023. At that date, CASLP re-confirmed that none of its policyholders were on a stated sanctions list, meaning that none would be classed by the Scheme as holders of Excluded Policies. Additional screening activity is planned for the week commencing 11 December 2023, ahead of the Sanction Hearing, and then on 31 December 2023, immediately ahead of the Transfer.
- 4.4. The UK's Sanctions and Anti-Money Laundering Act 2018 creates the UK's regime for financial, trade, immigration, aircraft, and shipping sanctions, while the Export Controls Act 2002 creates the UK's export control regime. The parties are required to comply with these regimes, to which end Chesnara commissioned legal advice in this regard. This advice sets out that there are specific circumstances in which the transfer could breach the UK's financial sanctions regime, with the only relevant regulations being Regulation 16 of the Russia (Sanctions) (EU Exit) Regulations 2019 and Regulation 15A of the Republic of Belarus (Sanctions) (EU Exit) Regulations 2019. Furthermore, the advice is clear that restrictions relating to trade, immigration, aircraft, shipping and export control are not relevant in the context of the transfer. While I am not a legal expert, I consider the advice to be reasonable and I have therefore relied on it.
- 4.5. As discussed in paragraph 3.23 of the Scheme Report, CASLP has a relatively complex investment universe, largely driven by the range of funds offered to unit-linked policyholders. The unit-linked fund range includes 11 managed funds which are directly managed by Sanlam Investments, 65 “mirror” funds which are managed by CASLP and which invest directly in externally managed funds, and over 6,000 externally managed funds available via external investment platforms. In total, 2,878 externally managed unit-linked funds were invested in by policyholders at 30 September 2023.
- 4.6. Chesnara commissioned external due diligence to assess whether any of the assets within CASLP are subject to restrictions from UK financial sanctions, for example against Russia or Belarus. The due diligence process was based on the assets held at 30 September 2023, as listed in the reporting template S.06.02 submitted to the PRA as part of CASLP's quarterly financial reporting. This contained 3,763 assets which were: (i) held to back non-linked policies and surplus assets, (ii) held by CASLP on behalf of unit-linked policyholders, excluding assets in externally managed unit-linked funds, or (iii) the 2,878

externally managed unit-linked funds. Other than as noted in paragraph 4.9 below, the due diligence process used publicly-available market data to identify the asset holdings in each of the 2,878 externally managed unit-linked funds, and where such a fund had a holding in another fund the process was repeated to obtain a full look-through to the assets ultimately underlying the externally managed unit-linked funds. The resulting population of assets, which for the avoidance of doubt included all of the assets described at (i), (ii) and (iii) in this paragraph, was screened to identify any which may be subject to a UK financial sanctions restriction. Again, other than as noted in paragraph 4.9 below, 125 assets across 208 of CASLP's externally managed unit-linked funds were identified as potentially being subject to either Regulation 16 of the UK's Russia Regulations or Regulation 15A of the UK's Belarus Regulations. While I have not carried out an assurance review of its implementation, I consider the approach as just described to be both reasonable and comprehensive, and I took comfort from the opportunity I had to discuss the process with the parties and their external adviser.

- 4.7. This then raises the question as to whether the transfer by virtue of the Scheme of the 208 unit-linked funds (referred to in paragraph 4.6) which contain assets which had been identified as potentially being subject to a UK financial sanctions restriction would itself constitute a breach of the UK financial sanctions regime. The analysis underlying the legal advice provided to Chesnara, as per paragraph 4.4, has been used to assess this. For clarity, and notwithstanding that it is the potential for the Scheme to breach the UK financial sanctions regime that is being assessed, part of the legal advice I have seen relies upon advice commissioned by Chesnara's legal advisers from lawyers practising in Ireland and Luxembourg. Chesnara's legal advisers sought this advice as certain externally managed unit-linked funds referred to in paragraph 4.6 are domiciled in those countries. I have seen these advice notes and I consider how Chesnara's legal advisers have used them to be reasonable.
- 4.8. The analysis referred to in paragraph 4.7 is complicated and depends for example on the nature of the funds and the nature of the assets held by them. However, I note that it has ultimately confirmed that all 208 unit-linked funds can be transferred by the Scheme without breaching the UK financial sanctions regime. I have had access to the full advice, as well as discussions with Chesnara's legal advisers to assist me in understanding it.
- 4.9. The asset due diligence process described in paragraph 4.6 was unable to identify the assets underlying 31 of CASLP's externally managed unit-linked funds. The analysis underlying the legal advice provided to Chesnara, as per paragraph 4.4, has been used to assess whether the transfer of these funds by virtue of the Scheme would constitute a breach of the UK financial sanctions regime. This confirmed that 29 of the 31 funds can be transferred by the Scheme without a breach. The parties obtained details of the underlying holdings of the remaining two funds from the external fund manager's website, supplemented by information obtained directly from the fund manager. This was used to screen the funds' assets using the process described in paragraph 4.6, which resulted in the transfer of these funds being flagged as potentially subject to a UK financial sanctions restriction. The analysis underlying the legal advice provided to Chesnara, as per paragraph 4.4, confirmed that holdings in these final funds could also be transferred without a breach.
- 4.10. On that basis of the due diligence that has been completed and the provisions in the Scheme for Excluded Policies, I am satisfied that there will be no breach of the UK financial sanctions regime.

#### **Excluded Policies, Sanctioned Policies, Residual Assets, Residual Liabilities**

- 4.11. As discussed in paragraph 5.2 of the Scheme Report, the Scheme makes provision for "Residual Liabilities" and "Residual Assets", which include any liabilities or assets which are intended to transfer under the Scheme but which cannot be transferred on the Transfer Date for any reason. Any Excluded Policies, Residual Liabilities and Residual Assets will be retained by CASLP until the impediment to their

transfer has been removed, at which point they will be transferred to Countrywide Assured. Any Excluded Policies, other than any which are a Sanctioned Policy, will be fully reinsured to and administered by Countrywide Assured until such time as they are transferred, under the “Excluded Policies Reassurance Arrangement” provisions within the Scheme. Any Sanctioned Policy identified by the screening described in paragraph 4.3 would be retained by CASLP and would not be included in the Excluded Policies Reassurance Arrangement.

- 4.12. For the avoidance of doubt, these comments do not represent a change to the Scheme, or to the parties’ intentions, since the date of the Scheme Report. The parties have advised me that they continue to expect there to be no Excluded Policies, Sanctioned Policies, Residual Liabilities or Residual Assets.

### Regulatory permissions and approvals

- 4.13. In paragraph 4.56 of the Scheme Report I noted that Countrywide Assured had applied for a Variation of Permission to add two permissions pertaining to pensions business – relevant to the OneSIPP product currently provided by CASLP – and that I would update on this application in my Supplementary Report. This application was approved, effective 21 July 2023, on which basis I am satisfied that Countrywide Assured will be able to accept the transfer of CASLP’s OneSIPP policies if the Scheme is sanctioned.
- 4.14. I also noted in the Scheme Report, in paragraph 6.23, that both CASLP and Countrywide Assured currently have regulatory approval to apply the Volatility Adjustment (“VA”) within the valuation of certain types of business for Solvency II reporting purposes. Countrywide Assured intends to continue to apply the VA to the same lines of business following implementation of the Scheme, and this is allowed for in Countrywide Assured’s pro-forma balance sheet. At the date of the Scheme Report, Countrywide Assured had notified the PRA of its intention to do this. It received formal PRA approval on 6 November 2023.

### Management and governance

- 4.15. In paragraph 3.15 and 4.8 of the Scheme Report, I provided details of the responsibilities of each of the party’s committees. At the time of writing the Scheme Report, the terms of reference for the UK Investment Committee, which oversees the management of unit-linked and non-linked investments within CASLP and Countrywide Assured, had not yet been finalised. The terms of reference have now been finalised and were approved by the parties’ Boards on 15 September 2023.
- 4.16. In paragraph 2.17 of the Scheme report I noted that CASLP currently has two wholly-owned subsidiary companies, CASFS Ltd (“CASFS”) and CASLPTS Ltd (“CASLPTS”). In paragraph 7.44 of the Scheme Report, I explained that the shares in these entities were to transfer to Countrywide Assured via a separate legal process, with the governance structures of CASFS and CASLPTS entirely unchanged. Management have informed me that these entities may now transfer to Chesnara rather than to Countrywide Assured, albeit still with no changes to the governance structures or the services provided. As these entities will continue to provide the same services as they currently do, with the same oversight arrangements in place, I am satisfied that there should be no effect on the transferring CASLP policyholders.
- 4.17. The parties have confirmed that the regulatory balance sheets set out in **Figure 3** above treat CASFS as a subsidiary of CASLP, which is a minor limitation of the analysis. The value of Own Funds associated with CASFS at 30 June 2023 is £3.6m, with an SCR of c£0.8m. Removing this from the regulatory balance sheet would slightly reduce the solvency coverage ratio, but both CASLP and the pro-forma Countrywide Assured post-scheme would remain within their capital management policies. I am therefore satisfied that the change in ownership of CASFS does not change my assessment of the security of policyholder benefits.



- 4.18. In September 2023 Chesnara announced that a new UK Chief Executive Officer (“CEO”) was being appointed, subject to regulatory approval. Chesnara’s UK CEO is also the CEO of each of the parties, who have confirmed that this does not affect their intention to proceed with the transfer, and nor does it affect their plans for managing the business afterwards.

### Developments affecting the parties

- 4.19. I noted in the Scheme Report that Chesnara has entered into a new outsourcing agreement with SS&C Technologies (“SS&C”) to ultimately provide outsourced administration for all of CASLP’s existing policies.
- 4.20. Management have confirmed that the CASLP administration staff have now been transferred to SS&C under a Transfer of Undertakings (Protection of Employment) arrangement and are continuing to deliver customer service to policyholders of CASLP. The system migration to SS&C is progressing and currently expected to complete by May 2025. As was discussed in the Scheme Report, this migration of policy administration is expected to proceed regardless of the outcome of the Scheme.
- 4.21. Management have informed me that, subject to the necessary approvals, Countrywide Assured plans to enter into a new reinsurance arrangement ahead of 31 December 2023, the purpose of which is to provide protection against a defined “mass lapse” event, i.e. an extreme spike in persistency experience. Specifically, the arrangement would cover a pre-defined part of the mass lapse risk for a specific subset of Countrywide Assured’s existing policyholders, and will proceed regardless of the outcome of the Scheme. The expected effect of the proposed new reinsurance arrangement is an increase in Countrywide Assured’s solvency coverage ratio, reflecting a reduction in overall risk exposure. I am therefore satisfied that the proposed new reinsurance arrangement does not change my assessment of the security of policyholder benefits.
- 4.22. As discussed in paragraph 11.22 of the Scheme Report, the FCA published policy statement PS22/9 “A new Consumer Duty” in July 2022, setting out final rules and guidance which are intended to strengthen consumer protection by ensuring that firms act to deliver good outcomes for customers. The FCA’s Consumer Duty came into effect on 31 July 2023 for products open to new business. Detailed Consumer Duty plans have been agreed by CASLP’s and Countrywide Assured’s Boards and management have confirmed that they have implemented these plans in respect of the two products open to new business in CASLP.

### Tax

- 4.23. In paragraph 11.18 of the Scheme Report I noted that the parties had obtained independent tax advice in connection with the Scheme. This advice set out that £15.5m of tax relief relating to the utilisation of excess management expenses is expected as a result of the Scheme to arise sooner than it would do otherwise, but as a timing benefit rather than an absolute one.
- 4.24. The parties have informed me that they have applied for certain tax clearances from HM Revenue and Customs in respect of the acceleration of the £15.5m of tax relief. As at the date of this Supplementary Report those clearances have not been forthcoming. However, no allowance has been made for possible tax synergies in the regulatory balance sheets discussed either in this Supplementary Report or in the Scheme Report, so I am satisfied that the outcome of the parties’ application will not affect my conclusions on the security of policyholder benefits.

### Potential changes to the UK prudential regulatory regime – HMT regulations

- 4.25. I noted in the Scheme Report that HM Treasury was undertaking a review of the Solvency II regulatory regime, and that it published in June 2023 draft regulations relating to the proposed changes. As noted in paragraph 11.11 of the Scheme Report, key reforms related to changing the calculation of the Risk

Margin and to making it easier to include a wider range of assets in Matching Adjustment (“MA”) portfolios.

- 4.26. As I noted in paragraph 11.14 of the Scheme Report, the proposed reforms to the Risk Margin are expected to decrease the size of the Risk Margin. As discussed in paragraph 11.15 of the Scheme Report, this would make it more likely that each firm would comply with its capital management policy immediately before the Transfer Date, and that Countrywide Assured would continue to comply immediately after it, all else being equal. The regulations to give effect to the change in the calculation of the Risk Margin were laid before the UK parliament on 8 December 2023. They will come into force on 31 December 2023 as expected, with no changes from the proposals that were consulted upon. Given the expected impacts on the parties, this does not affect my conclusion that the Scheme is not expected to have a material adverse effect on the security of benefits for any group of policyholders.
- 4.27. The change in regulation in respect of assets eligible to be included in MA portfolios is still expected to come into effect by 30 June 2024. However, as discussed in paragraph 11.16 of the Scheme Report, neither party has permission to use the MA and so will not be affected by changes to assets which may be included in MA portfolios. I therefore still do not expect the proposed reforms to the MA to affect my conclusion that the Scheme is not expected to have a material adverse effect on the security of benefits for any group of policyholders.

#### Potential changes to the UK prudential regulatory regime – PRA consultations

- 4.28. The PRA has published two consultations on the proposed reforms in 2023, the first of which (CP 12/23 – Review of Solvency II: Adapting to the UK insurance market) was published in June 2023 and is described in paragraph 11.8 of the Scheme Report. As I noted in paragraphs 11.9 and 11.10 of the Scheme Report, the majority of the proposed changes have little direct bearing on either party, and so did not affect my conclusion that the Scheme is not expected to have a material adverse effect on the security of benefits for any group of policyholders. The June consultation was open for industry feedback until 1 September 2023. While the PRA has yet to publish final policy following this consultation, it announced on 8 December 2023 certain simplifications to regulatory reporting that it was content to permit from 31 December 2023 to 30 December 2024, pending finalising its longer-term policy. The simplifications affecting the parties relate to dispensing with the need to complete certain reporting templates, which does not affect my assessment of the Scheme.
- 4.29. The second consultation paper (CP 19/23 – Review of Solvency II: Reform of the Matching Adjustment) was published by the PRA on 28 September 2023, and outlined a number of key reforms, expected to be implemented from 30 June 2024, including:
- widening the range of investments that firms may hold in an MA portfolio, subject to a number of constraints and requirements;
  - expanding the types of insurance business that may be valued using an MA;
  - refining the calculation of the MA; and
  - formalising a number of data and reporting requirements, in particular introducing an MA eligibility condition for demonstrating compliance with the Prudent Person Principle.
- 4.30. The proposed changes, which may be refined following a period of ongoing industry consultation until 5 January 2024, do not directly impact either party as neither has permission to use the MA. I am therefore satisfied that the changes do not impact my conclusion that the Scheme is not expected to have a material adverse effect on the security of benefits for any group of policyholders.

**Guernsey policyholders**

4.31. In paragraph 1.4 of the Scheme Report, I noted that there were two CASLP policyholders who were resident in Guernsey and who would not be transferred to Countrywide Assured by the Scheme. Rather than presenting a separate scheme to the Royal Court of Guernsey, the parties have written to these policyholders and confirmed that their policies will be transferred to Countrywide Assured in accordance with the transfer/assignment provisions of those policies. Management have informed me that these transfers will be effected ahead of the Sanction Hearing. For the avoidance of doubt, I confirm that my conclusions in this Supplementary Report apply equally to these two policyholders.

## 5 Conclusions

- 5.1. Based on the analysis set out in this Supplementary Report, I am content that all of the conclusions set out in the Scheme Report remain valid. These conclusions are restated below.
- 5.2. I am satisfied that the Scheme is not expected to have a material adverse effect on the benefit security of any group of policies.
- 5.3. I am satisfied that the Scheme is not expected to have a material adverse effect on the benefit expectations of any group of policyholders.
- 5.4. I do not expect the Scheme to result in any changes to the standards of service for, or the management and governance of, any group of policies.
- 5.5. I am therefore satisfied that the Scheme is equitable to all classes and generations of CASLP's and Countrywide Assured's policyholders.
- 5.6. I am satisfied that I do not expect the Scheme to have a material adverse effect on CASLP's insurers and reinsurers whose contracts will be transferred to Countrywide Assured.
- 5.7. I am also satisfied that I do not expect the Scheme to have a material adverse effect on any of the parties' outsourced service providers.

## 6 Certificate of compliance

- 6.1. I understand that my duty in preparing the Scheme Report is to help the Court on all matters within my expertise and that this duty overrides any obligation I have to those instructing me and/or paying my fees. I have complied with this duty.
- 6.2. I am aware of the requirements applicable to experts as set out in Part 35 of the Civil Procedure Rules, Practice Direction 35, and the related Guidance for the instruction of experts in civil claims. I understand my duty to the Court.
- 6.3. I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions that I have expressed represent my true and complete professional opinions on the matters to which they refer.
- 6.4. 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.



**Stephen Makin FFA CERA**  
**Independent Expert**

**For and on behalf of Hymans Robertson LLP**

**14 December 2023**

## Appendix 1: Glossary

Term	Definition
Best Estimate Liabilities	In <u>Solvency II</u> , the best-estimate valuation of liabilities refers to the discounted value (i.e. in today's terms) of expected future obligations that an insurer expects to have to pay. The cash flows underlying the valuation are "best-estimate" in the sense of being "expected". They may therefore be considered to be neither pessimistic nor optimistic. Further information is given in Appendix 6 of the Scheme Report.
Eligible Own Funds	<u>Own Funds</u> that an insurer is permitted to use to cover its <u>SCR</u> .  The regulations categorise various <u>Own Funds</u> items into tiers according to their loss absorbency, degree of subordination, and term. The regulations also specify limits on the amount of <u>Own Funds</u> in each tier that may be used to cover the <u>SCR</u> . Further information is given in Appendix 6 of the Scheme Report.
Excluded Policies	This term is defined fully in the Scheme, but in essence it means any of CASLP's policies that cannot be transferred to Countrywide Assured at the <u>Transfer Date</u> for any reason (although the parties do not expect there to be any such policies).
Excluded Policies Reinsurance Arrangement	This term is defined fully in the Scheme, but in essence it means an arrangement whereby any <u>Excluded Policies</u> will be fully <u>reinsured</u> to and administered by Countrywide Assured until such time as they are able to be transferred.
Matching Adjustment	When determining the BEL, the standard approach is to discount future liability cash flows using the "basic risk-free rate", which is a prescribed discount rate based on swap yields.  For certain lines of business, a Matching Adjustment may be added to the basic risk-free rate when the insurer has regulatory approval to do so. The value of the Matching Adjustment is derived from the spread on the assets held by the insurer to back the relevant business. Further information is given in Appendix 6 of the Scheme Report.
Non-linked	Insurance products where the premiums and benefits are prescribed in the policy terms and conditions. In particular, pay-outs are not impacted by the performance of assets held to back the liabilities. <u>Non-linked</u> policies do not participate in the insurer's profits.
Other Liabilities	These are provisions in addition to the <u>Solvency II best-estimate liabilities and risk margin</u> , such as those held in respect of a historical unit-pricing error, accrued claims, reinsurance payables, deferred tax liabilities and trade payables.
Own Funds	The total of: <ul style="list-style-type: none"> <li>the excess of assets over liabilities, according to the <u>regulatory balance sheet</u>, less the amount of own shares held by the insurer, and</li> <li>subordinated liabilities.</li> </ul> Further information is given in Appendix 6 of the Scheme Report.
Prudent Person Principle	Defined in Article 132 of Directive 2009/138/EC (as recast), setting out principles to be followed by insurers when carrying out investment activities.
Regulatory balance sheet	A balance sheet showing assets and liabilities recognised and valued in accordance with the <u>Solvency II</u> regulations.

Term	Definition
Reinsurance	Insurance protection taken out by an insurer to limit its exposure to losses on its direct insurance contracts.
Reinsurer	The entity providing <u>reinsurance</u> .
Residual Assets	This term is defined fully in the Scheme, but in essence it means any assets which are intended to transfer under the Scheme but which cannot be transferred for any reason, or assets which the parties agree not to transfer.
Residual Liabilities	This term is defined fully in the Scheme, but in essence it means any liabilities which are intended to transfer under the Scheme but which cannot be transferred for any reason, or liabilities which the parties agree not to transfer.
Risk Margin	This is an addition to the <u>Solvency II best-estimate liabilities</u> . Its calculation is prescribed by the <u>Solvency II</u> rules, and it is intended to represent the amount in excess of the <u>best-estimate liabilities</u> that would have to be paid to another insurer in order for it to agree to take on the underlying insurance obligations. Further information is given in Appendix 6 of the Scheme Report.
Sanctioned Policy	This term is defined fully in the Scheme, but in essence it means any policy of CASLP the holder of which is on a political sanctions list.
Solvency II	<p>The name given to the regulatory regime that UK insurers are required to comply with. The regime is currently identical to that with which insurers in the EU are required to comply, the legislation having been written into UK law after Brexit.</p> <p><u>Solvency II</u> imposes quantitative requirements on insurers, for example relating to how assets and liabilities are measured, and how much capital insurers are required to hold.</p> <p><u>Solvency II</u> imposes qualitative requirements, for example relating to governance and risk management processes and controls.</p> <p><u>Solvency II</u> also places disclosure requirements on insurers, relating to what and to whom insurers must report on their financial health.</p>
Solvency Capital Requirement	Under <u>Solvency II</u> , insurers are required to hold a <u>Solvency Capital Requirement</u> . The <u>Solvency Capital Requirement</u> is specific to each insurer and is calculated based on the risks that each insurer faces. It aims to ensure that an insurer holds enough <u>Own Funds</u> to withstand certain stress events. Further information is given in Appendix 6 of the Scheme Report.
Solvency coverage ratio	This is a measure of financial strength of an insurer, calculated as the value of its <u>Eligible Own Funds</u> divided by its <u>Solvency Capital Requirement</u> .
Transfer Date	The date on which the Scheme will take effect, which is expected to be 31 December 2023.
Unit-linked	A type of insurance product where the policy value is linked to the value of the units held in underlying assets or investment funds.
Variation of Permission	A request made to the PRA or FCA by a firm wishing to make changes to its permitted regulated activities as recorded on the UK's Financial Services Register, available for inspection at <a href="https://register.fca.org.uk/s/">https://register.fca.org.uk/s/</a> .

Term	Definition
Volatility Adjustment	When determining the <u>BEL</u> , the standard approach is to discount future liability cash flows using the so-called “basic risk-free rate”, this being a prescribed discount rate based on swap yields. Insurers may apply for regulatory approval to add a <u>Volatility Adjustment</u> to the basic risk-free rate. Further information is given in Appendix 6 of the Scheme Report.
With-profits	Insurance products which give policyholders the right to participate in certain profits of a <u>with-profits fund</u> . Other common features include guarantees and the smoothing of investment returns.
With-profits fund	A fund of assets held to back <u>with-profits</u> policies and meet other liabilities related to the company’s <u>with-profits</u> policyholders, as well as any <u>non-profit</u> liabilities of the fund, usually ring-fenced from the rest of the insurance company.

## Appendix 2: Abbreviations

Abbreviation	Definition
BEL	<u>Best Estimate Liabilities</u>
Canada Life	Canada Life Limited
CASFS	CASFS Ltd
CASLPTS	CASLPTS Ltd
CEO	Chief Executive Officer
Chesnara	Chesnara plc
Countrywide Assured	Countrywide Assured plc
Court	The High Court of Justice in England and Wales
FCA	Financial Conduct Authority
FSMA	Financial Services and Markets Act 2000
IFoA	Institute and Faculty of Actuaries
Independent Expert	The person responsible for preparing the Scheme Report in accordance with Section 109(2) of FSMA
PRA	Prudential Regulation Authority
Scheme	The proposed scheme of transfer, the terms of which I have been instructed to report on in the capacity of Independent Expert
Scheme Report	The report on the terms of the Scheme required under section 109(1) of FSMA
SCR	<u>Solvency Capital Requirement</u>
The parties	CASLP Ltd and Countrywide Assured Ltd
UK	United Kingdom
VA	<u>Volatility Adjustment</u>



## Appendix 3: Documents considered

The principal documents reviewed in preparing this Supplementary Report were:

- advanced draft of the Scheme,
- CASLP Chief Actuary's supplementary report on the Scheme,
- Countrywide Assured Chief Actuary's supplementary report on the Scheme,
- Countrywide Assured With-Profits' Actuary's supplementary report on the Scheme,
- the First Witness Statement of Andrew James Richards,
- legal advice on UK political sanctions,
- report on sanctions checking due diligence carried out on CASLP's assets,
- details of correspondence and objections received from policyholders,
- details of correspondence with the parties' insurers, reinsurers, outsourced service providers and other partners.



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