



The Report of the Independent Actuary

on the proposed Scheme to transfer a portfolio of insurance business from
Phoenix Life Assurance Europe Designated Activity Company
to
Standard Life International Designated Activity Company

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1 INTRODUCTION

Background

- 1.1 The Phoenix Group is the UK's largest long-term savings and retirement business. With approximately £283 billion of assets under administration, and approximately 12 million customers (at end 2023), the Phoenix Group offers a range of pensions, savings and life insurance products.
- 1.2 Phoenix Life Holdings Limited (based in the UK) is the senior insurance holding company in the Group. Phoenix Group Holdings plc, which is listed on the London Stock Exchange and is a FTSE 100 company, is the ultimate parent. More details on the Phoenix Group structure are included in Section 4.
- 1.3 PLAE Assurance Europe DAC ("**PLAE**") is an authorised life insurance company. It is incorporated, registered, and domiciled in Ireland. PLAE was incorporated in December 2020 and authorised by the Central Bank of Ireland ("**CBI**") in September 2022 to carry out long-term insurance business in Ireland.
- 1.4 PLAE was established to accept life insurance business in a range of European Economic Area ("**EEA**") countries that transferred from Phoenix Group companies in the United Kingdom ("**UK**") as a consequence of the UK leaving the European Union. The segments of business that were originally written in the EEA that transferred to PLAE with effect from 1 January 2023 were as follows:
 - from Phoenix Life Limited ("**PLL**") in the UK - a mix of mainly unit-linked savings, protection, and annuities in payment within the non-profit fund, and mainly pension and protection business split across four of the with-profits funds ("**WPFs**") that were written in Ireland. There was also non-linked, non-profit business in Germany and Iceland; and
 - from ReAssure Life Limited ("**RLL**") in the UK - unit-linked business written in Norway and Sweden, and critical illness (protection) business written in Germany.
- 1.5 PLAE's main activities are therefore the management of life assurance and pension products originally sold in Ireland, Sweden, Norway, Germany, and Iceland. PLAE is closed to new business.
- 1.6 Standard Life International DAC ("**SLIntl**") is an authorised life insurance company, incorporated, registered and domiciled in Ireland since 2005. SLIntl's main activities consist of the provision of life assurance and pension products in the UK, Ireland, Austria and Germany. SLIntl is authorised and regulated by the CBI.
- 1.7 The Boards of PLAE and SLIntl have agreed that having two authorised life insurance companies in Ireland has significant cost diseconomies compared with the alternative of having a single authorised life insurance entity in Ireland.
- 1.8 In order to achieve this, a court-approved portfolio transfer is required. The Transferring Policies will be transferred from PLAE to SLIntl via a scheme of transfer (the "**Scheme**"), subject to approval by the High Court of Ireland (the "**Court**").
- 1.9 The portfolio of business that is to be transferred comprises all of the insurance business of PLAE – i.e. all policyholder liabilities and all associated assets as defined in the proposed Scheme.
- 1.10 Both PLAE and SLIntl are subsidiaries within the Phoenix Group of companies.

The role of the Independent Actuary

- 1.11 Under Section 13 of the Assurance Companies Act 1909 (the "**1909 Act**"), the Court must approve any scheme which provides for transfer to another body of some or all of the life assurance business carried on by an insurance company.

- 1.12 The 1909 Act requires that a report by an independent actuary (the “**Independent Actuary**”), unless the Court otherwise directs, be transmitted to each policyholder of each company on the terms of the scheme.
- 1.13 The Court will consider any such scheme on the basis of an application (the “**Petition**”) by one, or both, of the parties. The key conclusions of the Independent Actuary’s report are typically included in the Petition.
- 1.14 This report (the “**Independent Actuary’s Report**” or “**Report**”) is intended to fulfil the above-mentioned requirements in the case of the proposed Scheme.

Instructions

- 1.15 SLIntl and PLAE (each a “**Company**” and together the “**Companies**”), have instructed me to act as the Independent Actuary who is required to report to the Court on the terms of the proposed Scheme. My report has been prepared in accordance with the terms of a statement of work (and associated engagement letter), between Milliman Limited (“**Milliman**”) and the Companies dated 15 February 2024.
- 1.16 The costs and expenses associated with my appointment as Independent Actuary and the production of this Independent Actuary’s Report will be met equally by the Companies.
- 1.17 My appointment as the Independent Actuary has been notified to the CBI. The CBI has not objected to my appointment.
- 1.18 Throughout the remainder of this Report, the terms “**the proposed Scheme**” and “**the proposed transfer**” are used to cover all the proposals included in the scheme of transfer, including any related documents referred to in the scheme itself relating to the proposed implementation and operation of the scheme of transfer.
- 1.19 The Companies anticipate that the proposed Scheme will be presented to the Court in, or around, November 2024, with a proposed effective date of 1 January 2025 (the “**Effective Date**”).
- 1.20 I have interpreted my instructions as requiring me to consider the likely effects of the proposed Scheme on the Companies’ life assurance policyholders including, but not limited to, the security of their benefits and their reasonable expectations. In preparing this Report, I have had regard to the security of the benefits in each Company both before and after the implementation of the proposed Scheme, and each Company’s policyholders’ reasonable expectations created by the past practices employed or statements made by each Company. I have compared the status quo to the position that will apply after the completion of the proposed transfer. I expand further on these topics in Sections 8, 9 and 10.
- 1.21 As far as I am aware, there are no matters that I have not taken into account in assessing the proposed Scheme and in preparing this Independent Actuary’s Report but which, nonetheless, should be brought to the attention of policyholders or the Court in consideration of the terms of the proposed Scheme.
- 1.22 I have also reviewed and considered the contents of the Policyholder Circular (as defined in paragraph 2.15) that will be made available to policyholders in relation to the proposed Scheme and which contains a summary of this Report.
- 1.23 I will prepare a further report (the “**Supplemental Report**”) prior to the final Court hearing to provide an update for the Court on my conclusions in respect of the effect of the proposed transfer on the different groups of policyholders in light of any significant events or developments that have occurred since this Report was prepared.

Qualifications and disclosures

- 1.24 I am a Fellow Member of the Society of Actuaries in Ireland (“**SAI**”) and have been so since 1998. I am a Principal of Milliman and am a consulting actuary based in the firm’s Irish insurance practice at 7 Grand Canal Street Lower, Dublin 2.
- 1.25 I have more than 30 years’ experience in the insurance industry, including experience of acting as the Appointed Actuary and/or Head of Actuarial Function for a number of Irish life assurance companies and acting as the Independent Actuary in relation to a number of previous transfers of life assurance business in Ireland, the Isle of Man and Guernsey.
- 1.26 I am not a policyholder of PLAE or SLIntl, nor do I have any financial interests in the shares of Phoenix Group Holdings plc (“**PGH**”) or its affiliates.
- 1.27 I am not, and have not been, employed by either of the Companies as an employee, officer or director. For completeness I have listed some of my other past assignments with the wider Phoenix Group below.
- 1.28 I have not been engaged in any material way for any previous projects or assignments for either of the Companies, and I have not discharged the role of Independent Actuary for any Phoenix Group companies in the past. However, as a consultant with Milliman since 2005, I have discharged various roles in my consulting responsibilities across a range of clients over time, including discharging the role of Independent Actuary for other schemes of transfer in Ireland, the Isle of Man, Singapore and Guernsey.
- 1.29 I do not consider that any previous assignments prevent me from acting independently in my assessment of the proposed Scheme. I have also discussed this with senior management of PLAE and SLIntl and they have confirmed that they are of the same opinion. In addition, as noted above, the CBI has been informed of my appointment and have made no objection.
- 1.30 Milliman is a global consulting firm and, as such, other Milliman offices have worked with parts of the Phoenix Group on assignments globally. We estimate the overall fee income that Milliman has received from the Phoenix Group in any of the last five years has not exceeded 2% of the corresponding turnover.
- 1.31 Consultants from the Milliman office in Ireland and in other Milliman offices provide, or have provided, services to companies within the Phoenix Group. This includes the following more recent work:
- Eamonn Phelan discharged the role of Head of Actuarial Function (“**HoAF**”) for SLIntl on an interim basis until the current HoAF was recruited and joined the firm in 2021. Eamonn also previously discharged the role of HoAF for SLIntl from 2016 to September 2019, having acted as Appointed Actuary prior to the introduction of Solvency II in 2016.
 - Philip Simpson was both Independent Expert (in the UK) and Independent Actuary (in Ireland) for the **2022 Scheme**¹.
 - John Jenkins was Independent Expert (in the UK) for the **2023 Scheme**.
 - The Milliman Dublin team and the Milliman London team have separately provided actuarial support to various entities in the Phoenix Group on a secondment and ad-hoc basis.

¹ The glossary at the end of this Report defines the “2022 Scheme” and the “2023 Scheme”. More generally, all terms in bold font are defined in the glossary at the end of this Report.

- The Phoenix Group uses Milliman’s MG-ALFA (Integrate) software platform as its actuarial valuation system. Milliman’s Life Technology Solutions practice provides this software, which is financially independent from Milliman in Ireland.

- 1.32 Having checked within the Milliman organisation worldwide, I do not believe that any work undertaken by Milliman with either of the Companies, or with any other subsidiaries or affiliates of the Phoenix Group, would create a conflict of interest for me in my role as Independent Actuary. None of the named individuals above will take part in this engagement, and my duties in this engagement are segregated from any other engagements with the Phoenix group.
- 1.33 Based on the foregoing I consider that I am in a position to act independently in my assessment of the proposed Scheme.
- 1.34 I have been assisted in preparing this Report by my colleague in Milliman, Arushi Mittal. However, this Report is written in the first person and the opinions expressed are mine alone.

Parties for whom my report has been prepared

- 1.35 The Independent Actuary’s Report has been prepared for the benefit of the policyholders of PLAE and SLIntl.
- 1.36 I also note that this Report could be of particular interest to the Court and will be used as part of the Petition to the Court to sanction the transfer.
- 1.37 This Report may also be of interest to the following parties:
- The directors and senior management of PLAE and SLIntl and their parent companies;
 - The CBI or any other governmental department or agency having responsibility for the regulation of insurance companies in Ireland, or other relevant Member States of the EEA; and
 - The professional advisors of any of the above with respect to the proposed Scheme.

Reliances and limitations

- 1.38 In preparing this Report, I have had access to certain documentary evidence provided by PLAE and SLIntl, the principal elements of which I list in Appendix A to this Report. In addition, I have had access to, and discussions with, the senior management of both PLAE and SLIntl. My conclusions depend on the substantial accuracy of this information, and I have relied on this information without independent verification. There are no documents or other information that I have requested that have not been provided.
- 1.39 I have relied on the work of the Companies’ external auditors (where relevant) in gaining confidence in the financial information as at 31 December 2023 as summarised in this report. I have relied on the Companies’ Heads of Actuarial Function in relation to the calculation of the technical provisions as at 31 December 2023 and 31 December 2022 and on the information contained within the Companies’ own risk and solvency assessment (“**ORSA**”) reports.
- 1.40 Neither I, nor any member of my team, is a qualified legal or tax expert. I have relied on the opinions and assurances of the Companies’ experts in these matters and have not sought independent expert advice.
- 1.41 This Independent Actuary’s Report is based on the information available to me at, or prior to, 27 June 2024, and takes no account of developments after that date.
- 1.42 This Independent Actuary’s Report, and any extract or summary thereof, has been prepared specifically and solely for the purposes of Section 13 of the 1909 Act.

- 1.43 Copies of this Independent Actuary's Report may be made available for inspection by policyholders of both PLAE and SLIntl and copies may be provided to any person requesting the same in accordance with legal requirements.
- 1.44 Other than the aforementioned purpose and providing a copy to the Court and making a copy available via the Companies' websites, neither this Independent Actuary's Report, nor any extract from it, may be published without my specific written consent having first been given. In the event such consent is provided, this Independent Actuary's Report must be provided in its entirety.
- 1.45 I have prepared a summary of this Report which will be provided to the Court, included in the Policyholder Circular, and will be available via the websites of both PLAE and SLIntl and in hardcopy upon request. No other summary of this Report may be made without my written consent and, in particular, no other summary of this Report may be distributed to policyholders without my prior approval.
- 1.46 This Independent Actuary's Report has been prepared within the context of the assessment of the terms of the proposed Scheme. No liability will be accepted by Milliman, or me, for any application of this Independent Actuary's 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 Independent Actuary's Report (or any summary thereof). Judgments as to the conclusions contained in this Independent Actuary's Report should be made only after studying the Report in its entirety. Furthermore, conclusions reached by the review of a section or sections on an isolated basis may be incorrect.
- 1.47 This Independent Actuary's Report should be read together with the other documents relating to the proposed Scheme.

Professional guidance

- 1.48 This Independent Actuary's Report has been prepared under the terms of the guidance set out in version 1.0 (effective 1 December 2022) of the Actuarial Standard of Practice ("**ASP**") INS-2 ("Transfer of an Insurance Portfolio – Role of the Independent Actuary") issued by the SAI.
- 1.49 In addition, version 1.2 (effective 1 March 2022) of ASP PA-2 ("General Actuarial Practice"), as issued by the SAI, requires members to consider whether their work requires an independent peer review. In my view, this Report requires peer review and, in accordance with Milliman quality assurance requirements, it has been peer reviewed by another Milliman Principal. I have complied with ASP-PA2 in the preparation of this Report.

Terminology

- 1.50 This Report contains various technical terms which I need to use in assessing the proposed Scheme. Those terms are written in bold font when first defined in my report and are also listed in the glossary in Appendix B.

Structure of this report

- 1.51 The remainder of this Report is structured as follows:
- An Executive Summary is provided in Section 2
 - The regulatory regime governing Irish insurance companies is summarised in Section 3
 - Section 4 gives a background to the Phoenix Group
 - PLAE's business is summarised in Section 5
 - SLIntl's business is summarised in Section 6

- Section 7 summarises the proposed Scheme
- In Section 8, I set out the basis on which I will assess the proposed Scheme
- My assessment of the proposed Scheme is set out in Sections 9 (security of benefits) and 10 (fair treatment)
- My conclusions are set out in Section 11
- Appendix A lists the principal data sources I relied upon in carrying out my work
- A glossary of terms is provided in Appendix B.

2 EXECUTIVE SUMMARY

Background and context

- 2.1 PLAE was established in Ireland in 2022 to facilitate a previous transfer of business² from RLL and PLL in the UK (“**2022 Scheme**”) so that, following the end of the Brexit transition period, the Phoenix Group could safeguard future customer stability for customers outside the UK and continue to provide the range of benefits that customers could seek to exercise on their policies, in compliance with applicable law in the relevant EEA jurisdiction.
- 2.2 At the time, the Phoenix Group already had a life subsidiary in Ireland (i.e. SLIntl). The 2022 Scheme was designated as a “transitional insurance business transfer scheme” under the applicable law³ that arose to deal with the UK’s exit from the EU, and this prevented the Phoenix Group from transferring the EU policies of RLL and PLL directly into SLIntl in Ireland at the time.
- 2.3 The 2022 Scheme has left the Phoenix Group in a position of having two authorised life insurance companies in Ireland, which has significant cost diseconomies compared with the alternative of having a single authorised life insurance entity. The proposed Scheme would address these inefficiencies through consolidation.
- 2.4 The Scheme provides for the transfer of all of the long-term business of PLAE to SLIntl as at the Effective Date.
- 2.5 The Phoenix Group believes the integration of all the insurance policies of PLAE into a larger, well-established entity that is open to new business provides more long-term certainty over the future of their provider, and better economies of scale to support ongoing provision of services, under the oversight of a single management team focussed across the interests of all the group’s non-UK European operations.
- 2.6 The design of the proposed Scheme preserves all of the features of the 2022 Scheme included to ensure that PLAE unit-linked and with-profits policyholders remain invested in the same (or identical) funds as they were prior to the 2022 Scheme.
- 2.7 The Companies are both Irish-domiciled insurance companies and are therefore both subject to the same regulatory and supervisory regime. The Irish regulatory regime for insurance companies is substantially based on the Solvency II framework developed at EU level, with some local additions. This regulatory framework provides the basis on which insurers must manage their businesses, as well as how they must report both publicly and privately to the supervisor (the CBI). The framework also defines the concepts and measures used in managing and reporting on insurance companies’ financial and solvency positions.
- 2.8 Further details on the Irish regulatory framework for insurance companies are set out in Section 3.

The proposed Scheme

- 2.9 The Scheme requires the approval of the High Court of Ireland. Typically, the Court process is composed of two Court hearings:

² A summary of relevant previous portfolio transfers involving the Phoenix group is included in Section 4.

³ Under the post-31 December 2020 cross-border transfer provisions, as set out in the amended version of Part VII and Schedule 12 to FSMA, according to the Financial Services (Miscellaneous) (Amendment) (EU Exit) Regulations 2019.

- a directions hearing at which the Court will be asked to give certain directions in relation to the proposed Scheme including how the Scheme will be publicised and how the Companies intend to communicate the Scheme to policyholders (the “**Directions Hearing**”); and
- a final hearing at which the Court will be asked to consider the petition (the “**Petition**”) seeking the Court’s approval for the Scheme (the “**Sanctions Hearing**”).

2.10 I understand the Companies intend to apply to the Court for a Directions Hearing in or around 8 July 2024 with a Sanctions Hearing in or around 12 November 2024.

2.11 The proposed Scheme will see all of PLAE’s insurance business transferred to SLIntl, subject to the approval of the Court. The business that is proposed to be transferred from PLAE to SLIntl comprises:

- Business originally written in Ireland that transferred to PLAE from PLL. This is a mix of mainly unit-linked savings, protection, and annuities in payment within the non-profit fund, and mainly pension and protection business split across the four with-profits funds of PLAE;
- Non-linked non-profit business in Germany and Iceland that transferred to PLAE from PLL; and
- Unit-linked business written in Norway and Sweden (including some with additional protection riders), and critical illness business written in Germany that transferred to PLAE from RLL.

2.12 I have been provided with a copy of the proposed Scheme, the main features of which I summarise as follows:

- The Effective Date will be 1 January 2025 unless another date is specified by the Court.
- The proposed Scheme is conditional on a number of criteria being met, including no objection to the Scheme having been made by the CBI. It will also be necessary to have complied with all of the agreed pre-transfer policyholder notification requirements as directed by the Court.
- Subject to satisfying the necessary pre-conditions as set out in the proposed Scheme, the Transferring Policies will transfer on the Effective Date from PLAE to SLIntl, which will then become the insurer of those contracts from the Effective Date (with the Transferring Policyholders acquiring the same contractual rights with SLIntl as they previously had with PLAE).
- Any rights, powers, obligations and liabilities of PLAE under the Transferring Policies will be transferred to SLIntl.
- All property and assets (or the value thereof) and reinsurance treaties held by PLAE in respect of the value of investments in any unit-linked funds held by those policies will also transfer to SLIntl (or to such third parties as nominated by SLIntl, in accordance with the proposed Scheme).
- All Transferred Reinsurance Agreements (as listed in Schedule 2 of the Scheme) shall be novated from PLAE to SLIntl under various novation agreements, on the Effective Date, in accordance with the terms and conditions of the novation agreements.
- The total value of assets transferred is defined in the Scheme to be equal to a percentage (greater than 100%) of the adjusted transferred Best Estimate Liability on PLAE’s basis as at the transfer date. This is defined in more detail in the Scheme itself.
- The Companies will share the costs and expenses associated with preparing and implementing the proposed Scheme. No costs or expenses will be borne directly by any of the policyholders of either of the Companies as the shareholders of the Companies effectively cover all costs.

- The Court may impose modifications, additions or further conditions to the proposed Scheme. Other additions and modifications to the proposed Scheme are permitted prior to the Effective Date if the Companies both agree, subject to Court approval.
- After the Effective Date, SLIntl may, in certain limited circumstances apply to the Court for approval to change the terms of the Scheme. Any such application from SLIntl would require the CBI to be notified and would require a new report from an Independent Actuary. The Court would also have to give its approval.

2.13 More details on the proposed Scheme are provided in Section 7.

Policyholder communications

- 2.14 By law, the position with regard to policyholder communications is that all policyholders (of both Companies) must, unless the Court directs otherwise, be provided with a circular which includes a statement of the nature of the transfer, a summary of the main provisions of the Scheme and the Independent Actuary's report. Accordingly, it is open to the Companies to ask the Court for a derogation from various aspects of those requirements.
- 2.15 In summary, PLAE intends to send a communications pack to the Transferring Policyholders (the "**Policyholder Circular**", or "**Circular**") which in broad terms explains the Scheme. I have reviewed a draft of this Policyholder Circular. The Circular, as well as a copy of this Report, and reports by each of the HoAFs on the proposed Scheme (the "**Transfer Documentation**") will be available to review via the Companies' websites. Policyholders can alternatively email or telephone a helpline number or use a webform to request a hard copy of any parts of the Transfer Documentation. I have also reviewed a draft document containing a list of frequently asked questions ("**FAQ document**") which will be included with the Policyholder Circular.
- 2.16 I understand that the Companies intend to ask the Court for permission to modify and waive some of the communication requirements set by law, as follows:
- That the Circular only be sent to the Transferring Policyholders, rather than to all policyholders in both Companies.
 - That a summary of this Report (and not this Report in full) is included in the Circular sent to policyholders.
 - It will not be possible or practical to notify Transferring Policyholders of the Scheme if PLAE does not have accurate or complete contact details for those Transferring Policyholders. This includes Transferring Policyholders that have failed to notify PLAE of a change of address or who have provided incomplete address information ("**Gone Away Policyholders**"). It also includes a number of Transferring Policyholders that are paid out to the National Treasury Management Agency in Ireland which manages the Dormant Accounts Fund, established under the Dormant Accounts Act 2001 in accordance with the Unclaimed Life Assurance Policies Act 2003 ("**Dormant Policyholders**").
- 2.17 The Companies will publish notice of the Scheme in various newspapers and place a notification on their websites to try to make Transferring Policyholders and other interested parties that are not notified directly aware of the Scheme.
- 2.18 More details on the proposed approach to policyholder communications, and the Companies' rationale for the proposed approach, are provided in section 7. My views on the proposed approach are set out in section 10.

Information provided

- 2.19 I have been provided with comprehensive information on the Petition and proposed Scheme, as well as on the business of PLAE and SLIntl. Appendix A contains a list of the principal items of information provided to me.
- 2.20 I summarise the information provided on PLAE in section 5, and the information provided on SLIntl in section 6. The main aspects of the Petition and proposed Scheme are summarised in section 7.

Key assumptions

- 2.21 There are certain assumptions that I have made when assessing and reaching my conclusions on the proposed Scheme and which I summarise here. I have disclosed and discussed my assumptions with the Companies, and they have not raised any concerns or objections. However, if any of these assumptions are incorrect, it is possible that my conclusions on the proposed Scheme could change as a result.
- 2.22 Summary of key assumptions:
- All the policyholders of PLAE will transfer to SLIntl.
 - All liabilities associated with the Transferring Policies will transfer from PLAE to SLIntl.
 - All reinsurance treaties associated with the Transferring Policies will novate from PLAE to SLIntl.
 - The assets (or equivalent value of assets represented by reinsurance treaties) supporting the investments in the unit-linked funds and WPFs by the Transferring Policies will transfer from PLAE to SLIntl.
 - The day-to-day administration of the Transferring Policies will continue with the same service providers in the same way post-transfer to SLIntl. However, SLIntl will replace PLAE as the contracting party.
 - SLIntl will continue to follow the business strategy as articulated in its most recent ORSA.
 - PLAE will be in a position to apply for its authorisation as a life insurance company to be revoked by the CBI if the proposed Scheme is approved.
- 2.23 Further details on key assumptions are provided in Section 8.

My approach to assessing the proposed Scheme

- 2.24 In section 8, I set out the approach I take in assessing the proposed Scheme. I then provide my assessment of the proposed Scheme and of certain aspects of the Petition (notably the proposed approach to communicating with policyholders) in sections 9 and 10.
- 2.25 The conditions to be met by the proposed Scheme are:
- that the security of policyholders' benefits will not be materially adversely affected.
 - that the proposed Scheme treats policyholders fairly and will not materially adversely affect their reasonable expectations.
 - that the standards of administration, service, management and governance that will apply to policyholders will not be materially adversely affected.
- 2.26 In my view, the principal factors to be considered in assessing the security of policyholders' benefits in the context of the proposed Scheme are:
- the two Companies' respective solvency positions (both current and projected).

- their respective risk profiles and approaches to risk management.
- their capital management policies.
- business model sustainability.
- options available in recovery and resolution situations.
- the extent of parental (or other) support available.

2.27 The principal factors I consider relevant to an assessment of fair treatment and policyholders' reasonable expectations in the context of the proposed Scheme are its implications for:

- policyholders' contractual obligations.
- the tax treatment of policyholders' premiums and/or benefits.
- areas where the Companies may exercise discretion in relation to the fulfilment of their contracts with their policyholders.
- levels of customer service to policyholders.

2.28 The arrangements regarding the costs of the proposed Scheme and the proposed approach to policyholder communications are also relevant factors to be considered.

2.29 I consider the implications of the proposed Scheme separately for the following groups:

- Policyholders transferring from PLAE (the "**Transferring Policyholders**").
- Existing (pre-Effective Date) policyholders of SLIntl ("**SLIntl's Existing Policyholders**").

My assessment of the proposed Scheme

2.30 I provide my assessment of the proposed Scheme and of certain aspects of the Petition in sections 9 and 10. I summarise that assessment in the following paragraphs.

2.31 At a high level, the two Companies share many similarities, which makes the assessment of the implications for the Transferring Policyholders more straightforward than might otherwise be the case and also helps to focus on the areas of difference (which are of particular importance to the Transferring Policyholders). The points of similarity include:

- Both are domiciled in Ireland and subject to the same regulations and the same supervisory regime.
- Both have a common shareholder – Phoenix Group – which ultimately owns 100% of PLAE and SLIntl.
- Both are currently authorised to write with-profits, unit-linked and non-linked protection business in the Irish market (amongst other markets).
- Both have policyholders in Ireland and Germany.
- Both have reasonably similar overall risk profiles (initially, and over the business planning horizon), though SLIntl is materially larger than PLAE.
- Both have similar capital management approaches as both are subject to the overall capital management approach of the Phoenix Group.
- Both employ similar risk management tools and techniques, including reliance on reinsurance as a risk mitigant.

- The Companies have overlapping service providers for policy administration, claims management and investment management services (i.e. both Companies are using group services companies and similar external service providers).
- In the past both have been party to portfolio transfers from Phoenix Group subsidiaries that arose as a consequence of Brexit and which created the current reinsurance structures back to the originating companies within the Phoenix Group.

2.32 There are also some differences, however, including (but not limited to):

- PLAE is a recently authorised life insurance entity, commencing with the transfer of all the inforce business into PLAE on 1 January 2023, whereas SLIntl is already very well-established in the Irish and other European markets.
- SLIntl currently has business on a Freedom of Establishment (branch) basis in Germany, whereas PLAE has business on a Freedom to Provide Services (cross-border) basis in Germany. If the proposed Scheme is approved, the treatment of existing policies will not change, and SLIntl will have a mix of German business on both a branch and cross-border basis.
- SLIntl is of a much larger scale than PLAE.
- SLIntl currently has much more complexity within its portfolio of in-force business.
- SLIntl is open to new business, whereas PLAE is closed to new business.
- PLAE has policyholders that were issued policies in different jurisdictions outside Ireland and Germany (namely Iceland, Norway, Sweden). SLIntl has policyholders that were issued policies in the UK and Austria (in addition to Ireland and Germany).

2.33 My full assessment of the proposed Scheme in relation to its implications for the security of policyholders' benefits is set out in section 9.

2.34 My full assessment of the proposed Scheme in relation to the fair treatment of policyholders is set out in section 10.

My conclusions

2.35 My conclusions are provided in section 11. In summary, having considered the effects of the proposed Scheme on both the Transferring Policyholders and SLIntl's Existing Policyholders, I am satisfied that the implementation of the proposed Scheme would not have a material adverse effect on

- the security of benefits of either of these groups of policyholders;
- the reasonable expectations of either of these groups of policyholders with respect to their benefits; and
- the standards of administration, service, management and governance that will apply to either of these groups of policyholders.

2.36 I am also satisfied that the proposed approach to communicating with policyholders is reasonable.

2.37 I will prepare my Supplemental Report closer to the date of the Sanctions Hearing to provide an update for the Court on my conclusions in the light of any significant events or developments that may have occurred in the meantime. The Supplemental Report will be made available via the Companies' websites and will also be available for inspection in accordance with the arrangements set out in the Petition and the Circular.

3 OVERVIEW OF THE REGULATORY REGIME FOR IRISH INSURERS

Introduction

- 3.1 SLIntl and PLAE are both Irish life assurance companies and are therefore subject to the same prudential regulatory and supervisory regime in respect of the entirety of their business. The CBI is the regulator for both PLAE and SLIntl.
- 3.2 The regulation and supervision of conduct of business activities depends on the territory where the insurer has written the business. In the case of the Transferring Policies, the PLAE business was written in Ireland, Germany, Iceland, Norway, and Sweden. SLIntl has written business in Ireland, UK, Germany and Austria.

Prudential regulation

- 3.3 Solvency II is the name given to the prudential regime for insurers (and reinsurers) across the European Union (“EU”). Introduced in 2016, it is based on the following so-called three pillar approach:
- Pillar 1: Quantitative requirements;
 - Pillar 2: Governance and risk management; and
 - Pillar 3: Supervisory reporting and public disclosure.
- 3.4 Taken together, the three pillars are intended to form a coherent overall approach which incentivises the understanding and management of risks across the insurance sector.
- 3.5 Some of the key features of the Solvency II regulatory framework are:
- Risk-based: Higher risks will lead to higher capital requirements to cover for unexpected losses. Appropriate credit is given for risk mitigation strategies through reduced capital requirements;
 - Market consistent: Assets and liabilities are valued at market value (or a proxy if no direct market price exists); and
 - Proportionate: The requirements are intended to be applied in a way that is proportionate to the nature, scale and complexity of the risks inherent in an insurer’s business.
- 3.6 The EU Solvency II Directive has been implemented in Ireland in the European Union (Insurance and Reinsurance) Regulations 2015 (the “**Solvency II Regulations**”), supplemented by EU-wide Delegated Regulations and additional requirements and guidelines issued by the CBI.
- 3.7 In the following paragraphs, I provide a summary of the main relevant features of the Solvency II framework. The descriptions and explanations are necessarily high-level in places and should not be taken as exhaustive. They should, however, help to introduce some of the concepts that I refer to later in this Independent Actuary’s Report – in particular when discussing the financial and solvency position of the Companies.

PILLAR 1

- 3.8 Pillar 1 sets out the rules for the valuation of insurers’ assets and liabilities and the rules for determining the risk-based capital requirements.
- 3.9 In summary, the Solvency II Regulations require insurers to value their assets and liabilities at market value, but in most cases liabilities to policyholders are determined on a best estimate basis with the addition of an explicit risk margin, reflecting the lack of a market “price” for insurance liabilities. The policyholder liabilities are valued using best-estimate assumptions, with the projected future cashflows discounted using risk-free rates (with some adjustments).

- 3.10 Together, the best estimate liability (“**BEL**”) and risk margin form the technical provisions which sit on the liability side of the Solvency II balance sheet.
- 3.11 To the extent that any business is outwardly reinsured (and this reinsurance remains a positive for the Company), there will be an offset to the technical provisions (the “**reinsurance recoverable**”) which sits on the asset side of the balance sheet. The terms “net” and “gross” are sometimes used in the context of the BEL or technical provisions to denote the position with an allowance (i.e. net) or without an allowance (i.e. gross) for reinsurance respectively.
- 3.12 The Solvency II balance sheet provides the measure of the amount by which an insurer’s assets exceed its technical provisions (termed the insurer’s “**Own Funds**”). There can be some further adjustments needed to arrive at the “**eligible own funds**”, which are the own funds eligible to be counted towards meeting the regulatory capital requirements.
- 3.13 The eligible own funds are then compared with a regulatory capital requirement termed the Solvency Capital Requirement (“**SCR**”), which is a risk-based capital requirement, intended to represent the amount of capital that an insurer needs to hold to ensure that it will still be solvent (i.e. that its assets will exceed its liabilities, measured according to Solvency II valuation rules) in one year’s time with a probability of at least 99.5% based on the insurer’s own risk profile. Insurance companies must therefore ensure that they have sufficient available capital resources (i.e. eligible own funds) to cover the SCR.
- 3.14 The SCR must cover a prescribed list of various types of risk:
- underwriting risks (life / non-life / health);
 - (financial) market risks;
 - counterparty default risk; and
 - operational risk.
- 3.15 Insurers may calculate their SCR using standard prescribed stress tests or factors for the various types of risk, which are then aggregated using prescribed correlation matrices. This approach is known as the “**Standard Formula**”. Alternatively, the SCR may be calculated using an “**Internal Model**”, or “**Partial Internal Model**” which is based on the insurer’s internally-derived assessment of appropriate capital requirements, provided it has first been approved by the insurer’s regulator and, in doing so, must meet a number of prescribed standards.
- 3.16 The benefits of risk mitigation techniques (e.g. reinsurance of underwriting risks; hedging of market risks) can be recognised in the calculation of the SCR, subject to certain conditions being satisfied.
- 3.17 PLAE uses the Standard Formula approach to determine its SCR.
- 3.18 SLIntl uses a Partial Internal Model (“**PIM**”) approach to determine its SCR.
- 3.19 In addition to the SCR as described above, there is also a second, lower, level of regulatory capital requirement under Solvency II, known as the Minimum Capital Requirement (“**MCR**”) which is intended to represent the amount of capital required to ensure continued solvency in one year’s time with a probability of at least 85%.
- 3.20 The two capital requirements – SCR and MCR – define two rungs on the so-called “*ladder of supervisory intervention*”, under which increasingly severe actions will be taken by an insurer’s regulator if its level of

available capital falls below the SCR (the first point of regulatory intervention)⁴ and approaches the MCR. The MCR is the ultimate point of supervisory intervention, below which a company would lose its authorisation.

PILLAR 2

- 3.21 In addition to the Pillar 1 requirements, under Pillar 2, insurers are required to adopt risk management policies, capital management policies, and risk appetite statements (amongst other things), all of which aim to contribute to effective risk and capital management.
- 3.22 Furthermore, every insurer is required to conduct an ORSA on at least an annual basis and to report the findings to the Board and the CBI. An ORSA must also be carried out whenever there is a material change in risk profile.

PILLAR 3

- 3.23 Pillar 3 imposes reporting requirements on insurers – both private reporting to the regulatory supervisor and public reporting.
- 3.24 The private reporting to the supervisor includes quarterly financial and other quantitative information which is provided in defined formats (termed Quantitative Reporting Templates or “QRTs”), as well as a more comprehensive suite of annual QRTs and a periodic narrative report (the Regular Supervisory Report).
- 3.25 In terms of public reporting, every insurer is also required to publish detailed information on its recent performance and solvency position in its annual Solvency and Financial Condition Report (“SFCR”), which also includes a subset of the annual QRTs. In Ireland, the published subset of the annual QRTs are subject to external audit.

Conduct of business regulation

- 3.26 As noted above, as the Companies are both Irish-authorized insurers, they are both subject to the relevant Irish prudential regulations and to the ongoing prudential supervision of the CBI in respect of their entire business.
- 3.27 When it comes to the regulation and supervision of conduct of business matters, these are the domain of the territory in which the business is written. The relevant conduct of business regulations vary from one territory to the next but companies are required to comply with them on a territory-by-territory basis.
- The business written by SLIntl was sold in Ireland, the UK, Germany and Austria.
 - The business written by PLAE was sold in Ireland, Germany, Iceland, Norway and Sweden.
- 3.28 I have not included the local conduct of business rules for each country in this Report.

Policyholder’s reasonable expectations

- 3.29 Whilst not, strictly speaking, a legal or regulatory requirement, the concept of “**policyholders’ reasonable expectations**”, or “**PRE**”, has evolved over time and has come to be an important consideration in terms of how insurers treat their policyholders beyond the contractual obligations set out in their policy terms and conditions.

⁴ Although, legally, the supervisory authorities can only first intervene when an insurer’s available capital falls below the level of its SCR (i.e. an SCR coverage ratio of less than 100%), in practice supervisors expect insurers to manage their businesses to a higher level of coverage.

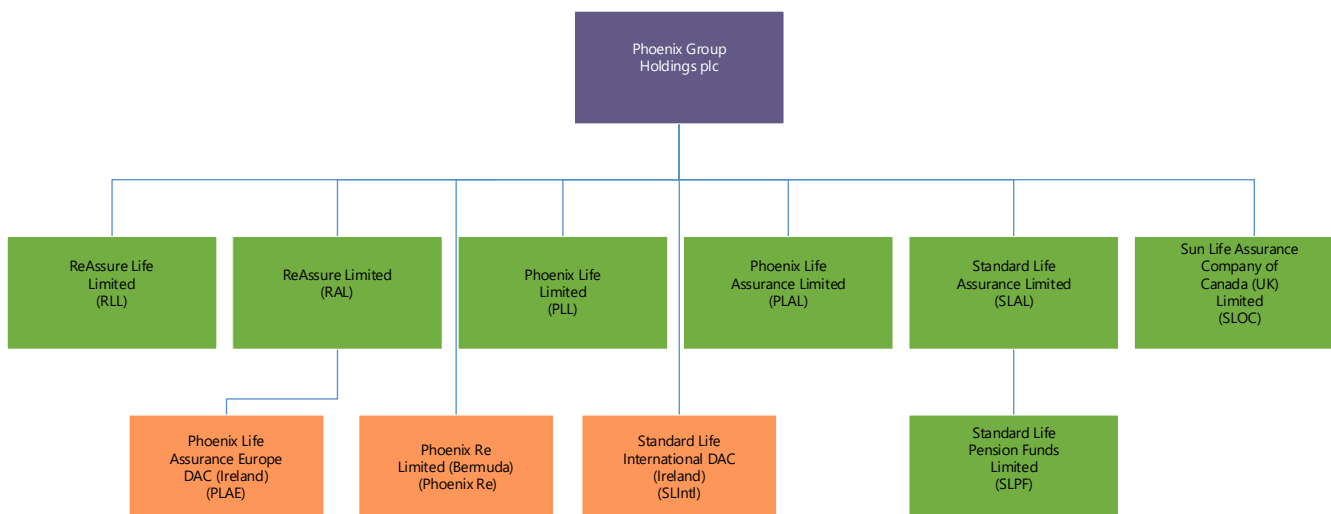
- 3.30 The concept first arose in the context of with-profits business, where insurers retained very substantial discretion in deciding on the extent to which profits would be shared with policyholders by way of discretionary bonus additions to their contractual benefits. Over the years, the concept has been extended to apply to other types of business, including unit-linked business.
- 3.31 The PRE concept is not, however, well-defined. It is not set out in any Irish insurance legislation, nor in any regulatory communication.
- 3.32 Given the lack of codification, considerations of PRE are largely a matter of judgement. The board of directors is ultimately responsible but will often take the HoAF's views into account (particularly given the requirement for the HoAF to articulate his or her view of PRE, but also because of the long history of the actuarial profession's involvement in this area).
- 3.33 The SAI has stated, in ASP INS-2, the need for the Independent Actuary to consider PRE when assessing a proposed transfer of business from one life assurance company to another under the provisions of Section 13 of the 1909 Act.

4 BACKGROUND TO THE PHOENIX GROUP

History and background

- 4.1 The Phoenix Group can trace its origins back to 1782 with the establishment of Phoenix Assurance. Its evolution since then is complex and further details of the Phoenix Group’s history can be found on the Group’s website. Phoenix Group has approximately £283 billion of assets under administration and approximately 12 million existing customers⁵.
- 4.2 The Phoenix Group has a stated strategy that seeks to drive growth by meeting more of the evolving needs of existing customers (including accepting new business) and acquiring new customers (through the acquisition of insurance businesses).
- 4.3 Phoenix Life Holdings Limited (based in the UK) is the senior insurance holding company in the Group. Phoenix Group Holdings plc, which is listed on the London Stock Exchange and is a FTSE 100 company, is the ultimate parent.
- 4.4 Standard Life Assurance Limited and its subsidiaries were acquired in 2018 by the Phoenix Group.
- 4.5 The ReAssure Group plc and its subsidiaries were acquired in July 2020 by the Phoenix Group.
- 4.6 Sun Life Assurance Company of Canada (UK) was acquired in 2022 by the Phoenix Group from Sun Life Financial Inc.
- 4.7 The key entities within the Phoenix Group are summarised in the following chart.

Figure 1: Summary of the structure of Phoenix Group



Source: PLAE 2023 HoAF Report on Scheme

- 4.8 The Phoenix Group includes four active regulated UK life companies:

- Phoenix Life Limited (“**PLL**”),
- ReAssure Limited (“**RAL**”),

⁵ Source - [Phoenix-group-solvency-and-financial-condition-report-31-december-2023](#)

- ReAssure Life Limited (“**RLL**”),
- SunLife Assurance Company of Canada (UK) (“**SLOC**”)

4.9 Following a consolidation process over the last few years that cumulated in October 2023, the Phoenix Group also has two UK life companies in the process of being deauthorised, namely:

- Phoenix Life Assurance Limited (“**PLAL**”),
- Standard Life Pension Funds Limited (“**SLPF**”)

4.10 Following the same consolidation process over 2023, the Phoenix Group has a UK life company, Standard Life Assurance Limited (“**SLAL**”), with a trivial number of residual policyholders that did not transfer on the 2023 Scheme transfer date. Such policyholders will transfer from SLAL to PLL on the occurrence of certain events as outlined in the 2023 Scheme.⁶ The Phoenix Group intend to deauthorise SLAL following the transfer of such remaining policyholders to PLL.

4.11 The Phoenix Group has two Irish regulated life insurance companies – PLAE and SLIntl – who are both involved in the proposed Scheme.

4.12 In 2022 Phoenix Group established a new Bermuda reinsurance subsidiary, Phoenix Re Limited (“**Phoenix Re**”), with the aim of providing greater internal reinsurance capacity for the Phoenix Group.

Other relevant Schemes of Transfer

4.13 SLIntl acquired its euro-denominated business written in Ireland, Germany and Austria in 2019 from SLAL under a Part VII (UK approved) scheme (the “**SLAL Brexit Scheme**”). The transfer of all of SLAL’s euro-denominated business to SLIntl through this scheme was in response to the UK’s decision to leave the European Union following a referendum in 2016.

4.14 In early 2023 the Phoenix Group transferred all of the EEA business held in its UK subsidiaries, namely RLL and PLL, into PLAE (the “**2022 Scheme**”). PLAE holds no other long-term business other than that transferred under the 2022 Scheme.

- PLAE was established solely to facilitate the 2022 Scheme so that, following the end of the Brexit transition period, the Phoenix Group could safeguard future customer stability and the ability to continue to provide the range of benefits that customers could seek to exercise on their policies, in compliance with applicable law in the relevant EEA jurisdiction.
- The 2022 Scheme was already designated as a “transitional insurance business transfer scheme” under the post-31 December 2020 cross-border transfer provisions, as set out in the amended version of Part VII of and Schedule 12 to FSMA according to the Financial Services (Miscellaneous) (Amendment) (EU Exit) Regulations 2019. This prevented the Phoenix Group from transferring the EEA policies of RLL and PLL directly into SLIntl at the time.

4.15 Effective from 27 October 2023, the “**2023 Scheme**” was approved by the High Court of England and Wales and the amendment and replacement of previous SLAL schemes was approved by the Scottish Court of Session. This saw the transfer of all the policies in PLAL, SLAL and SLPF to PLL. Any

⁶ The 2023 Scheme included a clause that stated that, if for technical reasons, any policy or group of policies cannot be transferred, PLL will treat these policies for all practical purposes in the same way as if they had transferred. To achieve this, a reinsurance arrangement will be put in place between PLL and the relevant transferring company until it is possible to transfer these policies. A very small number of inforce policies within SLAL fell under the scope of the sanctions regime on Russia and Belarus following Russia’s invasion of Ukraine.

reinsurance treaties with PLAL or SLAL were transferred to PLL under the scheme of transfer. From a SLIntl perspective, this resulted in a change of reinsurance counterparty from SLAL to PLL but preserved the substance of the reinsurance treaty.

Internal reinsurance within the Phoenix Group

- 4.16 PLAE has 100% quota share reinsurance agreements with PLL in respect of each of the four of its with-profit funds. These were put in place to ensure that the with-profits policyholders transferred under the 2022 Scheme continued to receive the same benefits and participation in the funds as if they had remained with PLL.
- 4.17 PLAE reinsures 100% of its unit-linked liabilities back to RLL and PLL. The rationale for the unit-linked reinsurance was to ensure that transferring policyholders under the 2022 Scheme continued to have access to the same range of unit-linked funds as they did with PLL and RLL. PLAE unit linked policyholder benefits are calculated by reference to the value of their units reinsured into the PLL and RLL funds. All of the non-unit cash flows associated with this business were transferred to PLAE under the 2022 Scheme.
- 4.18 SLIntl has reinsurance agreements with PLL in respect of each of the three of its with-profit funds, whereby the business in each of these funds is reinsured back to the equivalent PLL with-profits fund. These arrangements were put in place in order to facilitate the effective management of this business following the transfer into SLIntl as part of the SLAL Brexit Scheme.
- SLIntl Heritage WPF (“**SLIntl HWPF**”) – there is a 100% quota share reinsurance for with-profit policies from SLIntl HWPF into PLL HWPF which was introduced as a result of SLAL Brexit Scheme in order to allow the PLL HWPF fund to continue to be managed as a single fund. In addition, the Euro-denominated unit linked funds which are available to the small number of unit-linked contracts written in the PLL HWPF are currently SLIntl funds.
 - A retrocession arrangement (known as the “**EFL Retrocession Arrangement**”) was put in place to allow transferring Irish policyholders in the SLAL Heritage WPF to maintain their unit-linked investment options in SLIntl funds.
 - Business written or invested in SLIntl Germany WPF (“**SLIntl GWPF**”) and SLIntl German Smoothed WPF (“**SLIntl GSMWPF**”) – there is a 100% quota share reinsurance into PLL. With profit contracts are reinsured back to the PLL non-profit fund, with their investment content reinsured in the PLL GWPF and PLL GSMWPF as appropriate. This means that the PLL Non-Profit Fund and the PLL GWPF and PLL GSMWPF as appropriate are liable for the claims and benefits of these Euro-denominated policyholders. The reinsurance of the with-profits business maintains the benefits and expectations of the SLIntl policyholders by maintaining the structure and governance of the UK with-profits regime.
- 4.19 In 2022 the Phoenix Group set up a new Bermuda reinsurance subsidiary, Phoenix Re. An initial reinsurance transaction completed in second half of 2023 to transfer all the market risks and a proportion of the longevity risk arising from benefits provided from the SLIntl annuity book to Phoenix Re. The main benefit of this arrangement is through improved pricing and profitability of future new annuity business.
- 4.20 Both PLAE and SLIntl have additional other reinsurance arrangements with external reinsurance companies. These are described in Sections 5 and 6, respectively.

Other relevant aspects

- 4.21 The Phoenix Group has a group-wide approach to risk management as documented in its Risk Appetite Framework. This framework is adopted by each local insurance subsidiary in combination with the local

regulatory requirements, where applicable. Some local adaptations have been made to deviate from the Phoenix Group approach in certain instances to reflect differences in local subsidiary operating model and risk profile.

- 4.22 The Phoenix Group life companies' Risk Appetite Framework sets out a structure and principles which each entity uses to determine its capital policy. The main objective of the Risk Appetite Framework is to ensure that the group companies can meet their regulatory capital requirements under internally specified stress scenarios. The strength of the capital policy is a function of these scenarios.
- 4.23 The scenario testing is based on holding sufficient capital to be able to meet the higher of the regulatory capital requirements after a 1-in-10-year all risk event, or after a 1-in-20-year market risk event. There are also tests relating to the quality of capital held.
- 4.24 This internal additional capital margin is expressed as a percentage of the SCR. The scenarios and the percentage are reviewed from time to time to ensure that the capital policy continues to meet its objective. The percentage may thus change without affecting the strength of the capital policy.

5 BACKGROUND TO PHOENIX LIFE ASSURANCE EUROPE

History and background

- 5.1 PLAE was established in Ireland in December 2020 and was authorised by the CBI to transact insurance business from September 2022. It was established in preparation for changes expected as a consequence of Brexit – i.e. the UK leaving the EU. The Company is a designated activity company which has limited liability by shares. It is incorporated, registered, and domiciled in Ireland. The Company's main activities are the management of life assurance and pension products originally sold in Ireland, Sweden, Norway, Germany, and Iceland.
- 5.2 Following the UK's withdrawal from the EU, UK based insurance companies are no longer permitted to administer insurance-related cross border activities from the UK into the EEA. PLAE was therefore set up to receive the EEA long-term insurance business from PLL and RLL, both UK insurance companies within the Phoenix Group. The business transferred into PLAE under two separate schemes of transfer, a UK scheme under Part VII of the Financial Services and Markets Act 2000 (the "**UK Scheme**") and an Irish scheme under Section 13 of the 1909 Act (the "Irish Scheme"). The UK Scheme was sanctioned by the UK Court in October 2022 and the Irish Scheme was sanctioned by the Irish Court in November 2022. The business transferred into PLAE with effect from 1 January 2023. All the business in PLAE is due to these transfers.
- 5.3 PLAE's immediate parent is ReAssure Limited ("**RAL**"), a company incorporated and resident in the UK. RAL is a subsidiary of PGH.
- 5.4 PLAE was authorised by the CBI in September 2022 to carry out long-term insurance business in the following classes as set out in Schedule 2 of the Solvency II Regulations; and it has Freedom to Provide Services permissions (EU passports) in a number of EU jurisdictions where policyholders were identified as being resident.
- Class I – Life insurance and annuities.
 - Class III - Contracts linked to investment funds.
 - Class IV - Permanent Health Insurance (as a feature of some life policies).
 - Class VII - Management of Group Pensions.

Nature of business written – product categories

- 5.5 The business which transferred into PLAE on 1 January 2023 covers each of the following three product categories as follows – with-profits, unit-linked, and non-profit insurances.
- 5.6 The with-profits business of PLAE is contained within the following WPFs:
- The PLAE Alba WPF comprises the Irish business that was originally transferred from Alba Life to PLL (in the UK) in 2006. This includes business originally written by Crusader Insurance and the Life Association of Scotland. The fund closed to new business in 1999. The business comprises a mix of traditional with-profits life and corporate pension business, and includes some deposit administration business, non-profit deferred and some immediate annuities.
 - The PLAE Phoenix WPF comprises the Irish business originally written by Royal Life Insurance Limited (subsequently renamed Royal & Sun Alliance Life and Pensions Limited) and transferred into PLL in 2006. The fund closed to new business in 2002. The business comprises a mix of with-profit whole of life, life and pension endowments, non-profit endowments, deferred and immediate annuities.

- The PLAE 90% WPF comprises Irish business transferred to PLL from Swiss Life (UK), including business written by Pioneer Mutual. The business mainly consists of a mix of with-profit and non-profit Industrial Branch policies with low sums assured. The policies are traditional endowments and whole life policies.
 - The PLAE SPI WPF comprises the Irish business transferred to PLL from Scottish Provident in 2009. The fund consists mainly of conventional with-profits whole of life, endowments and deferred annuities, and the unitised with-profits benefits under policies written in the Non-Profit Fund.
- 5.7 The unit-linked business of PLAE consists of unit linked investment bonds and savings and pensions products. The unit-linked investment bonds are single premium whole of life policies, which can provide a regular income or lump sum, and do not contain any guarantees. The savings and pensions products are unit-linked regular premium contracts which may include life cover, or the option to receive regular income withdrawals, and do not contain any investment guarantees.
- 5.8 The non-profit insurance comprises deferred and immediate annuities, non-profit endowments, critical illness, accelerated critical illness and term assurance. There are also protection (including critical illness) policies which are unit-linked regular premium whole of life policies.
- 5.9 As noted above, PLAE's main activities are the management of life assurance and pension products originally sold in Ireland, Sweden, Norway, Germany, and Iceland. Further detail on the business in each of these jurisdictions is given below.

Summary of business written in each country/jurisdiction

The Irish Business

- 5.10 The Irish business within PLAE originated from a number of legacy companies and was previously transferred to PLL via various Part VII (UK) schemes in the past, and subsequently transferred under Section 13 of the 1909 Act (Ireland) from PLL to PLAE on 1 January 2023.
- 5.11 There are around 80 product types in total and the majority were written before the introduction of EU passporting rights (under the Third Life Directive in 1994) and were sold via a local Irish branch. The business is mainly denominated in Euros, but there are a few policies denominated in GBP.
- 5.12 The products sold in Ireland include with-profits, non-profit endowments, annuities (deferred and in-payment), unit-linked savings and investments, and unitised with-profits.
- 5.13 There is a requirement in Ireland to deposit "dormant" claims with the National Treasury Management Agency ("NTMA") in respect of policies where a payment is due to a customer but over a specified time frame customer contact is not possible or customer response has not been obtained (in accordance with the Unclaimed Life Assurance Policies Act 2003). There are a number of dormant Irish accounts with the NTMA.

The Swedish business

- 5.14 The Swedish unit-linked business within PLAE originated from policies originally sold by Skandia Life Assurance Company Limited, which (eventually⁷) became RLL. These policies were subsequently transferred under Section 13 of the 1909 Act (Ireland) from RLL to PLAE on 1 January 2023.

⁷ The insurer now known as RLL has variously changed its name in the past from Skandia Life Assurance Company Limited, Old Mutual Wealth Life Assurance Limited, and ReAssure Life Limited.

5.15 The Swedish policies consist of unit linked investment bonds and savings products. These products were designed specifically for the Swedish market.

- The unit-linked investment bonds are single premium whole of life policies, which can provide a regular income or lump sum, and do not contain any guarantees.
- The savings products are unit-linked regular premium contracts which may include life cover, and do not contain any guarantees.
- The protection policies are unit-linked regular premium whole of life policies.
- There is no transferring group risk business.

5.16 The policies are denominated in GBP, but premiums and claims payments are converted from/to and settled in Swedish Krona, and the policies are administered in Swedish (with a small amount of correspondence being sent in English).

The German business

5.17 The German business in PLAE comprises policies originally written by Swiss Life (UK) Limited which transferred from PLL; and policies which transferred from RLL. The business is issued and managed under the Freedom to Provide Services regulations in Europe. PLAE does not have a Branch (permanent establishment) in Germany.

5.18 The German business transferred under the 2022 Scheme from PLL is a single life, premium paying, accelerated critical illness product sold between 2001 and 2004 which has a reviewable premium and is denominated in Euro.

5.19 The German business transferred under the 2022 Scheme was issued between August 1999 and July 2014 under the Freedom to Provide Services regulations. This book is open to increments (top-up premiums). The product is a renewable 10-year term non-linked regular premium contract that pays a lump sum should the insured suffer from any of a range of defined critical illnesses and also provides guaranteed insurability options. Premiums and claims are paid in Euros, and the policies are administered in German.

The Icelandic Business

5.20 The Icelandic business was originally written by Swiss Life (UK) Limited and transferred to PLL as a result of the Phoenix 2005 Scheme. This business then transferred from PLL to PLAE under the 2022 Scheme.

5.21 The Icelandic business is premium paying and is a mix of accelerated critical illness, critical illness, and term assurance sold between 2002 and 2005. This business is denominated in GBP, and premiums and claims are settled in GBP, and the policies are administered in Icelandic.

The Norwegian Business

5.22 RLL sold Norwegian business between March 1997 and December 2007 under a local branch. This book is closed to increments.

- The savings business comprises unit-linked regular and single premium investment business and does not contain any guarantees.
- The pensions products are administered as individual single premium unit-linked policies (including transfers in) that may pay out a regular pension payment from the retirement date.

5.23 This business then transferred from RLL to PLAE under the 2022 Scheme. PLAE does not have a Branch (permanent establishment) in Norway. The business is managed under the Freedom to Provide Services regulations in Europe.

5.24 This business is denominated in Norwegian Krone, and the policies are administered in Norwegian.

Solvency position

RECENT SOLVENCY POSITION

5.25 PLAE calculates its capital requirement using the Standard Formula. It makes no use of the matching adjustment, volatility adjustment, nor transitional measures in the calculation of its technical provisions.

5.26 PLAE's recent reported solvency position is shown in the table below. Note the 2022 Scheme was effective from 1 January 2023 and at that date the inforce business commenced and the portfolio of 2022 Scheme assets from PLL and RLL transferred into PLAE. There were no policyholders or inforce insurance business at end 2022, although PLAE was an authorised insurer following its licence approval.

PLAE – Reported Solvency Position

PLAE Solvency II capital position	31 Dec 2023 €m	31 Dec 2022 €m
Assets excl. Reins Recoverables	651	224
Current assets	99	9
Reinsurance Recoverables	432	0
Subtotal - Assets	1,182	233
BEL gross of reinsurance	918	0
Other liabilities	108	0
Risk Margin	36	0
Subtotal - Liabilities	1,063	1
Basic Own Funds (Assets less Liabilities)	119	232
Ancillary Own Funds	0	0
Eligible Own Funds	119	232
SCR	61	6
Eligible Own Funds / SCR cover (%)	196%	4034%

Source: PLAE Solvency and Financial Condition Report 2023 (and details from 2023 Annual QRTs)

5.27 The table above shows PLAE had a solvency coverage ratio of 196% at end 2023. This is above the target level of solvency set by PLAE as part of its internal risk management system.

5.28 The “BEL Gross of reinsurance” is a measure of the total liability to policyholders for all expected future claims (including surrenders, partial withdrawals, claim payments and maturities). This can be further divided by product group to give an insight into the profile of the business in PLAE.

PLAE – Best Estimate Liability by fund grouping

31-Dec-23	Gross BEL €m	Reinsurance Recoverable €m	Net (of reinsurance) BEL €m
PLAE 90% WPF	2	2	0
PLAE Alba WPF	18	17	1
PLAE Phoenix WPF	37	35	2
PLAE SPI WPF	209	201	9
Non-Profit Fund - PLLANN	396	0	396
Non-Profit Fund - PLLNP	85	34	52
Non-Profit Fund - RLLNP	171	144	27
Grand Total	918	432	486

Source: PLAE 2023 Actuarial Function Report

- 5.29 The first four lines on the table above show the four WPFs in PLAE. These are managed separately reflecting their separate history previously in other Phoenix Group companies. They were transferred to PLAE under the 2022 Scheme. The WPFs are almost 100% reinsured to PLL – the small residual “net” Best Estimate Liability relates to expense reserves and counterparty default risk held in PLAE that are not covered by the reinsurance treaties.
- 5.30 The Non-Profit Fund of PLAE encompasses all unit-linked business, and all non-profit policies including annuities (deferred and immediate/in-payment) and non-profit endowments. For internal purposes only, PLAE categorises this business into three subgroups – PLLANN (annuity business that originated via PLL); PLLNP (unit-linked business and non-profit business that that originated via PLL) and RLLNP (mostly unit-linked business that that originated via RLL).
- 5.31 At end 2023, the gross BEL of €918m was divided as shown in the table below.

PLAE – Best Estimate Liability by product grouping

31-Dec-23	Gross BEL €m
With-Profits	249
Annuities	395
Unit-Linked – Unit reserves	177
Unit-Linked - Non-unit reserves	50
Other life and health	46
Total	918

Source: PLAE 2023 Actuarial Function Report

- 5.32 The approximate number of policies and BEL, net of external reinsurance, in each sub-fund of PLAE as at 31 December 2023 are shown in the table below.

PLAE – Summary of in-force business as at 31 December 2023

	PLAE Alba WPF	PLAE 90% WPF	PLAE Phoenix WPF	PLAE SPI WPF	Non- Profit Fund	Total
Number of Policies	794	651	988	5,568	15,339	23,340
Gross BEL (€m)	18	2	37	209	652	918
Net BEL (€m)	1	0	2	9	474	486

Source: PLAE 2023 Actuarial Function Report

5.33 The next few sections profile the business by country.

The Irish Business

5.34 The Irish business in scope originated from a number of legacy companies and was transferred to PLL via various UK Part VII schemes, and subsequently under a UK and Irish portfolio transfer to PLAE. There are around 80 product variants.

5.35 The number of policies and BEL gross and net of reinsurance, as at 31 December 2023 are shown in the table below.

PLAE – Summary of Irish in-force business as at 31 December 2023

Irish business			
Fund	Policies	Gross BEL (€m)	Net BEL (€m)
PLAE Alba WPF	794	18	1
PLAE 90%WPF	651	2	0
PLAE Phoenix WPF	988	37	2
PLAE SPI WPF	5,568	209	9
Non-Profit Fund	8,248	478	443
Total	16,249	745	455

Source: PLAE HoAF Report on Scheme

5.36 In total, the transferring Irish business at 31 December 2023 had 16,249 policies and €745m gross BEL.

The Swedish Business

5.37 The following table shows the composition of the Swedish policies of PLAE that were written by RLL between January 1988 and December 2007 under the Freedom to Provide Services regulations. This book is open to increments on existing policies.

PLAE – Summary of Swedish in-force business as at 31 December 2023

Policy type	Policies	Gross BEL (€m)	Net BEL (€m)
Unit linked	3,781	157	26
Other	244	2	2
Total	4,025	159	28

Source: PLAE HoAF Report on Scheme

5.38 The Swedish business is managed in the PLAE Non-Profit Fund. There is no with-profits business in Sweden.

5.39 In total, the transferring Swedish business at 31 December 2023 had 4,025 policies and €159m gross BEL.

The German Business

5.40 The table below shows the number of policies and BEL of the German business in PLAE.

PLAE – Summary of German in-force business as at 31 December 2023

Business type	Policies	Gross BEL (€m)	Net BEL (€m)
Critical illness	844	-2.1	-1.3

Source: PLAE HoAF Report on Scheme

5.41 The German business is managed in the PLAE Non-Profit Fund. There is no with-profits business in Germany.

5.42 In total, the transferring German business at 31 December 2023 had 844 policies and a negative -€2.1m gross BEL (i.e. the best estimate liability is actually an asset, i.e. a negative liability).

The Icelandic Business

5.43 The table below shows the number of policies and BEL of the Icelandic business in PLAE.

PLAE – Summary of Icelandic in-force business as at 31 December 2023

Business type	Policies	Gross BEL (€m)	Net BEL (€m)
Term assurance	165	0.1	0.3
Critical illness	978	2.0	2.0
Total	1,143	2.1	2.3

Source: PLAE HoAF Report on Scheme

5.44 The Icelandic business is managed in the PLAE Non-Profit Fund. There is no with-profits business in Iceland.

5.45 In total, the transferring Icelandic business at 31 December 2023 had 1,143 policies and a €2.1m gross BEL.

The Norwegian Business

5.46 The table below shows the number of policies and BEL of the Norwegian business in PLAE.

PLAE – Summary of Norwegian in-force business as at 31 December 2023

Business type	Policies	Gross BEL (€m)	Net BEL (€m)
Unit linked	1,079	14.2	1.8

Source: PLAE 2023 HoAF Report on scheme

5.47 The Norwegian business is managed in the PLAE Non-Profit Fund. There is no with-profits business in Norway.

5.48 In total, the transferring Norwegian business at 31 December 2023 had 1,079 policies and a €14.2m gross BEL.

PROJECTED SOLVENCY POSITION

- 5.49 As required under Solvency II, PLAE produces an ORSA report each year. This is an internal report that includes financial projections on a base case and on a set of alternative scenarios. The ORSA assesses the Company's capital position and various risks to the solvency of the Company.
- 5.50 I have reviewed the ORSA report for PLAE for 2023. The ORSA report includes commercially sensitive information and is not disclosed. However, I am satisfied that the outlook for PLAE in its current form shows a modest increase in future Own Funds over the next few years and a modest decrease in the SCR – both of which contribute to a modestly increasing solvency coverage ratio (in percentage terms) over the medium term (3-5 years).
- 5.51 As PLAE is a closed book where the only new policies are vesting annuities, the projection reflects the surplus (profits) emerging and SCR declining over time as the inforce policies run-off. For simplicity, no dividends are projected in the ORSA (however these are feasible if the solvency coverage is above internal targets and the Board of PLAE deems to approve a dividend). Assuming no future dividend payments, solvency coverage and headroom above risk appetite therefore increase over the term of the base case projection. In reality, PLAE could pay dividends in the future, which would reduce the solvency cover at the time of any payment.
- 5.52 The main source of Own Funds generation is from investment return on shareholder funds, real world spread on assets (bonds) backing the BEL and release of risk margin from the technical provisions each year. With minimal new business projected the SCR unwinds over time with reduced exposure from the unwind of inforce business.
- 5.53 A wide range of adverse scenarios was tested in the ORSA report, and these demonstrated that the solvency position of PLAE is expected to be robust under a range of economic and non-economic stresses.

Risk profile

- 5.54 PLAE is a closed book of business consisting of annuities in payment, with-profits, unit-linked and other non-profit protection business. The business is largely reinsured back to PLL and RLL, with the primary retained exposure being annuities in payment from PLL. As a result, the main risks arising for the business are:
- Longevity: Risk of annuitant policyholders living longer than expected.
 - Counterparty: Risk of default or downgrade of reinsurance counterparties PLL and RLL.
 - Expense: Risk in the long term of a declining book of business with declining profit margins emerging becoming less than the fixed component of overheads in managing a life company.
 - Operational: The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk. During the first year of operations for PLAE it is expected that operational risk will be higher than in subsequent years as systems and procedures are established.
 - Conduct: Risk that PLAE does not provide fair outcomes for consumers and treat consumers fairly, increasing regulatory risk and reputational risk.
- 5.55 Longevity risk on the annuity book is the most significant exposure. The spread risk on this business (i.e. the investment risk from investing in corporate bonds giving rise to the risk of increasing yields and falling market values of the bonds) has been significantly reduced through a de-risking action carried out by PLAE during the first half of 2023.

- 5.56 The with-profits reinsurance removes all of the investment and mortality and demographic related risks associated with the with-profits business of PLAE and replaces it with a counterparty default risk exposure to PLL (as the reinsurer). The risks arising from the reinsured unit-linked business of PLAE also have counterparty default risk (to both PLL and RLL as there are two reinsurance arrangements).
- 5.57 Expense risk (comprising base expense risk and inflation risk) remains significant, though there is a small amount of risk-mitigation through PLAE's Master Services Agreement that provides all administration support via an outsourcing contract with another Phoenix servicing entity. However, PLAE has a material fixed cost overhead (in terms of expenses) and a declining inforce portfolio of insurance policies with consequent declining profit margins emerging.
- 5.58 The reported year end 2023 SCR showed that longevity risk (i.e. the risk of annuitants living longer than expected) is the highest component of the solvency capital requirement, followed by expense risk, and then by counterparty risk (mainly the risk of default of either PLL or RLL as the main reinsurance counterparties to PLAE).

Risk management

- 5.59 Overall responsibility for approving, establishing, and maintaining the Risk Management Framework ("RMF") rests with the PLAE board.
- 5.60 PLAE's approach to risk management is aligned to the Phoenix Group RMF, and local regulatory requirements, where applicable. Some adaptations have been made to deviate from the Phoenix Group approach in certain instances to reflect differences in PLAE's operating model and risk profile.
- 5.61 PLAE has various reinsurance arrangements within Phoenix Group companies as well as with external third party reinsurers to manage their risks. More detail on these arrangements can be found in the paragraphs immediately below.

With-Profits Reinsurance with PLL

- 5.62 PLAE has 100% quota share reinsurance agreements with PLL in the UK in respect of each of the four of its WPFs. These were put in place to ensure that the with-profits policyholders transferred under the 2022 Scheme continued to receive the same benefits and participation in the funds as if they had remained with PLL. PLAE has no shareholder participation in any of the four funds, but it received a day-one fee under the 2022 Scheme to compensate it for the cost of local oversight of the reinsured funds, and for its cost of counterparty default and operational risk capital. All of the reinsured premiums, claims, expense and tax cash flows are settled monthly between PLL and PLAE. The 2022 Scheme requires PLAE to declare bonuses at least equivalent to those declared by PLL (as reinsurer) for the business in question.
- 5.63 Either party may terminate the reinsurances under circumstances such as material breach, default or loss of authorisation. PLAE may also trigger non-default termination on defined capital events expressed as a material downgrade in PLL's credit rating or reduction in solvency cover.
- 5.64 On termination of a with-profits reinsurance agreement due to the winding up of the relevant WPF in PLL, the with-profits policies within the relevant PLAE WPF would be converted to non-profit policies with guaranteed increases in benefits, or to unit-linked policies in line with the approach taken by PLL on closure of the corresponding WPF.
- 5.65 For termination of a with-profits reinsurance agreement in any other circumstance it will be for the board of PLAE to decide whether to run the PLAE WPF as a stand-alone WPF, or to look to convert the with-profit policies as above. The 2022 Scheme provides for the board of PLAE to apply a set of principles which conform with the principles for the management of the PLL WPFs which set out the basis on which the PLAE WPF is to be maintained.

Unit-Linked Reinsurance with RLL and PLL

- 5.66 There are reinsurance agreements in place that reinsure 100% of the unit-linked liabilities of the PLAE business back to RLL and PLL. The rationale for the unit-linked reinsurance was to ensure that transferring policyholders under the 2022 Scheme continued to have access to the same range of unit-linked funds as they did with RLL and PLL. PLAE unit linked policyholder benefits are calculated by reference to the value of their units reinsured into the Phoenix and RLL funds.
- 5.67 RLL and PLL reserve the rights to add, close or merge unit-linked funds, providing they give adequate notice to PLAE.
- 5.68 Either party may terminate the unit-linked reinsurances under circumstances such as material breach, default or loss of authorisation.
- 5.69 PLAE has the additional right to a no-fault termination provided it gives at least 90 days' notice to the reinsurer.

Security Arrangements - Fixed charge

- 5.70 PLL has granted fixed charge deeds in favour of PLAE as cedant over sufficient assets of the relevant Phoenix WPFs to enable 65% of the reinsured BEL to be met. The fixed charges mean that in the event that termination of the relevant reinsurance agreement occurs, PLAE can take control of sufficient assets to meet the majority of the reinsured liabilities and have a source of liquidity to meet short term claims even if PLL was insolvent.
- 5.71 The assets subject to the fixed charges are taken from the assets of the relevant WPF of PLL and are allocated to a separate ring-fenced collateral account at the custodian. The assets continue to be managed by PLL to the relevant investment benchmarks and are available to meet claims arising under the reinsured contracts. No fixed charge is in place for the PLAE 90% WPF as it is not considered proportionate given the immaterial size of the reinsured liabilities.

Security Arrangements - Floating charge

- 5.72 PLL and RLL have granted floating charges to PLAE, which is not restricted to any specified pool of assets but attaches to all available assets. The floating charges cover the total obligations of the reinsurers to PLAE on an insolvency of that reinsurer and ensures that PLAE ranks at an equal priority with unsecured insurance creditors of the reinsurer in that insolvency. The with-profits floating charges over PLL would take account of any amounts already recovered by PLAE from the fixed charges of PLL.
- 5.73 The floating charge contains provisions which restrict the amount recoverable by PLAE to that of unsecured insurance debts of the reinsurer to ensure fairness with the non-transferred policyholders under the 2022 Scheme.

External Reinsurance

- 5.74 PLAE has a number of external reinsurance arrangements (with global reinsurance groups) which originated from reinsurance treaties previously in place with PLL and RLL and novated to PLAE under the 2022 Scheme.
- 5.75 The external reinsurance is held with four reinsurers and the majority of these relate to mortality, morbidity and disability risks on unit-linked Irish business, and on group and individual risk policies in Ireland.

Capital management policy

- 5.76 PLAE determines its regulatory capital requirement, the SCR, with reference to a methodology set out in the Solvency II Framework known as the "standard formula".

- 5.77 PLAE sets its own capital policy following structures and principles that are consistent with the methodology used in the Phoenix Group Risk Appetite Framework as explained in paragraph 4.21 above. As at end 2023, the PLAE capital policy requires PLAE to hold capital equal to at least 50% of the SCR in addition to the capital necessary to meet the SCR itself.
- 5.78 If at any point there is an immaterial deficit relative to the PLAE capital policy, then no action is required to be taken other than that no capital can be released (for example through the payment of dividends). However, material deficits would require consideration of corrective action.

Operational arrangements

- 5.79 PLAE policies are administered through a management services agreement with an Irish Branch of Phoenix Group Management Services Limited (“**PGMSIB**”). There is a management services agreement contract in place (the “**PLAE MSA**”). Under the PLAE MSA, PGMSIB provides access to all staff, systems and other resources to administer PLAE policies, including services sub-contracted to other internal and external service providers. PGMSIB is not authorised to carry out regulated activities itself in Ireland, so the staff provided under this agreement are acting directly on behalf of PLAE.
- 5.80 The main sub-contracted parties involved in PLAE policy servicing are:
- SS&C International Managed Services Limited (“**SS&C**”), who administer policies originally written by SPI.
 - Diligenta Limited (“**Diligenta**”), who provide administration systems and other unregulated support services in respect of other policies transferred from PLL.
 - ReAssure UK Services Limited (“**RUKSL**”), who provide administration systems and other unregulated support services in respect of policies transferred from RLL.

Policyholders’ Reasonable Expectations

- 5.81 All four PLAE WPFs are 100:0 funds (i.e. 100% of the surplus/profits arising from the fund is allocated to policyholders and 0% is allocated to shareholders) and the respective estate⁸ of each WPF remains in PLL. PLL provides capital support if required by the WPFs, and in respect of these funds, PLAE is only exposed to counterparty default risk from PLL and operational risk (which is not transferred by reinsurance to PLL).
- 5.82 Note that PLAE has a derogation from the CBI for it to publish With-Profits Operating Principles (“**WPOP**”) documents in Ireland, on the grounds that these would be substantially identical to the Principles and Practices of Financial Management (“**PPFM**”) published by the corresponding PLL funds in the UK.
- 5.83 The investment element of unit-linked liabilities from the unit-linked business transferred into PLAE Non-Profit Fund from PLL is 100% reinsured back to PLL, and similarly the unit-linked liabilities on the business originally from RLL are 100% reinsured back to RLL. These reinsurance agreements ensured that the PLAE policyholders remained in the same funds as they did prior to the 2022 Scheme. Many of the reinsurers’ unit linked funds are invested in by both PLAE policyholders and by the reinsurer’s own direct policyholders.
- 5.84 PLAE’s HoAF has specifically considered PRE in the context of the Transferring Policies and has not expressed any concerns in relation to the proposed Scheme.

⁸ The “estate” is the expression used to describe surplus assets in a with-profits fund in excess of the amount of assets needed to meet policyholder liabilities.

Other

COMPLAINTS

- 5.85 I received a complaints log containing pending complaints for PLAE. There are a small number of open cases which are neither expected to generate notable costs nor set a precedent. No material issues were noted.
- 5.86 There are a small number of complaints (less than 10) currently with the Financial Services and Pensions Ombudsman (“**FSPO**”) for decision.
- 5.87 I have been advised that PLAE currently has a limited number of legal matters relating to two individual policy claims outstanding which are being managed in the normal course of business.
- 5.88 I have been advised that PLAE has no regulatory matters outstanding with the CBI outside the normal interaction between the regulator and authorised insurers which can include thematic or specific reviews with individual firms from time to time.

POLICYHOLDER COMPENSATION SCHEMES

- 5.89 As an Irish authorised life insurance company, no policyholder compensation schemes apply to PLAE policyholders in Ireland.
- 5.90 Policyholders that transferred to PLAE through the 2022 Schemes lost all rights to any future claims under the UK’s Financial Services Compensation Scheme (“**UK FSCS**”) following the effective date of that transfer. If the proposed Scheme is approved, the Transferring Policyholders will continue to have no access to the UK FSCS. However, if a Transferring Policyholder had any claims under UK FSCS in respect of matters taking place prior to the 2022 Scheme, then these continued to be preserved.
- 5.91 PLAE policyholders are outside the German Protektor scheme on basis that insurance companies that have their registered office in another country of the European Union or the European Economic Area cannot become members of this German protection scheme / protection fund. If the proposed Scheme is approved, the Transferring Policyholders will continue to have no access to the German Protektor scheme.
- 5.92 For business in Ireland, the Company operates within the CBI’s Consumer Protection Framework. For business in Germany, conduct is supervised by Bundesanstalt für Finanzdienstleistungsaufsicht (‘BaFin’) and the Finanzmarktaufsicht (‘FMA’) for business in Austria. In Sweden conduct is overseen by the Finansinspektion (the Swedish Supervisory Authority), in Norway by the Finanstilsynet (The Financial Supervisory Authority of Norway), and in Iceland by Seðlabanki Íslands (the Central Bank of Iceland).

6 BACKGROUND TO STANDARD LIFE INTERNATIONAL

History and background

- 6.1 SLIntl was established in Ireland on 27 September 2005. Standard Life International Limited converted to a Designated Activity Company in April 2016, under the Companies Act, 2014. The Company is an insurance undertaking, and its main activities consist of the provision of life assurance and pension products in the UK, Ireland, Germany and Austria.
- 6.2 SLIntl is authorised by the CBI to transact insurance business in Ireland and cross-border life assurance business in the EU under the **Solvency II Regulations**.
- 6.3 With regard to the conduct of business requirements, the Company operates within the relevant laws for each country where it sells business.
- For Ireland, it operates within the CBI's Consumer Protection Framework.
 - Products sold into the UK are overseen by the Financial Conduct Authority (“**FCA**”) in respect of Conduct of Business rules.
 - For business in Germany and Austria, conduct is supervised by Bundesanstalt für Finanzdienstleistungsaufsicht (**BaFin**) and the Finanzmarktaufsicht (**FMA**), respectively.

Nature of business written

- 6.4 SLIntl acquired its euro-denominated business written in Ireland, Germany and Austria in 2019 from SLAL under a Part VII (UK) scheme (the “**SLAL Brexit Scheme**”). The SLAL WPFs subsequently transferred to PLL as part of the 2023 Scheme.
- 6.5 The business transferred was predominantly made up of with-profits policies, written or invested in one of three SLAL with-profits funds. There were also unit-linked policies, and non-profit annuity policies (in-payment and deferred). All business transferred into equivalent SLIntl funds as part of the SLAL Brexit Scheme.
- 6.6 Subsequently, in 2023 all business of SLAL transferred to PLL under a Part VII (UK) scheme (“**2023 Scheme**”). This included the transfer of any inward reinsurance accepted from SLAL to PLL.
- 6.7 SLIntl is authorised to write the following classes (depending on the territory):
- Class I – Life insurance and annuities.
 - Class III - Contracts linked to investment funds.
 - Class IV - Permanent Health Insurance (as a feature of some life policies).
 - Class VI - Capital redemption operations.
 - Class VII - Management of Group Pensions.
- 6.8 The Company continues to issue new business as follows:
- Ireland: single and regular premium unit-linked life and pension savings products distributed by brokers, plus Euro denominated immediate annuities offered on maturing policies and to new customers.
 - UK: single premium unit-linked life savings UK products distributed by brokers under the “offshore” tax wrapper.

- Germany & Austria: unit-linked savings products and annuities.
- 6.9 New business is dominated by unit-linked sales in Ireland and the UK. The with-profits business reinsured to PLL is largely closed to new business.
- 6.10 There are three with-profits funds within SLIntl, as follows:
- SLIntl Heritage With Profits Fund (“**SLIntl HWPF**”) comprises Irish, German and Austrian euro-denominated policies, both with profits and non-profit;
 - SLIntl German With Profits Fund (“**SLIntl GWPF**”) comprises investment content of the German and Austrian with profits policies written in the SLIntl Non-Profit Fund; and
 - SLIntl German Smoothed Managed With Profits Fund (“**SLIntl GSMWPF**”) holds the investment element of the unitised smoothed managed with profits policies written in SLIntl NPF.
- 6.11 The three with-profits funds described above are closed to new business.
- 6.12 In addition, the SLIntl Non-Profit Fund contains certain non-profit euro-denominated annuities and unit linked policies. It is open to new business across the four territories.
- 6.13 No capital support arrangements exist between SLIntl funds. The three SLIntl with-profits funds have no physical assets with the liabilities in those funds supported by a reinsurance asset equal in value to the funds’ liabilities.
- 6.14 The split of policies and technical provisions (net and gross of reinsurance) as at 31 December 2023 is shown in the table below (figures are in € million).

SLIntl – Summary of in-force business as at 31 December 2023

Fund	Heritage WPF	German WPF	German Smoothed WPF	Non-Profit Fund	TOTAL
Number of Policies	260,212	-	-	259,640	519,852
Unit BEL	692			17,451	18,143
Non-Unit BEL	9,642	2,568	198	47	12,454
Total Gross BEL	10,334	2,568	198	17,498	30,598
Unit BEL Ceded	-692				-692
Non-Unit BEL Ceded	-9,642	-2,568	-198	-430	-12,838
Total Net BEL				17,068	17,068
Risk Margin				171	171
Technical Provisions (Gross)				17,669	30,769
Technical Provisions (Net)				17,239	17,239
Other Technical Provisions				438	438

Source: SLIntl 2023 HoAF Report on Scheme

- 6.15 After adjusting for remaining elements of the Technical Provisions (Risk Margin, other Technical Provisions) and for the deferred tax liability not shown on the table above, the total liabilities for SLIntl as at end 2023 was equal to €31,036m gross of reinsurance.

Summary of SLIntl Technical Provisions as at 31 December 2023

TP Summary in €m		2023	2022
		€m	€m
Gross BEL (excl. Reinsurance Accepted)		29,906	27,369
Reinsurance Accepted		692	705
Reinsurance Asset		13,530	12,512
Net BEL		17,068	15,562
Risk Margin		171	118
Technical Provisions	Gross	30,769	28,193
	Net	17,239	15,681

Source: SLIntl 2023 Actuarial Function Report

Solvency position

CURRENT SOLVENCY POSITION

6.16 At 31 December 2023, SLIntl had a solvency coverage ratio of 194%, as shown in the table below.

Summary of SLIntl solvency position

Solvency position	2023	2022
	€m	€m
Unit Linked Assets	17,451	15,636
Annuity Assets	271	545
Reinsurance Assets	13,530	12,512
Shareholder Liquidity & Cash	245	227
Other assets	399	272
Total Assets	31,896	29,192
Unit BEL	17,451	15,636
Reinsurance accepted	692	705
Non-Unit BEL	12,454	11,733
Risk Margin	171	118
Other Liabilities	435	285
Deferred Tax Liability	3	3
Total Liabilities	31,207	28,481
Basic Own Funds (Assets less Liabilities)	690	711
Ancillary Own Funds	55	55
Total Own Funds	745	766
Solvency Capital Requirement (SCR)	383	329
Solvency Ratio	194%	233%

Source: SLIntl 2023 Actuarial Function Report

6.17 No events have been brought to my attention that could materially impact the solvency position of SLIntl since the date of the audited solvency position as published and reported to the CBI at end 2023. SLIntl has continued to operate as normal and within a normal range of solvency cover.

PROJECTED SOLVENCY POSITION

- 6.18 In addition to looking at the recent solvency position of SLIntl, it is also necessary to consider the projected future solvency development over the business planning horizon.
- 6.19 SLIntl aims to maintain a level of Own Funds in excess of the SCR. More specifically, SLIntl seeks to maintain a level of Own Funds in excess of an internally set margin over the SCR in order to cover solvency margin variability and ensure SLIntl is continuously compliant with regulatory capital requirements under Solvency II.
- 6.20 SLIntl has €55m of Ancillary Own Funds on the balance sheet (at end 2023). The Ancillary Own Funds are a legal (unpaid) commitment from SLIntl's parent, PGH, that can be triggered by SLIntl to convert into share capital, and are projected to terminate (and have no further value) on 31 December 2025. SLIntl also has regulatory approval to use the Volatility Adjustment⁹ (available under Solvency II) since 2020.
- 6.21 SLIntl proposes to begin to pay a schedule of dividends to its parent PGH starting in 2024. This programme is included in the base projection of the Annual Operating Plan (which is a confidential internal document approved by the Board of SLIntl). However, it should be noted that SLIntl's Dividend Policy and its documented capital management policy (see paragraph 6.36 below) will be followed in advance of any actual payments of dividends. For the ORSA (which is also a confidential internal document), the projections are shown with and without the impact of the illustrative schedule of dividends for comparison purposes.
- 6.22 I have reviewed the latest Annual Operating Plan and ORSA. I noted Own Funds can be seen to be increasing steadily over the planning period (5 years). This is primarily driven by new business contribution which also results in the steady increase of SCR over the same time period. Solvency coverage is projected to fall slightly at YE2025 as a result of the absence of the Ancillary Own Funds which expires just prior to the end of 2025.
- 6.23 A wide range of adverse scenarios was tested in the ORSA report, and these demonstrated that the solvency position of SLIntl is expected to be robust under a range of economic and non-economic stresses.

Risk profile

- 6.24 SLIntl is mostly exposed to the risks associated with unit-linked business (particularly lapse and equity), and any risk relating to counterparty default of its reinsurers (in particular the Phoenix Group entities in the UK that have a reinsurance arrangement in place with SLIntl).
- 6.25 In March 2022, the CBI approved SLIntl's application for a Partial Internal Model ("**PIM**"), which was effective from 30th June 2022. The PIM introduces an Internal Model approach for calculating the counterparty default risk and operational risk capital requirements, with all other risk modules using the Standard Formula. Aggregation of the overall capital requirements is completed using the Standard Formula correlation matrix approach.
- 6.26 The year-end 2023 reported SCR showed lapse risk (i.e. the risk of policyholders surrendering or withdrawing their funds) is the highest component of the solvency capital requirement, followed by equity risk (i.e. the risk of falling stock market values in listed equities), and then by counterparty risk (mainly the risk of default of PLL as the main reinsurance counterparty to SLIntl).

⁹ The Volatility Adjustment is a component added to the risk-free rate for discounting the present value of future liabilities in calculating the Best Estimate Liability under Solvency II. Each month, EIOPA publishes the VA, which is calculated based on a pre-defined reference investment portfolio, representing an average European insurer.

Risk management

- 6.27 The main objective of the Phoenix Group life companies' Risk Appetite Framework is to ensure that the group companies can meet their regulatory capital requirements under internally specified stress scenarios. The strength of the capital management policy is a function of these scenarios.
- 6.28 With effect from 30 June 2022, SLIntl has used a CBI approved PIM in the calculation and reporting of the SCR.
- 6.29 The Solvency II Pillar 1 balance sheet results are subject to second line independent review and challenge. In particular, the appropriateness of the SCR is considered from both a top-down and bottom-up perspective in order to provide an assessment of whether the SCR is materially reasonable, the PIM as a whole appropriately reflects the risk profile of the business, and the Internal Model is expected to operate effectively going forward.
- 6.30 SLIntl has reinsurance arrangements with PLL as well as external third-party providers to manage its risks. Details on these reinsurance arrangements can be found below.

EXISTING REINSURANCE WITH PHOENIX

- 6.31 SLIntl has reinsurance agreements with PLL in respect of each of its three WPFs, whereby the business in each of these funds is reinsured back to the equivalent PLL with-profits fund. These arrangements were put in place in order to facilitate the effective management of this business following the transfer into SLIntl as part of the SLAL Brexit Scheme.
- SLIntl HWPF – there is a 100% quota share reinsurance for with-profit policies from SLIntl HWPF into PLL HWPF which was introduced as a result of SLAL Brexit Scheme in order to allow the PLL HWPF fund to continue to be managed as a single fund. In addition, the Euro-denominated unit linked funds which are available to the small number of unit-linked contracts written in the PLL HWPF are currently SLIntl funds. PLL HWPF unit linked contracts have access to these funds via the EFL retrocession agreement back to SLIntl;
 - Business invested in SLIntl GWPF and SLIntl GSMWPF – there is a 100% quota share reinsurance into PLL. With profit contracts are reinsured back to the PLL Non-Profit Fund, with their investment content reinsured in the PLL GWPF and PLL GSMWPF as appropriate. This means that the PLL NPF and the PLL GWPF and PLL GSMWPF as appropriate are liable for the claims and benefits of these Euro-denominated policyholders. The reinsurance of the With-Profits business maintains the benefits and expectations of the SLIntl policyholders by maintaining the protection of the UK With-Profits regime.
- 6.32 In 2022 Phoenix Group established a new Bermuda reinsurance subsidiary, Phoenix Re, with the aim of providing greater internal reinsurance capacity for the Phoenix Group. An initial reinsurance transaction completed in second half of 2023 to transfer all the market risks and a proportion of the longevity risk arising from benefits provided from the SLIntl annuity book to Phoenix Re. The main benefit of this arrangement is through improved pricing and profitability of future new annuity business.

EXTERNAL REINSURANCE

- 6.33 There are a number of external (third party) reinsurance arrangements in place for the German branch and the Irish branch (including that sold from Germany into Austria). These relate to the reinsurance of mortality and morbidity risk.
- 6.34 For the Irish business, reinsurance relates to protection features of older contracts and the reinsurance is of a relatively low volume.

6.35 For the German business, the reinsurance relates to the life and disability options which are available on the majority of products sold in Germany and Austria. These options have been available on most older products and some are still available on current products. In addition to this, compulsory life cover on the most recent German product, Weitblick, is reinsured through the same treaty arrangements.

Capital management policy

6.36 SLIntl sets its own capital policy following structures and principles that are consistent with the methodology used in the Phoenix Group's Risk Appetite Framework. In addition to this, when defining its optimal capital range, SLIntl considers any specific risks to which it is particularly exposed. It should be noted that SLIntl does not allow for any contingent management actions when calculating its target capital.

6.37 At end 2023 the SLIntl capital policy requires SLIntl to hold an optimal capital level between 30% and 50% of the SCR as a safety buffer in addition to the capital necessary to meet the SCR itself. The policy is reviewed at least annually.

6.38 If at any point there is a small deficit relative to the SLIntl capital policy, such that the capital level is still within the optimal range then no action is required to be taken other than explicit consideration over whether it would be appropriate for capital to be released (for example through the payment of dividends). However, larger deficits would require consideration of corrective action.

Operational arrangements

6.39 SLIntl utilises its own staff in Ireland/EEA, and also relies on the management services agreement with PGMSIB (the "SLIntl MSA") to perform activities. PGMSIB is not authorised to carry out regulated activities itself in Ireland, so the staff provided under this agreement are acting directly on behalf of SLIntl.

6.40 For business written in Germany and Austria, policy administration is provided by SLIntl German Branch. SLIntl is currently in discussions with TCS Deutschland to outsource services to that entity in respect of its German and Austrian business. These are expected to be unregulated back-office activities and provision of personnel from TCS Deutschland to SLIntl.

6.41 Administration of the SLIntl International Bond is provided from Ireland.

6.42 SLIntl receives certain back office, IT services (not policy administration) in relation to its Irish annuity business from Diligenta.

Policyholders' Reasonable Expectations

6.43 As noted above, SLIntl acquired its euro-denominated business written in Ireland, Germany and Austria in 2019 from SLAL under the SLAL Brexit Scheme.

6.44 To facilitate the appropriate and fair treatment of policyholders the transferred business under the SLAL Brexit Scheme has the following significant features:

- liabilities transferred to SLIntl's with-profits funds were reinsured back to SLAL, which allowed the transferred with-profits policyholders to continue to benefit from the structure and governance of the UK with-profits regime, and allowed policyholders within SLIntl's Heritage With-Profits Fund to continue to share in the experience of the SLAL HWPF;
- three Deed Polls and a legal undertaking were issued by SLIntl to help ensure that the rights and reasonable benefit expectations of transferring policyholders whose liability is reinsured back to SLAL were not materially adversely affected by the SLAL Brexit Scheme. These Deed Polls and undertaking gave the transferring with-profits policyholders an enforceable right against SLIntl, pursuant to which SLIntl is obliged to "top-up" the amounts owed to such policyholders under the terms of their policy to

the level of returns they would have received under the same policy had it not transferred under the Scheme; and

- a retrocession arrangement (known as the “**EFL Retrocession Arrangement**”) was put in place to allow transferring Irish policyholders in the SLAL Heritage WPF to maintain their unit- linked investment options in SLIntl funds.

6.45 SLAL Brexit Scheme has been subject to variation with the approval of the Scotland Court of Session as a result of the 2023 Scheme. The variation involved replacement of SLAL (as the Transferor) with PLL and stays in force in its amended form following the 2023 Scheme effective date of 27 October 2023.

Other

COMPLAINTS

6.46 I received a complaints log containing pending complaints for SLIntl. There are a small number of open cases which are neither expected to generate notable costs nor set a precedent. No material issues were noted.

6.47 There are a small number of complaints currently with the Financial Services and Pensions Ombudsman for decision.

6.48 I have been advised that SLIntl currently has a small number of legal matters (and potential actions) open as expected in an insurance company at the scale of SLIntl. These are monitored via the complaints log of SLIntl.

COMPENSATION SCHEMES

6.49 As an Irish authorised life insurance company, no policyholder compensation schemes apply to SLIntl policyholders in Ireland.

6.50 By law, all life insurance companies and branches that conduct life insurance business in Germany must belong to the German protection scheme / protection fund (“**Protector**”). The only exceptions to this are insurance companies and branches of insurance companies that have their registered office in another country of the European Union or the European Economic Area. Those companies cannot become members of the protection scheme / protection fund. This means that SLIntl customers are not covered by Protector or any other protection/compensation scheme, notwithstanding that SLIntl has a branch presence in Germany.

7 THE PROPOSED PETITION AND SCHEME

Introduction

- 7.1 The Transferring Policies will be transferred to SLIntl via the mechanism of the proposed Scheme, subject to the approval of the Court. I have been provided with a copy of the proposed Scheme and, in this section, I summarise its principal features.
- 7.2 I also summarise certain relevant aspects of the Petition that SLIntl intends to make to the Court when submitting the proposed Scheme to the Court for its approval (particularly the proposed approach to communicating with the Companies' policyholders in respect of the proposed Scheme).
- 7.3 I provide my assessment of the proposed Scheme and of certain aspects of the Petition in sections 9 and 10.

Effective date

- 7.4 It is envisaged that the proposed Scheme will become effective and the transfer take place at 00:01 hours on 1 January 2025, or such other date as may be specified by the Court.

Pre-conditions

- 7.5 The transfer of the business is carried out under Section 13 of the 1909 Act and is conditional on a number of factors, including:
- obtaining the non-objection of the CBI.
 - obtaining the agreement or deemed agreement of the relevant authorities in the countries in which the Transferring Policies have been written (see paragraphs 7.22 to 7.27 below).
 - the Court sanctioning the proposed Scheme.

Consequences of the Scheme not being approved

- 7.6 If the proposed Scheme is not approved by the Court, or if the proposed Scheme is not presented at the Sanctions Hearing for approval (scheduled for late in 2024), then PLAE and SLIntl will continue to operate as two separate authorised life companies in Ireland as is currently the case. In particular the Transferring Policyholders will remain in PLAE and PLAE will continue to operate as outlined in Section 5. Both SLIntl and PLAE are currently authorised life insurance companies and would continue to operate as such. However, the synergies and efficiencies envisaged under the proposed Scheme would not be achieved.

Business to be transferred

- 7.7 Subject to satisfying the necessary pre-conditions as set out in the proposed Scheme, the Transferring Policies are scheduled to be transferred in their entirety on the Effective Date to SLIntl, which will become the insurer of those contracts on and from the Effective Date (with the Transferring Policyholders acquiring the same contractual rights with SLIntl as they previously had with PLAE).
- 7.8 Under the proposed Scheme, any rights, powers, obligations and liabilities of PLAE under, or by virtue of, such policies will be transferred to SLIntl.
- 7.9 Those assets and liabilities of PLAE that relate to the business being transferred, in accordance with the proposed Scheme, will also transfer to SLIntl on the Effective Date.
- 7.10 All of PLAE reinsurance treaties associated with the transferring business will be novated through various amendment and novation agreements which will become effective on the Effective Date. In addition to

SLIntl replacing PLAE in the reinsurance arrangements. The novation agreements will amend the current reinsurance agreements in place so that PLL and RLL agree to adhere to the terms of the proposed Scheme. This specifically includes the internal reinsurance agreements described in paragraphs 5.62 and 5.69. The PLAE security agreements described in paragraphs 5.70 to 5.73 will terminate on the Effective Date and be replaced with equivalent charges in favour of SLIntl.

- 7.11 Whilst the with-profit reinsurances are in place, the Scheme requires SLIntl to set benefits at least as high as they would have been had that policy remained in PLL. This feature already applies to PLAE as a consequence of the 2022 Scheme which required PLAE to set benefits at least as high as they would have been had that policy remained in PLL.
- 7.12 Currently the PLAE Non-Profit Fund internally reinsures (to the PLAE SPI WPF) the with-profits investment element of hybrid policies and the risk arising from guarantees on this business, and the Guaranteed Annuity Option (“GAO”) risk on transferring ex-Scottish Provident unit-linked policies. The proposed Scheme replicates this internal reinsurance structure in SLIntl.
- 7.13 Certain suspended annuity business in the WPFs of PLAE will transfer to SLIntl. These are likely to be cases where the death of the annuitant has been notified but not verified. If these policies are reinstated, then PLL will pay to SLIntl any overdue annuity payments.
- 7.14 Likewise if any Irish policy which has had its benefit paid by PLL to the NTMA is reinstated, SLIntl will be liable to pay customer claims, but will be able to recover any customer benefit deposited with the NTMA. If the claim refers to a policy that was with the NTMA at the time of the 2022 Scheme, then PLL will pay to SLIntl any additional benefit value due under that policy, as if it had never been paid out to the NTMA but had transferred under the Scheme as an in-force policy. Likewise for any reinstatement of a policy in line with its terms and conditions and in line with current practice.
- 7.15 The Scheme does not include any changes to the terms and conditions, benefits, policyholder funds, or the operation of any existing SLIntl policies.
- 7.16 Should it not be possible for technical reasons to transfer any policy or group of policies at the time the Scheme is implemented then such policies will be reinsured to SLIntl. In effect, this arrangement will ensure that any residual policies will be treated for all practical and economic purposes in the same way as if they had been transferred to SLIntl at the Effective Date until it is possible for them to be transferred. In this situation, PLAE would continue as an authorised life insurance company until the technical reason is resolved and the transfer of all policies is completed, and the interim reinsurance arrangement can be terminated. As an authorised life insurance company, PLAE would be required to maintain sufficient Own Funds to ensure PLAE remains solvent.
- 7.17 Any liabilities of PLAE in respect of any mis-selling or mal-administration would transfer to SLIntl. Under the 2022 Scheme, liabilities for mis-selling and mal-administration due to actions carried out prior to 1 January 2023 remained with PLL and RLL. Under the 2022 Scheme, PLAE’s right to claim for such liabilities from PLL and RLL will also transfer to SLIntl. The net effect of these provisions is that SLIntl would be exposed to any transferred mis-selling or mal-administration liabilities incurred by PLAE after the effective date of the 2022 Scheme (i.e. from 1 January 2023). Any technical provisions held by PLAE in respect of remediation activities at the Effective Date would transfer to SLIntl as it will be included in the adjusted Best Estimate Liability calculation. In addition, any accounting provisions or current liabilities (outside the technical provisions) at the Effective Date would transfer to SLIntl.

Consideration payment for the portfolio

- 7.18 SLIntl will receive a total payment (as an asset transfer plus novation of reinsurance treaties) from PLAE equal to the value of the liabilities transferred plus an additional amount to represent the cost of holding

regulatory capital (as an authorised life insurance company) and to reflect a margin for a commercial arms-length transaction for the business. The calculation will be based on the Effective Date of the Scheme. The formulaic approach and details are defined in the Scheme.

- 7.19 The total value of the assets transferred is set based on an agreed percentage (greater than 100%) of the adjusted Best Estimate Liability (“adjusted” as defined in the Scheme and described in this paragraph) calculated on the Effective Date of the Scheme. The adjustment is designed to ensure that the transferred assets in respect of maintenance expense liabilities reflects SLIntl's anticipated requirements for an uplift in its cost base following the Scheme. The calculation of the adjustment will use input assumptions based on the economic conditions on the effective date of the Scheme (e.g. market value of underlying assets, market yield curves, exchange rates), and future demographic assumptions based on the PLAE assumptions used at the previous financial year end, but adjusted for the new future expense base (including a revised MSA for group services) for the transferring business within SLIntl.
- 7.20 The agreed percentage (as defined in the Scheme) is 114% of the adjusted Best Estimate Liability calculated on the Effective Date of the Scheme.
- 7.21 The PLAE assets in excess of the payment to SLIntl will remain in PLAE. Ultimately the assets in PLAE would be returned to the shareholder once the CBI agrees to revoke PLAE's authorisation as an insurance company.

EEA and non-EEA policies – notifying regulators

- 7.22 Policies issued by an Irish authorised insurer cannot be transferred to another EEA authorised insurer unless the relevant supervisory authority in the EEA territory in which the transferring policies were concluded has been notified of the transfer, and either agrees to it or does not object within three months of notification.
- 7.23 Under the Scheme the German, Icelandic, Swedish, Norwegian, and Irish business of PLAE will transfer to SLIntl.
- 7.24 PLAE has confirmed that some policyholders within the portfolio of Transferring Policies are currently residing in a number of different EEA countries. The Companies will therefore request that the CBI notifies each of the relevant regulators in Iceland, Germany, Norway and Sweden of the Scheme in order to obtain their consent (or non-objection within a set timeframe from notification).
- 7.25 The Companies will further request that the CBI notifies them:
- when the CBI has notified each EEA Regulators of the Scheme; and
 - if the CBI receives any responses from the EEA Regulators in respect to the Scheme and to provide the Companies with details of such responses, including if the EEA Regulators have consented to the Scheme or if they have requested any further information or that the Companies take any additional action.
- 7.26 Some policyholders move residence from the country where they resided when their policy was originally issued. For that reason there are also a number of policyholders residing in other non-EEA countries. I understand that the transfer of non-EEA resident policyholders does not require any further regulatory approvals to be obtained under Solvency II Regulations.
- 7.27 The transferring German business from PLAE will be held directly in the SLIntl NPF (under the Freedom to Provide Services provisions) and not transferred to the SLIntl German Branch. Therefore I understand there is no additional German branch notification required to the insurance regulator in Germany.

Maintenance and operation of policyholder funds

- 7.28 The design of the Scheme preserves all of the features of the 2022 Scheme included to ensure that PLAE policyholders remained invested in the same funds as they were prior to the 2022 Scheme, and that the non-transferring policyholders of PLL were not materially disadvantaged as a result of the 2022 Scheme.

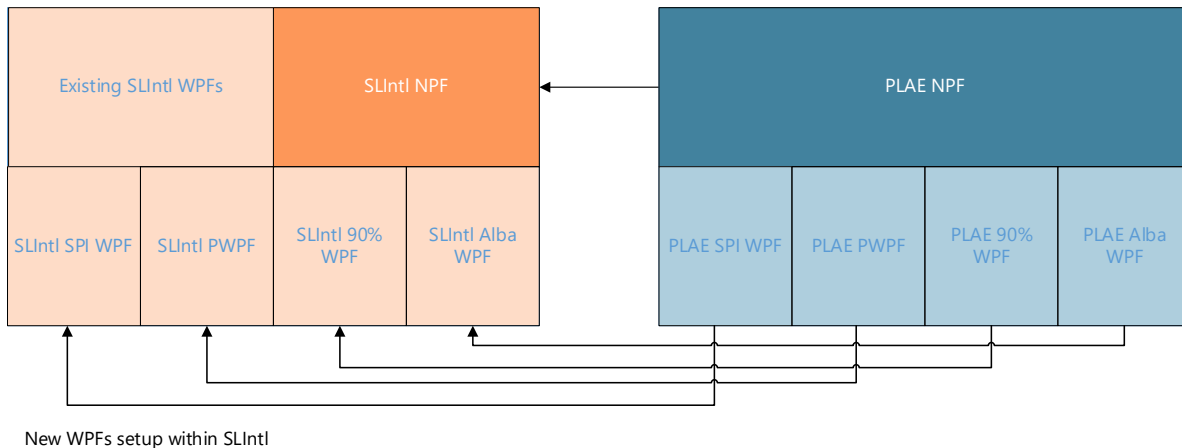
Unit-Linked Funds

- 7.29 The Scheme provides for SLIntl to establish unit-linked funds that mirror those within PLAE. The policies that invest in the PLAE unit-linked funds will receive the same number and classes of units in the unit-linked funds of SLIntl as they held in the unit-linked funds of PLAE prior to the Effective Date. The Scheme does not make any change to the terms and conditions of the unit-linked policies and will not change the arrangements with third parties relating to the investment, management and pricing of unit-linked funds or the associated costs. The Transferring Policies will remain in assets invested in the market and will not be “out of the market” for any period of time as a result of the transfer.
- 7.30 The assets (or their equivalent value) deemed appropriated to each PLAE internal linked fund, in respect of Transferring Policies, will be moved on the Effective Date to the corresponding internal linked fund established within SLIntl. The Transferring Policies will be allocated an equivalent value of units in the internal linked funds operated by SLIntl that correspond to those previously operated by PLAE.
- 7.31 In fact, the assets deemed appropriated to each PLAE internal linked fund are reinsurance treaties to PLL and RLL. These reinsurance treaties refer to (effectively invest in) the appropriate unit-linked funds managed and maintained by PLL and RLL accordingly. This mechanism gives the same underlying investment funds for policyholders via a reinsurance contract rather than a fund/asset management contract.
- 7.32 The 2022 Scheme allows the PLAE Board to decide to make future changes to close, wind-up, amalgamate or modify unit-linked funds, subject to actuarial (or other appropriate senior manager) advice to the PLAE board that the terms would be equitable to transferring policyholders and provided that, whilst the reinsurance is in place, this reflects actions within the PLL and/or RLL funds and that PLAE consults with and has regard to the views of PLL and/or RLL. This provision will be replicated by the proposed Scheme.

With-Profits Funds

- 7.33 PLAE operates a number of “ring-fenced funds”, as defined under Solvency II. This is commonly seen where the insurer has with-profits business. These ring-fenced funds will continue to operate in the same way, but within SLIntl, if the Scheme is approved. For clarity, the business that gives rise to the need for ring-fenced funds within PLAE will transfer to SLIntl under the proposed Scheme, and SLIntl will be obliged to establish the same structures within SLIntl. These are described in the next paragraph.
- 7.34 Under the Scheme, the following new 100:0 ring-fenced WPFs will be established in SLIntl as separate with-profits sub-funds within the SLIntl Long-Term Fund:
- the SLIntl Alba With-Profits Fund.
 - the SLIntl 90% With-Profits Fund.
 - the SLIntl Phoenix With-Profits Fund.
 - the SLIntl SPI With-Profits Fund.
- 7.35 The figure below shows the structure of the Scheme in terms of transferring assets and liabilities under the WPF structures of the respective companies (the box sizes are not proportional to the business volumes).

Transfer scheme WPF structure illustration



Source: SLIntl HoAF Report on the Scheme

- 7.36 The transferring PLAE policies, and corresponding transferring assets and liabilities currently allocated to the existing WPFs in PLAE will be allocated to the relevant successor WPF in SLIntl, while the transferring policies in the PLAE Non-Profit Fund (together with any related assets and liabilities) will be transferred to the SLIntl Non-Profit Fund.

SLIntl’s rights in relation to Transferring Policies (if the Scheme is approved)

- 7.37 The proposed Scheme provides that SLIntl may exercise such discretions under the Transferring Policies as are available to be exercised by it under the terms and conditions of those Transferring Policies in accordance with any principles which are, for the time being, generally applied in PLAE in relation to such business.
- 7.38 Guaranteed rate annuities from vesting pensions from the SLIntl WPFs originating from PLAE will ordinarily be written by SLIntl into its NPF on its own terms. As the cost of these guarantee options is met by the WPF, whilst the WPF reinsurance is in place, the PLL board (having regard to the advice of the Phoenix With-Profits Committee and the Phoenix With-Profits Actuary) can recommend that SLIntl (and on such recommendation SLIntl shall) provide these annuities within the SLIntl WPF if the NPF annuity rate is deemed unfair. Any annuity written into a SLIntl WPF would automatically be reinsured back to the WPF of PLL that bears the cost.
- 7.39 For vesting pensions from the SPI WPF, where there is no guarantee, if the policyholder choses to accept an annuity with SLIntl, the annuity would be provided from the SLIntl NPF using an annuity rate determined by the SLIntl Board, but with the approval of the PLL With-Profits Actuary. These provisions are also carried over from the 2022 Scheme.
- 7.40 These arrangements are subject in every case to the provisions of the applicable policy conditions associated with the Transferring Policies, the rules of any relevant investment fund and, where relevant, to the opinion of SLIntl’s HoAF.

Costs of the proposed Scheme

- 7.41 PLAE and SLIntl will share (in an agreed proportion) the costs and expenses associated with preparing and implementing the proposed Scheme. No costs or expenses will be borne directly by any of the policyholders of either of the Companies as the shareholders of the Companies effectively cover all costs.

Modification or additions

- 7.42 Modifications and additions to the proposed Scheme, or further conditions to the proposed Scheme, may be imposed by the Court. Other additions and modifications to the proposed Scheme are permitted if PLAE and SLIntl both agree, subject to Court approval.
- 7.43 After the Effective Date, SLIntl may, in certain limited circumstances and subject to the Court's approval, vary the terms of the Scheme. Any such application from SLIntl would require the CBI to be notified and could require a fresh report from an Independent Actuary.
- 7.44 Upon the Scheme becoming effective, there will be some changes to the MSAs. The SLIntl MSA will be expanded to include any additional group support services identified as being needed by the enlarged business, such as finance, HR, investment management, and legal services. The PLAE MSA will novate to SLIntl but will exclude any support services that will move to be provided under the SLIntl MSA. Thus, the PLAE MSA will cover all policy administration services including outsourced services. The fees payable under the PLAE MSA will be reduced to a level commensurate with the remaining services provided to SLIntl under the agreement.

Policyholder communications

- 7.45 A publication giving notice of the proposed Scheme and details of the Sanctions Hearing will be made in the following channels:
- Iris Oifigiúil (the official gazette of the government of Ireland). This is required under Section 13 of the 1909 Act.
 - In a range of Irish and international newspapers.
 - in each EEA Member State which is a Member State of the commitment (in accordance with the law of each EEA Member State). This is a requirement under the Solvency II Regulations that apply to all insurance companies in Europe (see paragraphs 7.24 to 7.27 above for further details).
- 7.46 Section 13 of the 1909 Act requires that, unless the Court otherwise directs, certain materials must be sent to each policyholder of both PLAE and SLIntl. These materials include a Policyholder Circular with information on the transfer together with a statement of the nature of the transfer, an abstract summarising the main terms of the proposed Scheme, and the Independent Actuary's Report. Accordingly, it is open to the Companies to ask the Court for a derogation from various aspects of those requirements.
- 7.47 In summary, PLAE intends to send a communications pack to the Transferring Policyholders (the "**Policyholder Circular**", or "**Circular**") which in broad terms explains the Scheme and includes a summary of the Independent Actuary's report (and not the full Independent Actuary's report as required under the 1909 Act). I have reviewed a draft of this Policyholder Circular. I have also reviewed a draft document containing a list of frequently asked questions ("**FAQ document**") which will be included with the Policyholder Circular. The Circular also draws attention to additional documentation and reports (the "**Transfer Documentation**") that are available on request.
- 7.48 These documents (Policyholder Circular, the Scheme) as well as a copy of this Report and reports by each of the HoAFs on the proposed Scheme (the "**Transfer Documentation**") will be available to review via the Companies' websites.
- 7.49 Policyholders can alternatively email, telephone a helpline number, write, or submit a web query to request a hard copy of any parts of the Transfer Documentation.
- 7.50 The Transfer Documentation will also be available for inspection by any interested parties at the respective registered offices of the Companies in Ireland.

- 7.51 I understand that the Companies intend to ask the Court for permission to modify and waive some of the communication requirements set by law, as follows:
- That the Circular only be sent to the Transferring Policyholders, rather than to all policyholders in both Companies.
 - That a summary of this Report (and not this Report in full) is included in the Circular sent to policyholders.
 - It will not be possible or practical to notify Transferring Policyholders of the Scheme if PLAE does not have accurate or complete contact details for those Transferring Policyholders. This includes Transferring Policyholders that have failed to notify PLAE of a change of address or who have provided incomplete address information (“**Gone Away Policyholders**”). It also includes a number of Transferring Policyholders that are paid out to the National Treasury Management Agency in Ireland which manages the Dormant Accounts Fund, established under the Dormant Accounts Act 2001 in accordance with the Unclaimed Life Assurance Policies Act 2003 (“**Dormant Policyholders**”).
 - As a result, the Transferor will only send a Communication Pack to those Transferring Policyholders for whom the Transferor holds contact details for in its electronic databases.
 - If the Court agrees the existing (pre-Effective Date) policyholders of SLIntl will not receive the Circular.
- 7.52 The Companies will publish notice of the Scheme in various Irish national newspapers and the International Edition of the Financial Times and place a notification on their websites to try to make Transferring Policyholders and other interested parties that are not notified directly aware of the Scheme.
- 7.53 The Companies’ principal arguments for not automatically sending the Circular to SLIntl’s Existing Policyholders are as follows:
- That neither the security of benefits nor the fair treatment and reasonable expectations of those policyholders who will not be transferring as part of the proposed transfer will be materially adversely affected by the proposed Scheme and that, therefore, sending them the Circular risks causing them unnecessary concern or confusion.
 - The proposed Scheme does not have any impact on the terms and conditions, or the administration arrangements relevant to any policy that is not forming part of the proposed transfer.
 - The relative small size of PLAE when compared with SLIntl means the Scheme will have a proportionally small impact on SLIntl, and being required to communicate with over 500,000 policyholders in SLIntl who will not be transferring would result in a cost and disruption that would be disproportionate to the impact on them under the Scheme.
 - Those policyholders who are not transferring as part of the proposed transfer will be made aware of the proposed Scheme through website updates and press advertisements (widely in Ireland and including the International Edition of the Financial Times) and will be able to contact the Companies for further information if necessary and access the Transfer Documentation on the Companies’ websites.
 - SLIntl (and PLAE) customers may request a hard copy of Transfer Documentation by contacting customer support helpline, by webform, or by letter.
- 7.54 The proposed communication plan, as summarised above, is subject to any amendment directed by the Court.

8 APPROACH TO ASSESSING THE PROPOSED SCHEME

Introduction

8.1 In this section I explain the approach I have adopted in assessing the impact of the proposed Scheme on the policyholders of PLAE and SLIntl.

Context of assessment

8.2 My assessment is conducted within the context of the proposed Scheme, and only the proposed Scheme, and considers its likely effects on the Transferring Policyholders, and SLIntl's Existing Policyholders. It is not within my remit to consider possible alternative schemes or to form a view as to whether or not this is the best possible scheme.

8.3 My assessment of the impact of the implementation of the proposed Scheme on the various affected policies is ultimately a matter of expert judgement regarding the likelihood and impact of future possible events. Given the inherent uncertainty over the outcome of such future events and that the effects may differ across different groups of policies, it is not possible to be certain of the effect on the policies.

8.4 A scheme may have both positive and negative effects on a group of policies and the existence of detrimental effects should not necessarily imply that the Court should reject a scheme as the positive effects may outweigh the negative effects or the negative effects may be very small.

8.5 In order to acknowledge this inherent uncertainty, and to be consistent with normal practice in these matters, the conclusions of the Independent Actuary in relation to transfers of long-term insurance business are usually framed using a materiality threshold. If the potential impact under consideration is very unlikely to happen and does not have a significant impact or is likely to happen but has a very small impact, then it is not considered to have a material effect on the policies.

8.6 The assessment of materiality will also take into account the nature of the potential impact so that, for example, the materiality threshold for a change that could have a direct financial impact on policyholders' benefits is likely to be lower than the materiality threshold for a change that does not have a direct financial impact.

Principles of assessment

8.7 I consider the conditions to be met by the proposed Scheme to be:

- that the security of policyholders' benefits will not be materially adversely affected;
- that the proposed Scheme treats policyholders fairly and will not materially adversely affect their reasonable expectations; and
- that the standards of administration, service, management and governance that will apply to any of these groups of policyholders will not be materially adversely affected.

8.8 In sections 9 and 10, I assess the proposed Scheme in the context of security of policyholders' benefits, fair treatment and policyholders' reasonable expectations. In addition, I have considered the impact of other miscellaneous aspects of the proposed Scheme as set out below. I do not believe that there are any other matters that I have not taken into account that might be relevant to my assessment of the proposed Scheme.

8.9 In my view, the principal factors to be considered in assessing the security of policyholders' benefits in the context of the proposed Scheme are:

- the two Companies' respective solvency positions (both at present and projected into the future).

- their respective risk profiles and approaches to risk management.
 - their capital management policies.
 - business model sustainability.
 - options available in recovery and resolution situations.
 - the extent of parental support available.
- 8.10 The principal factors I consider relevant to an assessment of fair treatment and policyholders' reasonable expectations in the context of the proposed Scheme are its implications for:
- policyholders' contractual obligations.
 - the tax treatment of policyholders' premiums and/or benefits.
 - areas where the Companies may exercise discretion in relation to the fulfilment of their contracts with their policyholders.
 - levels of customer service to policyholders.
- 8.11 The arrangements regarding the costs of the proposed Scheme and the proposed approach to policyholder communications are also relevant factors to be considered.

Policyholder groupings

- 8.12 I consider the implications of the proposed Scheme separately for the following groups:
- Policyholders transferring from PLAE (referred to as the Transferring Policyholders).
 - Existing (pre-Effective Date) policyholders in SLIntl (referred to as SLIntl Existing Policyholders).
- 8.13 I don't consider any additional groups are necessary for consideration. However, I have assessed the impact of the proposed Scheme on subgroups (e.g. by product type, or country of issue) within each of the groups defined above.

Assumptions made when assessing the proposed Scheme

- 8.14 When considering the implications of the proposed Scheme, I need to make certain assumptions about how the Companies will run their respective businesses.
- 8.15 The assumptions I have made include:
- All the policyholders of PLAE will transfer to SLIntl.
 - All liabilities associated with the Transferring Policies will transfer from PLAE to SLIntl.
 - The assets (or equivalent value of assets represented by reinsurance treaties) supporting the investments in the unit-linked funds by the Transferring Policies will transfer from PLAE to SLIntl (or to such third parties as nominated by SLIntl, in accordance with the proposed Scheme).
 - The assets underlying the with-profits policies of the Transferring policies are reinsurance treaties, and these will be novated from PLAE to SLIntl.
 - The assets transferred under the Scheme on the Effective Date will have a similar solvency impact on SLIntl as presented in this Report.

- The day-to-day administration of the Transferring Policies will continue with the same service providers in the same way post-transfer to SLIntl, however SLIntl will replace PLAE as the contracting party.
- SLIntl will continue to follow the business strategy as articulated in its most recent ORSA.
- If the Scheme is approved, PLAE will apply for deauthorisation and once revoked it will return its licence to CBI and liquidate in due course.

8.16 My assumptions are based on my understanding of the issues in question and have been shared with the Companies' respective senior management teams for confirmation. I believe, therefore, that it is reasonable to make the assumptions I have made when assessing the implications of the proposed Scheme. However, if any of these assumptions were to be invalid, then my assessment of and conclusions on the proposed Scheme may need to be revised.

9 ASSESSMENT OF THE PROPOSED SCHEME: SECURITY OF BENEFITS

Introduction

- 9.1 In this section, I set out my assessment of the proposed Scheme in so far as it may affect the security of policyholders' benefits.
- 9.2 In assessing the implications of the proposed Scheme on the security of benefits for the various groups of policyholders, I have considered a number of factors including the risk profiles of the two Companies and the outlook for their respective current and future solvency development (including consideration of their business plans).
- 9.3 The security of policyholders' benefits is provided by the amount by which an insurer's assets exceed its liabilities. In addition, the regulatory regime for Irish insurers requires that this excess of assets over liabilities must in turn exceed a prescribed minimum level (which is calculated taking account of the risks to which the insurer is exposed), thus providing a minimum level of security (see Section 3 for more details on the solvency regime for life insurance companies in Ireland).
- 9.4 The principal issue with regard to security of benefits, therefore, is whether or not the transferee company (i.e. SLIntl) will have adequate financial resources following the completion of the proposed Scheme and whether this is likely to remain the case over time. This assessment must also have regard to the corresponding situation which would pertain should the proposed Scheme not proceed.
- 9.5 In my view, the relevant factors to be considered are:
- the two Companies' respective solvency positions (both current and projected).
 - their respective risk profiles and approaches to risk management.
 - their capital management policies.
 - business model sustainability.
 - options available in recovery and resolution situations.
 - the extent of parental support available.
- 9.6 At a high level, the two Companies share many similarities, which makes the assessment of the implications for the Transferring Policyholders more straightforward than might otherwise be the case and also helps to focus on the areas of difference (which are of particular importance to the Transferring Policyholders). The points of similarity include:
- Both are domiciled in Ireland and subject to the same regulations and the same supervisory regime.
 - Both have a common shareholder – Phoenix Group – which ultimately owns 100% of PLAE and SLIntl.
 - Both are currently authorised to write with-profits, unit-linked and non-linked protection business in the Irish market (amongst other markets).
 - Both have policyholders in Ireland and Germany.
 - Both have reasonably similar overall risk profiles (initially, and over the business planning horizon), though SLIntl is materially larger than PLAE.
 - Both have similar capital management approaches as both are subject to the overall capital management approach of the Phoenix Group.

- Both employ similar risk management tools and techniques, including reliance on reinsurance as a risk mitigant.
- Both companies use the same service providers for policy administration, claims management and investment management services (i.e. using group services companies and external service providers, which currently provide these services to PLAE and SLIntl).

9.7 There are also some differences, however, including (but not limited to):

- PLAE is a recently authorised life insurance entity, commencing with the transfer of all the inforce business into PLAE on 1 January 2023, whereas SLIntl is already very well-established in the Irish and other European markets.
- SLIntl currently has business on a Freedom of Establishment (branch) basis in Germany, whereas PLAE has business on a Freedom to Provide Services (cross-border) basis in Germany. If the proposed Scheme is approved, the treatment of existing policies will not change, and SLIntl will have a mix of German business on both a branch and cross-border basis.
- SLIntl is of a much larger scale than PLAE.
- SLIntl currently has much more complexity within its portfolio of in-force business.
- SLIntl is open to new business, whereas PLAE is closed to new business.
- PLAE has policyholders that were issued policies in different jurisdictions outside Ireland and Germany (namely Iceland, Norway, Sweden). SLIntl has policyholders that were issued policies in the UK and Austria (in addition to Ireland and Germany).

Solvency

9.8 The solvency position of the two Companies is discussed in sections 5 and 6. In particular, the position that is examined includes the recent solvency position of each Company.

9.9 I note that, as at both 31 December 2022 and 31 December 2023, both Companies had available capital resources in excess of both the regulatory minimum (100% of SCR) and their respective target levels as per their respective capital management policies (see below).

9.10 As explained in section 3, the solvency position is a function of both the available capital resources (i.e., the eligible own funds) and the calculated capital requirement (i.e. the SCR). Therefore, both items must be correctly and appropriately calculated for the reported solvency coverage position to be reliable.

- The eligible own funds derive from the surplus of assets over liabilities measured on a Solvency II basis. To the extent that the assets and/or liabilities are misstated, the eligible own funds may be misstated. I note that the Solvency II balance sheet is audited, and I further note that the technical provisions (which form part of the overall liabilities) are certified by the HoAF on an annual basis.
- I have also reviewed the report on the technical provisions produced by both the HoAF of SLIntl and the HoAF of PLAE in respect of 31 December 2023 and the corresponding information that has been provided to me in respect of 31 December 2022 and I am satisfied that the approaches adopted appear reasonable.
- PLAE uses the Standard Formula in the calculation of the SCR. Under Solvency II (as enacted in Ireland), the SCR result presented in the published SFCR each year is audited by external auditors. I have relied on the work of the auditors in this regard. In addition, I reviewed PLAE's SCR as at 31

December 2022 and 31 December 2023 for reasonableness based on my knowledge of the business and of the operation of the Standard Formula.

- The calculation of the SCR using an Internal Model is a complex calculation. SLIntl uses a Partial Internal Model in the calculation of the SCR and, under Solvency II (as enacted in Ireland), this is not audited by external auditors. The SLIntl internal model is referred to as a Partial Internal Model (as defined under Solvency II) as it calculates some of the stresses (submodules) within the SCR using the Standard Formula approach but has regulatory approval to calculate some of the stresses (submodules) using adjusted methodologies and stress calibrations based on internal data of the Company. The capital calculation model is maintained by the Phoenix Group for all the life subsidiaries within the Phoenix Group that are within the scope of the internal model submodules, however the calculation of the reported SCR remains the responsibility of SLIntl.

Impact of the proposed Scheme on solvency

- 9.11 If the Scheme is approved, the solvency position of SLIntl will change reflecting (1) the increase in assets arising from the transferred assets under the Scheme, (2) the increase in the liabilities (including technical provisions) arising from the Transferring Policies, and (3) an increase in the solvency capital requirement (measured as the SCR) arising from the enlarged balance sheet.
- 9.12 The Effective Date of the Scheme is proposed as 1 January 2025. To illustrate the impact of the Scheme on the solvency position of SLIntl, the table below shows a pro-forma presentation using the financial position at 31 December 2023 (effectively 1 January 2024). The impact at 1 January 2025 is expected to be relatively similar to that illustrated below.

SLIntl pro-forma if the Scheme is approved

SLIntl Pro Forma 31/12/2023	SLIntl Pre- Transfer €m	Transfer from PLAE €m	Adjustments / Diversification €m	SLIntl Post- Transfer €m
Assets excl. Reins Recoverables	18,828	488	-6	19,310
Current assets	231	99		330
Reinsurance Recoverables	12,838	432		13,270
Subtotal - Assets	31,897	1,019	-6	32,910
BEL gross of reinsurance	30,598	918	-66	31,450
Other liabilities	438	108		546
Risk Margin	171	36	-12	195
Subtotal - Liabilities	31,207	1,063	-78	32,191
Basic Own Funds (Assets less Liabilities)	690	-43	72	719
Ancillary Own Funds	55			55
Eligible Own Funds	745	-43	72	774
SCR	383	61	-24	420
Eligible Own Funds / SCR cover (%)	194%			184%

Source: SLIntl HoAF Report on the Scheme

- 9.13 The table above shows (if the proposed Scheme was effective at 1 January 2024) that the Eligible Own Funds in SLIntl would have increased by €29m (i.e. from €745m to €774m). The table also shows the SCR would have increased by €37m (from €383m to €420m), and the solvency ratio would have changed from

194% to 184%. Both of these solvency ratios are above the target capital buffers used by SLIntl in their day-to-day management of the company.

9.14 The “adjustments / diversification” column in the table above shows the main financial aspects of the transfer that impact on solvency.

9.15 These are:

- The total assets in SLIntl increase by just over €1 billion reflecting the assets transferred from PLAE under the proposed Scheme. The assets transferred relate to an uplift on the value of the liabilities accepted by SLIntl (as explained in paragraphs 7.18 to 7.20 above).
- The total liabilities in SLIntl increase by just over €1 billion, but the increase is marginally less than the value of the liabilities in PLAE before the transfer. This mainly reflects the expected future synergies and efficiencies (in terms of expenses and required capital) achieved by administering and managing the Transferred Policies in the larger infrastructure within SLIntl.
- Own Funds in SLIntl increase by €29m, which is approximately a 4% increase in Own Funds (whereas the increase in total liabilities is approximately 3%). This shows the proposed Scheme is expected to have a positive impact on the SLIntl balance sheet.
- The increase in the SCR in SLIntl (i.e. €37m) is €24m lower than the SCR held in PLAE immediately before the transfer (i.e. €61m). This reduction is due to the diversification benefit of merging the PLAE risks with the SLIntl risks in the quantification and measurement of the SCR as set by the Solvency II rules.

9.16 Although the assessment immediately above shows the solvency coverage ratio of SLIntl decreases slightly as a result of the proposed Scheme (falling from 194% to 184%), this does not materially impact the financial security for policyholders given its overall financial position. SLIntl is not obliged to hold Own Funds at this level of solvency coverage ratio and could reduce Own Funds (and the solvency coverage ratio) by (for example) paying dividends to its shareholder, subject to the levels set in its capital management policy.

9.17 In assessing the security of policyholder benefits, given the continued strength of the balance sheet post-transfer (as the excess of Own Funds above the SCR remains above the target capital buffers set by SLIntl), and the SLIntl's capital management policy, the proposed Scheme does not have a material adverse impact on the security of policyholder benefits.

9.18 The combined SCR in SLIntl is marginally lower (by €24m) than the sum of the SCR in PLAE and SLIntl immediately before the transfer, but this does not reflect a material adverse impact for policyholder security as the marginally lower SCR is due to the diversification benefit of merging the PLAE risks with the SLIntl risks. In addition, the assessment shows there are financial efficiencies achieved by merging the business of PLAE into SLIntl.

9.19 Now turning to PLAE, the table below shows a pro-forma presentation using the financial position at 31 December 2023 (effectively 1 January 2024). The expected impact at 1 January 2025 is expected to be relatively similar to that illustrated below.

PLAE pro-forma if the Scheme is approved

PLAE Pro Forma 31/12/2023	PLAE Pre- Transfer €m	Transfer to SLIntl €m	Adjustments / Diversification €m	PLAE Post- Transfer €m
Assets excl. Reins Recoverables	651	-488	-2	160
Current assets	99	-99		0
Reinsurance Recoverables	432	-432		0
Subtotal - Assets	1,182	-1,019	-2	160
BEL gross of reinsurance	-918	918		0
Other liabilities	-108	108		0
Risk Margin	-36	36		0
Subtotal - Liabilities	-1,063	1,063	0	0
Basic Own Funds (Assets less Liabilities)	119	43	-2	160
Ancillary Own Funds	-	-		-
Eligible Own Funds	119	43	-2	160
SCR	61	-61	4	4
Eligible Own Funds / SCR cover (%)	196%			4,335%

Source: PLAE HoAF Report on the Scheme

- 9.20 The position for PLAE, if the Scheme is approved, shows a positive residual level of Own Funds and zero technical provisions. It shows the level of Own Funds would increase (by €41m) to €160m if the Scheme is approved. This reflects the lower cost of liabilities for Transferring Policyholders within the larger SLIntl balance sheet, but offset by the additional uplift on the value of the liabilities paid by PLAE to SLIntl (as explained in paragraphs 7.18 to 7.20 above).
- 9.21 The SCR would fall to the monetary minimum set by Solvency II as long as PLAE remains as an authorised insurance company.
- 9.22 The pro-forma table above also shows the residual assets in PLAE would be €160m which is planned to ultimately be returned to the shareholder once the CBI agrees to revoke PLAE's authorisation as an insurance company.

Impact of the proposed Scheme on future solvency

- 9.23 A further consideration in assessing the security of policyholder benefits is the expected position in the future for the Companies. This can be assessed by considering financial projections (and stresses and scenarios within these projections) for each Company in their current form, and then considering the combined position should the Scheme be approved.
- 9.24 Both Companies prepared an ORSA in 2023 (as explained in paragraphs 5.49 to 5.53 for PLAE, and paragraphs 6.18 to 6.23 for SLIntl, respectively). The ORSA is an internal confidential document discussed at Board level as a component of the risk management system of each the Companies. The most recent ORSA documents of both Companies were shared with me in the preparation of this Report.
- 9.25 I have reviewed confidential documents (specifically the ORSA and Annual Operating Plan) and have confirmed the projected position for both Companies (into 2024 and beyond) shows that both are expected to have available capital resources in excess of both the regulatory minimum and the target level as per their respective capital management policies for the foreseeable future (i.e. five years as used as the business planning horizon for the Companies).

- 9.26 In addition, scenario and stress testing projections carried out by both Companies in the context of their ORSAs, indicate that the two companies are expected to maintain adequate solvency levels (in excess of the target levels specified in their capital management policies) over the projection period of the range of additional stresses and scenarios tested.
- 9.27 The liabilities of the Transferring Policyholders under the proposed Scheme represent approximately 3% of the liabilities of SLIntl. Both SLIntl and PLAE have similar usage of internal reinsurance (albeit at different volumes given SLIntl is materially larger than PLAE). SLIntl did not include financial projections of the combined balance sheet (should the proposed Scheme be approved) in its 2023 ORSA given the small relative size of the business accepted under the Scheme. However, I am satisfied the impact of the proposed Scheme can be assessed by considering the most recent ORSAs of the Companies, and the pro-forma impact assessment of the Scheme presented above. I am satisfied the proposed Scheme does not materially impact the expected future solvency development of SLIntl. If the proposed Scheme is approved, the financial position of PLAE (in terms of Own Funds) is expected to improve.
- 9.28 Whilst examination of the impact of the Scheme on the solvency position (both at transfer and in the future) is helpful, it does not, in my view, provide the full picture necessary for an evaluation of the security of policyholders' benefits. In my view, it is also necessary to review and consider the other items listed in 9.5 above.

Risk profiles and risk management

- 9.29 In my view, any consideration of the respective future solvency positions needs to include an assessment of the extent to which the projected future development of the Companies' solvency positions could vary as a result of differences in the Companies' risk profiles and approach to risk management. Comparison of the Companies' respective risk profiles is also an important consideration when examining the impact on the Transferring Policyholders of moving from a company with one particular risk profile to a company with a different risk profile.
- 9.30 The makeup of each company's SCR provides a reasonably good indication of many of the risks to which the Companies are exposed, and the extent of their exposure. In sections 5 and 6, I summarise the key risks for both PLAE and SLIntl, based on the composition of the SCR and commentary from their respective ORSA reports. In summary, the two companies are exposed to broadly similar types of risk.
- 9.31 Both companies adopt very similar approaches in terms of risk management policies, frameworks, oversight and governance (as is to be expected as they are both subject to the same regulatory and supervisory regime in this regard).
- 9.32 In terms of risk mitigants, both companies make substantial use of reinsurance, particularly to other Phoenix Group companies. These reinsurance arrangements change the nature of the risk exposure on the business in question, in that some of the underlying risks associated with the business (e.g. longevity risk on annuities, mortality risk, investment risk relating to guarantees on with-profits) are substantially replaced with counterparty default risk i.e. the risk that the reinsurer defaults on its obligations (noting this is mostly another Phoenix Group company, namely PLL or RLL). In the case of both of the Companies, this risk is, in turn, mitigated through capital requirements (within the SCR calculation), charges on assets within the reinsurer or other mechanisms.
- 9.33 All Transferred Reinsurance Agreements listed in Schedule 2 of the Scheme shall be novated under various novation agreements, on the Effective Date, in accordance with the terms and conditions of the novation agreements. This gives continuity to the arrangements if the proposed Scheme is approved.
- 9.34 PLAE has expense risk that relates to its material fixed cost overhead (in terms of expenses) and a declining inforce portfolio of insurance policies with consequent declining profit margins emerging over the

longer term. By merging the PLAE business into the larger SLIntl balance sheet and infrastructure, this expense risk is ultimately reduced for the Transferring Policies. However, the Transferring Policies will be exposed to a new risk by transferring into a company that is open to new business with the risks of new business and its impact to ongoing financial security.

Capital management policies

- 9.35 In my view, the Companies' capital management policies are a very important aspect of the assessment of financial strength and security as ultimately any excess capital resources above the level specified in each capital management policy may be transferred out of each company. That specified level of coverage should therefore, in my view, form the basis for assessing the Companies' financial strength.
- 9.36 In addition, the possible need for future capital support should any shortfall arise in capital resources above the level specified in each capital management policy is relevant. Here the Companies would both likely have a primary reliance on the Phoenix Group for any new capital support.
- 9.37 The two companies' capital management policies are summarised in sections 5 and 6. They are both similar in terms of the level of capital buffer (in percentage terms) the Companies must hold in excess of the regulatory minimum requirement of 100% of the SCR (or MCR of greater).
- 9.38 As the SCR is intended to represent the amount required to ensure that an insurer's assets continue to exceed its liabilities over a one-year time frame with a probability of 99.5%, by maintaining capital resources at a significantly higher level than 100% of SCR, the Companies are both reducing the probability of having insufficient assets to meet liabilities to less than 0.5% over that timeframe.
- 9.39 Both companies aim to hold similar levels of explicit capital buffers in excess of regulatory requirements. I have reviewed the basis on which these buffers have been calculated and am satisfied that it is reasonable, and that the levels of capital buffers seek to give comparable probabilities that either PLAE or SLIntl breach the SCR requirement.
- 9.40 Having examined the Companies' respective capital management policies (particularly with the Transferring Policyholders in mind), I am satisfied that SLIntl's policy is comparable to PLAE's in terms of the protection that it affords to policyholders.

Business model sustainability

- 9.41 In assessing the security of policyholders' benefits, I believe it is also necessary to give due consideration to the sustainability of the Companies' business models.
- 9.42 The UK's exit from the European Union (Brexit) effectively necessitated EU insurance business being administered in the EU. PLAE was established in Ireland as a result of this requirement. PLAE is closed to new business and will reduce in scale over time as the number of policyholders and inforce insurance business declines. Ultimately this gives increasing inefficiency (and increased costs) as there are material fixed costs associated with running and maintaining a life insurance entity. The sustainability of PLAE ultimately depends on addressing this inefficiency.
- 9.43 The proposed transfer addresses the expected long-term inefficiency in PLAE's business model in run-off. The Transferring Policies will be integrated into a larger, well-established entity (SLIntl) that is open to new business provides more long-term certainty of the future of their provider, and better economies of scale to support ongoing provision of services, under the oversight of a single management team focussed across the interests of all the group's non-UK European operations.

Recovery and resolution options

- 9.44 Under Solvency II, insurers are required to develop a recovery plan within two months if they breach their SCR (capital requirement). A breach of SCR is an exceptional event as to do so suggests the solvency and financial security of the company could be under threat. The recovery plan must clearly show how the company would reestablish sufficient Own Funds to cover the SCR requirement within a set timeframe.
- 9.45 In addition, under published CBI guidance, Irish insurers are required to develop pre-emptive recovery plans as an additional risk mitigant within the overall risk management system. These are aimed at ensuring that insurers have a good understanding of the circumstances that could adversely affect their business to the extent that it becomes necessary to implement a recovery plan, as well as the options available in those situations. These are confidential internal documents.
- 9.46 Both companies' pre-emptive recovery plans include analysis of various scenarios that may result in a recovery situation and the options available to each entity. Both include a reliance on the Phoenix Group as the ultimate shareholder. Both Companies are regulated in Ireland, so they have the same regulatory environment and requirements (in terms of any recovery situation). Overall, the proposed Scheme does not materially impact the recovery options available or the effect of any recovery plans.
- 9.47 Insurance company resolution refers to the actions to be taken (by the supervisory authorities) in situations where recovery plans have failed, and all recovery options have been exhausted. In terms of resolution, the options available to both firms are the same.

Parental support

- 9.48 PLAE and SLIntl are capitalised and managed to be self-sufficient on a standalone basis, without needing recourse to their parent company (except potentially to fund agreed acquisitions or other similar transactions). Nevertheless, both Companies benefit from the continued support of their respective parent undertakings, in particular through potential access to capital if required (noting that, in both cases, such capital support may or may not actually be forthcoming depending on the circumstances).
- 9.49 Both PLAE and SLIntl rely on internal reinsurance with PLL and RLL, and these in turn also rely on the Phoenix Group for overall support in their ongoing management and operation. These reliances are interconnected – any risks arising from the reliance of the Companies on PLL and RLL are supported by the Phoenix Group, and any risks to PLL and RLL (that would lead to consequences to the Companies) are supported by the Phoenix Group.
- 9.50 In my view the proposed transfer will not change the nature, character or likelihood of parental support available to either group of policyholders.

Consideration of different groups of policyholders

- 9.51 As noted in paragraph 8.12, it is necessary to consider the position separately for each relevant group of policyholders. In the following paragraphs I set out my analysis of the implications of the proposed Scheme for:
- the Transferring Policyholders.
 - SLIntl's Existing Policyholders.
- 9.52 Based on my assessment of the outlook for the solvency position of the two Companies, together with my assessment of the Companies' respective risk profiles and capital management policies, my views on the implications of the transfer for the security of benefits of each of these categories of policyholders are set out below.

THE TRANSFERRING POLICYHOLDERS

Solvency

- 9.53 The solvency position of SLIntl following the transfer is assessed in paragraphs 9.11 to 9.16 above. This shows the Transferring Policyholders will become part of a larger life insurance company which has a solvency position comfortably above the minimum requirement for authorised life companies.
- 9.54 Following the transfer there will be no long-term business remaining in PLAE. However, under the Scheme it is possible that some residual policies may (for technical reasons) be unable to be transferred on the Effective Date, and these policies would be 100% reinsured (assumed for a limited time) from PLAE to SLIntl. The current expectation is that this clause will be unnecessary and unlikely to be invoked.
- 9.55 Immediately following the Effective Date, PLAE would still retain approximately €160m of non-transferred assets which is more than adequate to meet any (unexpected but theoretically possible) non-transferred short-term policyholder liabilities. The PLAE capital requirements would reduce to the minimum level required under Solvency II for an authorised insurer, and the remaining assets cover this with a comfortable margin.

Risk profile

- 9.56 The Transferring Policyholders will be moving from an insurer within which the main risks (as measured by the SCR) are currently longevity risk and expense risk, to one with exposure to a similar range of risks but also including lapse risk, equity risk and a higher level of counterparty default risk (relative to PLAE). However, the Transferring Policies will benefit from the risk diversification¹⁰ effect of having a larger portfolio of insurance business with a wider range of associated risk exposures.
- 9.57 PLAE is closed to new business (i.e. is in run-off) whereas SLIntl is open to new business and issuing new policies. PLAE therefore has an increasing expense risk over time (representing the fixed component of the expense base), whereas within SLIntl the issuing of new business brings continuing economies of scale over time as new business policies replace surrenders, maturities, claims and exiting policies.
- 9.58 PLAE currently has longevity risk relating to the risk annuitants live longer than expected. PLAE does not use external reinsurance to mitigate this risk. However, external reinsurance is available on the commercial market and could be purchased for a premium. SLIntl has similar risks but currently mitigates this risk (somewhat) using internal reinsurance to Phoenix Re (noting this option would also be available to PLAE as a Phoenix Group company). Overall, the Transferring Policies will continue to have exposure to longevity risk relating to the risk annuitants live longer than expected, but the proportional exposure will reduce in the larger balance sheet of SLIntl.

Risk management

- 9.59 The Transferring Policies will move from a smaller scale of risk management infrastructure appropriate in the smaller PLAE business (which is in run-off) to the larger and more sophisticated risk management infrastructure of the materially larger SLIntl business. Overall, this is not expected to have any adverse impact on the effectiveness of the risk management system as applied to the Transferring Policies.
- 9.60 In addition, the business knowledge of the personnel tasked with managing and running PLAE will be retained as some of the personnel will continue to work with the Phoenix Group and where roles are

¹⁰ "Diversification" refers to a situation where an insurer is exposed to a number of unrelated/unconnected risks, which means that they are less likely to be materially affected by the manifestation of any single risk. By contrast, an insurer with a small number of risks is more likely to be materially affected by the manifestation of a single risk, all other things being equal. The "diversification benefit" is an adjustment to allow for this issue.

merged, there will be a handover of duties and knowledge as part of the “on-boarding” project of PLAE into SLIntl.

- 9.61 Having reviewed the relevant documentation provided to me, and based on my experience of insurance risk management, I am satisfied that both companies’ risk profiles and risk management frameworks are sufficiently similar as to give no cause for concern that there is any material impact on the security of benefits of the Transferring Policyholders.

Capital management policy

- 9.62 No material changes anticipated as both PLAE and SLIntl are within the Phoenix Group and both Companies set their capital management policy within the context of the same overall Phoenix Group approach to capital management for all its subsidiaries.

Business model sustainability

- 9.63 The Transferring Policyholders will move from PLAE in run-off. PLAE would always need a plan to address the long-term expense challenge of covering the fixed overhead of a life company as the inforce policy count reduces. Transferring to a life company that is open to new business (and/or is at a scale that is materially larger than PLAE) addresses this expense risk and business model sustainability.

Recovery and resolution options

- 9.64 The Transferring Policyholders remain within the Phoenix Group and both PLAE and SLIntl are authorised and established in Ireland, so the position for the Transferring Policyholders is not adversely impacted.

Parental support

- 9.65 The Transferring Policyholders remain within the Phoenix Group, so the overall position in regard to parental support for the Transferring Policyholders is not adversely impacted.
- 9.66 The Non-Profit Fund within SLIntl has no recourse to the WPFs of SLIntl (for example should the Non-Profit Fund require support). The WPFs of SLIntl could in theory require support from the SLIntl Non-Profit Fund (for example if the WPF reinsurance was to default). If the Scheme is approved, the change in this remote risk within SLIntl is trivial given the small relative size of the new WPFs transferring from PLAE relative to the existing overall size of SLIntl.
- 9.67 RAL is the immediate parent of PLAE, (which in turn is owned by the Phoenix Group holding company), whereas SLIntl’s immediate parent is the Phoenix Group holding company. For practical purposes, this means any required capital support of the shareholder to either PLAE or SLIntl would be routed via different subsidiaries within the Phoenix Group. But given the overall capital management approach with the Phoenix Group, this means access to parental support is broadly similar for both Companies.

SLINTL’S EXISTING POLICYHOLDERS

Solvency

- 9.68 The solvency position of SLIntl following the transfer is assessed in paragraphs 9.11 to 9.28 above. SLIntl’s pro-forma solvency coverage ratio as at 31 December 2023 (capturing the impact of the proposed transfer) would be 184%, which is well in excess of the regulatory required minimum solvency cover and above the targets set by SLIntl’s capital management policy.
- 9.69 Based on the projections prepared for SLIntl’s most recent ORSA (in 2023), its projected solvency development over the coming years is expected to remain strong (and higher than the level required under the company’s capital management policy). PLAE’s most recent ORSA (in 2023) shows a similar pattern of positive solvency development (albeit at a lower monetary level given the relative sizes of the two

companies). Therefore, if the Scheme is approved, the outlook for SLIntl's solvency position is not materially impacted by the Transferring Policies.

Risk profile

- 9.70 I have examined a pro-forma calculation of the SCR of SLIntl should the Scheme be approved (as at 31 December 2023). This shows an increase in longevity risk in SLIntl, whereby the undiversified position post-transfer is equal to the sum of the two modules pre-transfer in PLAE and SLIntl, but the marginal impact on the total SCR is lower due to the impact of diversification.
- 9.71 The components of the pro-forma SCR show that the risk profile of SLIntl is not materially changed following the transfer, largely due to the small size of the transferred business in comparison to the size of the existing business.

Risk management

- 9.72 The small scale of PLAE relative to SLIntl means the existing risk management approach and framework of SLIntl is not materially impacted by the Scheme.
- 9.73 Having reviewed the relevant documentation provided to me, and based on my experience of insurance risk management, I am satisfied that both companies' risk profiles and risk management frameworks are sufficiently similar as to give no cause for concern that there is any material impact on the security of benefits of SLIntl's Existing Policyholders.

Capital management policy

- 9.74 Overall, the pro-forma presentation (included in paragraph 9.12) shows that after the implementation of the Scheme, the reported solvency position of SLIntl will lead to a decrease (in monetary amount) of Own Funds over the SCR. However, the solvency ratio will still remain well above that required by the SLIntl capital policy.
- 9.75 Based on the analysis of the position of SLIntl after implementation of the Scheme, SLIntl would have met the levels implied by the SLIntl capital policy. Whilst the proposed Scheme will decrease the solvency surplus in excess of the SLIntl capital policy, a surplus would still remain. However, little reliance or benefit can be placed on this additional surplus in terms of improving the security of policyholders, since subject to the dividend policy and its associated governance, any surplus in excess of the SLIntl capital policy may be paid up to the shareholder.
- 9.76 The SLIntl annual ORSA process is used to assess and manage the solvency needs of SLIntl under relevant stress scenarios. Due to the relatively small contribution from PLAE business to the SLIntl overall risk profile, there is no reason to expect that SLIntl would have materially different solvency needs under these relevant stress scenarios as a result of the Scheme.

Business model sustainability

- 9.77 The small scale of PLAE relative to SLIntl has no material impact on the sustainability of SLIntl's business model and the SLIntl Existing Policyholders.

Recovery and resolution options

- 9.78 The small scale of PLAE relative to SLIntl has no material impact on the recovery and resolution options available to SLIntl.

Parental support

- 9.79 SLIntl's immediate parent is the Phoenix Group holding company. The addition of the PLAE business to SLIntl would not materially increase the scale of SLIntl, and therefore not materially impact the potential value from any possible parental support to SLIntl should it be required.

OTHER MATTERS TO CONSIDER

- 9.80 I have no other matters to consider in my assessment.

MATTERS NOT CONSIDERED

- 9.81 I do not believe that there are any material relevant issues that have not been considered here.

Summary & Conclusions – Security

- 9.82 On the basis of the information provided to me and having considered the alternative scenario of the transfer not taking place, I am satisfied that the proposed Scheme will not result in a material adverse impact on the security of policyholders' benefits in the case of the Transferring Policyholders, or SLIntl's Existing Policyholders.

10 ASSESSMENT OF THE PROPOSED SCHEME: FAIR TREATMENT

Introduction

- 10.1 I must also consider whether the proposed Scheme treats policyholders fairly and consider the effect of the proposed Scheme on policyholders' reasonable expectations.
- 10.2 In the case of the proposed Scheme, I consider that this involves consideration of:
- Contractual obligations to policyholders.
 - Any changes that would be caused to the tax treatment of policyholders' premiums and/or benefits.
 - Any areas where the Companies may exercise discretion in relation to the fulfilment of their contracts with their policyholders. Such areas of discretionary powers may include, in respect of internal linked funds, the investment criteria, unit-pricing rules and the level of charges applicable to those funds and the ability to vary the level of any non-guaranteed charges, amongst others.
 - The management of discretion and the approach in setting bonuses in the management of the with-profits business.
 - The levels of customer service to policyholders.
- 10.3 The arrangements regarding the costs of the proposed Scheme and the proposed approach to policyholder communications are also relevant factors to be considered.
- 10.4 The SAI has stated, in guidance note ASP INS-2, the need to consider PRE when assessing a proposed transfer of business from one life assurance company to another under the provisions of Section 13 of the 1909 Act, as well as placing an obligation on the Independent Actuary to consider "*whether for each relevant company the scheme [of transfer] places obligations on the directors sufficient in the Independent Actuary's opinion for the protection of those expectations*". I note that there is no objective standard or definition when it comes to considering PRE (see paragraph 3.29) and I am therefore guided by the comments made by the Heads of Actuarial Function of the two companies in that regard.
- 10.5 In the following paragraphs, I set out my views on the impact of the proposed Scheme on the fair treatment and reasonable expectations of the two groups of policyholders outlined in paragraph 8.12 above. I also consider the specific requirements of ASP INS-2 outlined in the previous paragraph in relation to the obligations placed on directors by the proposed Scheme.

The Transferring Policyholders

CONTRACTUAL OBLIGATIONS

- 10.6 The Transferring Policyholders' contractual terms and conditions will not change as a consequence of the proposed Scheme. Their current and expected benefits (in terms of surrender values or claim amounts) will not change.

TAX TREATMENT OF PREMIUMS AND BENEFITS

- 10.7 Both PLAE and SLIntl have availed of external tax advice to review the proposed Scheme from the perspective of the tax implications (if any) on the Transferring Policies. This advice has concluded that the implementation of the proposed Scheme is not expected to have any adverse tax consequences for the Transferring Policyholders, or for SLIntl's Existing Policyholders.
- 10.8 The Scheme of Transfer states that any tax liabilities that crystallise as a result of the transfer of the policyholders' assets will not be borne by the SLIntl WPF's.

- 10.9 The Companies have sought confirmation from the Office of the Revenue Commissioners in Ireland of its understanding that the proposed Scheme should not result in an adverse change in policyholders tax liabilities.
- 10.10 The Companies will be required to transfer annuitants to a new tax reference number by way of a 'Bulk Transfer' to comply with obligations under Irish tax legislation. This is a standardised process that will require the continued support of the Office of the Revenue Commissioners in Ireland which the Companies expect to receive.
- 10.11 I have been provided with a summary of the advice provided and have relied on that advice. I do not consider it necessary to seek additional independent tax advice.

EXERCISE OF DISCRETION – GENERAL

- 10.12 In relation to the ability to exercise discretion in respect of aspects of the terms and conditions applicable to the Transferring Policies, I note that (as stated in paragraphs 7.37 to 7.40), I have been informed by SLIntl that it does not propose to alter the manner in which discretion will be exercised in relation to the Transferring Policies, nor does it propose to take discretionary measures that would be substantially inconsistent with current PLAE practice.

EXERCISE OF DISCRETION IN THE UNIT-LINKED FUND RANGE AND CHARGES

- 10.13 As outlined in paragraphs 7.29 to 7.32 above, under the proposed Scheme, the range of PLAE internal linked funds that is currently available to the Transferring Policies, pre-transfer, will be replaced by a new internal linked fund range in SLIntl. This new fund range will be identical to the current range in PLAE.
- 10.14 The investment element of unit-linked liabilities from the unit-linked business previously transferred into the PLAE Non-Profit Fund from PLL is 100% reinsured back to PLL, and similarly the unit-linked liabilities on the business originally from RLL are 100% reinsured back to RLL. These reinsurance agreements ensured that the PLAE policyholders remained in the same funds as they did prior to the 2022 Scheme. Many of the reinsurers' unit linked funds are invested in by both PLAE policyholders and by the reinsurers' own direct policyholders.
- 10.15 These reinsurance arrangements will remain in place (via novation) after the business is transferred from PLAE to SLIntl. This gives continuity to the operation of the unit-linked funds.
- 10.16 I have reviewed the mechanisms and structures outlined in the Scheme for the transfer of the unit-linked funds and have not identified any instances in which I felt that any Transferring Policyholder would be materially adversely impacted due to the proposed Scheme. The Scheme seeks to identically replicate the mechanisms in SLIntl that currently exist in PLAE.

MANAGEMENT OF WITH-PROFITS BUSINESS

- 10.17 The management of the with-profits business in both Companies includes discretion in how with-profit bonuses are declared to policyholders. There is nothing in the Scheme that proposes to change how this discretion is applied. Both Companies reinsure their with-profits business (and in particular the WPFs) to other Phoenix Group companies – this is a consequence of previous transfers that moved the business from the originating other Phoenix Group subsidiary (and WPF) to either SLIntl or PLAE. This reinsurance approach will continue (via novation) if the Scheme is approved. The reinsurance arrangements include clauses whereby the relevant Phoenix Group subsidiary proposes bonuses that could be paid based on the agreed bonus philosophy of the relevant WPF. PLAE or SLIntl could apply discretion and decide to pay bonuses higher (though not lower) than their reinsurers' proposed bonuses. In practice, PLAE and SLIntl have paid the reinsurers' proposed bonuses, and this is expected to continue if the Scheme is approved.

- 10.18 With-profits business includes requirements for disclosure and transparency, and also how internal governance on with-profits business is managed. As noted in paragraph 5.82, PLAE has a derogation from the CBI for it to publish With-Profits Operating Principles (“**WPOP**”) documents in Ireland, on the grounds that these would be substantially identical to the Principles and Practices of Financial Management (“**PPFM**”) published by the corresponding PLL funds in the UK.
- 10.19 Whilst not a specific feature of the Scheme, SLIntl is applying to the CBI for the existing WPOP derogation granted to PLAE to be carried over to SLIntl following the transfer. If this derogation is approved, then SLIntl would continue to maintain the WPOP documents in respect of its existing funds prior to the transfer; and look through to the PLL PPFM for equivalent material for the funds transferred from PLAE.

EXERCISE OF DISCRETION – CONCLUSION

- 10.20 Based on the foregoing, I am satisfied that there is no reason to believe that the Transferring Policyholders will be materially adversely affected by the way in which SLIntl may exercise its discretion in respect of aspects of the terms and conditions of the Transferring Policies post-transfer, compared to how PLAE can currently exercise its discretion.

CUSTOMER SERVICE

- 10.21 Customer service and policy administration services in relation to the Transferring Policies are already provided on an outsourced basis to PLAE by Phoenix Group services companies. SLIntl has stated its intention to continue these arrangements post-transfer so there will be no change to the customer service and policy administration arrangements for the Transferring Policyholders as a result of the proposed transfer.
- 10.22 Given that there will be minimal disruption to existing policy administration and customer service management arrangements in relation to the Transferring Policies, I do not believe that there will be any adverse impact to the service levels experienced by the Transferring Policyholders.
- 10.23 I have reviewed information provided to me by SLIntl concerning its resource plans in relation to governance and oversight of these activities post-transfer and have not identified any cause for concern.
- 10.24 Having considered the relevant facts, as set out above, I am satisfied that there is no reason to believe that the service standards experienced by the Transferring Policies will be materially adversely affected by the proposed Scheme.

COSTS OF THE PROPOSED SCHEME

- 10.25 The arrangements regarding the costs of the proposed Scheme are set out in paragraph 7.41 above.
- 10.26 I confirm that I am satisfied that the proposals are fair to the Transferring Policyholders.

POLICYHOLDER COMMUNICATIONS

- 10.27 The proposed communications plan is summarised in paragraphs 7.45 to 7.52 above. The Companies are seeking some exemptions from the Court for certain aspects of the communication plan as required by law. The arguments for seeking the exemptions are included in paragraph 7.53 above, and will be presented to the Court for approval or amendment in the Directions Hearing expected to be scheduled for July 2024.
- 10.28 In particular, the Companies are seeking exemption from sending this full Report to all policyholders, and to include an extract of this Report within the Policyholder Circular. I am satisfied this approach will not disadvantage the relevant policyholders for the following reasons:

- I have prepared the extract of this Report that will be included in the Policyholder Circular, and it is based exclusively on this Report. I have written the extract to highlight the material points and key

issues that I believe are relevant to policyholders in understanding the potential impact of the proposed Scheme.

- This Report (the full report of the Independent Actuary) is available via the Companies websites, and through various other means, and this fact is included in the Policyholder Circular.
- As outlined in paragraphs 1.36 and 1.37 above, this Report is also written to aid the Court in assessing the Scheme and will be of interest to other interested parties such as the CBI, the Companies themselves, or any professional advisors involved in the proposed Scheme. Therefore, this Report includes technical analysis and detail with these additional parties in mind, and not solely to aid policyholders to assess the proposed Scheme.

10.29 I am satisfied that the proposed approach of communicating with the Transferring Policyholders is reasonable, and that including the extract of this Report within the Policyholder Circular rather than this Report in full will not disadvantage the relevant policyholders.

SLIntl's Existing Policyholders

GENERAL

10.30 There will be no change arising from the proposed Scheme to the terms and conditions of the policies of SLIntl's Existing Policyholders, nor will there be any changes to the way in which SLIntl will exercise its discretionary powers. I have been advised that no adverse tax consequences are foreseen and there will be no change to the administration and customer service arrangements.

10.31 I am satisfied that the proposals with regard to the costs of the proposed Scheme are fair to SLIntl's Existing Policyholders.

POLICYHOLDER COMMUNICATIONS

10.32 As noted in paragraphs 7.45 to 7.52 above, I understand that (subject to the agreement of the Court), this Report will not be sent to SLIntl's Existing Policyholders. Furthermore, a summary of this Report (and not this Report) will be included in the Policyholder Circular, which (subject to the agreement of the Court) will be sent to Transferring Policyholders only.

10.33 I note that the arguments in support of this approach are listed in paragraph 7.53 above.

10.34 I have considered the proposed approach to policyholder communication (in paragraphs 10.27 to 10.29 above) and am satisfied that it is fair and reasonable.

Summary & Conclusions – Fair treatment

10.35 In my opinion, for the reasons set out above, I am satisfied that the fair treatment and reasonable expectations of Transferring Policyholders and SLIntl's Existing Policyholders will not be materially adversely affected by the proposed Scheme.

10.36 I am also satisfied with the proposed approach to policyholder communications in respect of the proposed Scheme.

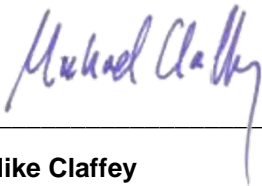
11 CONCLUSIONS ON THE PROPOSED SCHEME

11.1 I confirm that I have considered the effects of the proposed Scheme on the following groups of policyholders:

- Policyholders transferring to SLIntl from PLAE;
- Existing (pre-Effective Date) policyholders of SLIntl.

11.2 In summary, I am satisfied that the implementation of the proposed Scheme will not have a material adverse effect on

- the security of benefits of either of these groups of policyholders;
- the reasonable expectations of either of these groups of policyholders with respect to their benefits; and
- the standards of administration, service, management and governance that will apply to either of these groups of policyholders.



Mike Claffey

Fellow of the Society of Actuaries in Ireland

27 June 2024

12 APPENDIX A: LIST OF PRINCIPAL DATA SOURCES

In carrying out my work and producing this Independent Actuary's Report, reliance has been placed upon, but not limited to, the following information. All items have been provided directly to me by either PLAE or SLIntl unless otherwise noted.

Legal documents & Actuarial Reports

- The Petition, proposed Scheme and other related legal documents
- The Circular to be provided to each transferring policyholder
- Project Volta Communications Strategy & Procedures (version dated 3 April 2024)
- Reports from the Heads of Actuarial Function on the proposed portfolio transfer
- ARTP (Actuarial Function Report) from the Head of Actuarial Function to the Board of PLAE for year end 2023
- ARTP (Actuarial Function Report) from the Head of Actuarial Function to the Board of SLIntl for year end 2023
- Financial statements year end 2022 and 2023 for PLAE and SLIntl
- PLAE Certificate of Authorisation
- PLAE Certificate of Incorporation
- PLAE Memorandum of Association

Solvency & Financial Condition Reports – for both PLAE and SLIntl

- Solvency and Financial Condition Report (SFCR) 2023 and 2022
- Year-end 2023 Solvency II QRTs (public version)
- Specific details on own funds, SCR, technical provisions, policy counts, etc. as they appear in the tables in this Independent Actuary's Report

Own Risk & Solvency Assessment (ORSA) Reports

- PLAE ORSA Report 2023
- SLIntl ORSA Report 2023

Product documentation

- Sample policy documents for the Transferring Policies

Risk & Capital Management

- Capital management policies
- Risk Appetite Framework

Reinsurance

- Reinsurance agreements

Other documents

- Description of post-transfer administration arrangements
- Investment policy
- Pre-emptive recovery plans
- Advice from retained tax experts regarding tax implications for Transferring Policyholders
- Various Q&A Logs
- Independent Actuary's Data Request Log
- Summary details of customer complaints and legal actions
- Summary details of customer complaints and legal actions
- Product features of SLIntl and PLAE policies
- Recent CBI regulatory correspondence -
- Complaints log
- On-going litigations

Correspondence

- E-mail correspondence in relation to the proposed Scheme

13 APPENDIX B: GLOSSARY OF TERMS

A glossary of terms and abbreviations used throughout the Report is provided below.

Term	Definition
1909 Act	The Assurance Companies Act 1909 (as amended). This sets the legal basis in Ireland for the transfer of long term business from one authorised Irish insurance entity to another.
2005 Scheme	The transfer of Swiss Life (UK) Limited business PLL by way of a UK Part VII Scheme.
2022 Scheme	The transfer of all of the EEA business held in PLL and RLL to PLAE by way of a UK Part VII Scheme and Irish Scheme that became effective on 1 January 2023.
2023 Scheme	Effective from 27 October 2023, the "2023 Scheme" was approved by the High Court of England and Wales and the amendment and replacement of previous SLAL schemes was approved by the Scottish Court of Session. This saw the transfer of all the policies in PLAL, SLAL and SLPF to PLL.
Appointed Actuary	An actuary appointed to an Irish life assurance company pursuant to Section 34 of the Insurance Act 1989. (Note that the Appointed Actuary role no longer exists following the transition to Solvency II on 1 January 2016).
ASP	Actuarial Standard of Practice as issued by the Society of Actuaries in Ireland.
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht, the insurance regulator in Germany.
BEL	Best Estimate Liability. One of the components of the technical provisions under Solvency II. 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 cash-flows
Brexit	Following the UK Referendum on Continuing EU Membership in June 2016, the UK government started the process by which the UK would leave the EU (commonly referred to as "Brexit"). The UK Parliament ratified the Withdrawal Agreement Bill on 22 January 2020 and the UK's withdrawal from the EU took place on 31 January 2020.
Capital Policy	A Board-approved policy for the amount of additional capital the firm holds in excess of the regulatory requirements to provide an additional solvency buffer.
CBI	The Central Bank of Ireland, which is the supervisory authority with responsibility for the prudential supervision of insurance companies in Ireland, and for the supervision of the conduct of business rules for insurance policies sold in the Irish domestic market.
Circular	The Circular is a document to be provided to the Transferring Policyholders which includes a summary of the main terms of the proposed Scheme and of the Independent Actuary's Report
DAC	Designated Activity Company
Diligenta	Diligenta Limited, who provide administration systems and other unregulated support services to PLAE in respect of other policies transferred from PLL.
Directions Hearing	means the hearing to be held before the Court in or around 8 July 2024 at which the Court is asked to give certain directions to the parties in relation to the proposed Transfer including how the Transfer will be publicised / how the parties intend to communicate with policyholders
Dormant Policyholders	In Ireland unclaimed life assurance policies must be transferred to the Dormant Accounts Fund in April of each year. Any insurance policies that are paid out to the National Treasury Management Agency in Ireland which manages the Dormant Accounts Fund, established under the Dormant Accounts Act 2001 in accordance with the Unclaimed Life Assurance Policies Act 2003.
EEA	The European Economic Area. The EEA comprises the EU plus Iceland, Liechtenstein and Norway
Effective Date	00:01 hours on 1 January 2025, or such other date as may be specified by the Court
EFL Retrocession Agreement	means retrocession arrangement that was put in place in SLIntl to allow transferring Irish policyholders in the SLAL HWPF to maintain their current unit- linked investment options
Eligible own funds	The amount of an insurer's Own Funds following the application of the eligibility criteria specified in the Solvency II Regulations. Eligible own funds are available to cover the SCR.

EU	The European Union
FAQ document	A document to be provided to Transferring Policyholders (and available publicly via the Companies' websites) which contains a list of frequently asked questions, such as may arise in connection with the proposed Scheme
FCA	Financial Conduct Authority in the UK. The FCA is the conduct regulator for around 50,000 financial services firms and financial markets in the UK.
Fixed Charge Arrangements	means the deed of fixed charge between PLL as chargor and SLIntl as secured party which will be executed prior to the sanction of this Scheme by the Court, the Account Control Agreement and Custody Agreement
Floating Charges	means the deeds of floating charge, which will be executed prior to the sanction of this Scheme by the Court, between: (a) Phoenix Life Limited as chargor and SLIntl as secured party; and (b) ReAssure Life as chargor and SLIntl as secured party
FMA	Finanzmarktaufsicht, the insurance regulator in Austria.
FSAI	Fellow of the Society of Actuaries in Ireland
FSPO	The Financial Services and Pensions Ombudsman in Ireland is an independent and free service that helps resolve complaints with pensions providers and regulated financial services providers.
GAO	means Guaranteed Annuity Option, a feature of certain pension policies which have the benefit that policyholders can purchase an annuity at a guaranteed rate.
Gone Away Policyholders	Any policyholders where an insurance company does not have accurate or complete contact details. This can arise where policyholders failed to notify the insurance company of a change of address or who have provided incomplete address information.
HoAF	Head of Actuarial Function. In Ireland, the person, as nominated by an insurance company's board of directors and approved by the CBI, with overall responsibility for the tasks called out for the actuarial function under Solvency II and the additional responsibilities introduced by the CBI.
Independent Actuary	Mr Michael Claffey, a Fellow of the Society of Actuaries in Ireland and a Principal with Milliman, a firm of actuaries and consultants.
Independent Actuary's Report	This Report
Internal linked funds	Internal structures which facilitate the calculation of benefits payable under unit-linked policies (see definition of "unit-linked business")
Internal Model	A customised (company-specific) model for determining the SCR under Solvency II, which must meet certain specified standards and be approved by the CBI (in the case of an Irish insurer). Insurers are required to calculate their SCR using either the Standard Formula or an approved Internal Model, or an approved Partial Internal Model
Limited / Ltd	Limited liability company
MCR	Minimum Capital Requirement. One of the regulatory capital requirements under Solvency II. Usually lower than the SCR. The MCR 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, 7 Grand Canal Street Lower, Dublin 2
MSA	means Management Services Agreement.
Non-linked business	Life assurance business which is not unit-linked business (see "unit linked business" below)
NTMA	means the National Treasury Management Agency which manages the Dormant Accounts Fund (i.e., the fund established under the Dormant Accounts Act 2001) in accordance with the Unclaimed Life Assurance Policies Act 2003)
ORSA	Own Risk and Solvency Assessment. The ORSA is a risk management tool, which is required under Solvency II, to assess the overall solvency needs of the firm taking into account the firm's own assessment of its particular risk profile
Own funds	Broadly speaking, the excess of an insurer's assets over its liabilities on a Solvency II basis

Independent Actuary's Report

In respect of the proposed Scheme to transfer a portfolio of insurance business from Phoenix Life Assurance Europe to Standard Life International

Partial Internal Model (PIM)	Under Solvency II, an internal model is an alternative methodology for determining the SCR instead of using the standard formula. Internal models require regulatory approval. A partial internal model adopts a hybrid of internal model and standard formula components and also requires regulatory approval.
Petition	The application by one, or both, of the parties for which the Court will consider the proposed Scheme. The Petition must be accompanied by a report on the terms of the scheme by an independent actuary
PGH	means Phoenix Group Holdings plc
PGMS UK	means Phoenix Group Management Services Limited, a UK-based service company of the Phoenix group.
PGMSI	means PGMS (Ireland) Limited
PGMSIB	means the Irish branch of PGMS UK
Phoenix 2009 Scheme	means the scheme providing for the transfer to PLL of the business of Scottish Mutual Assurance Limited and Scottish Provident Limited in February 2009 (as amended, modified or replaced from time to time)
Phoenix Re	means Phoenix Re Limited, a subsidiary of PGH in Bermuda
PLAE	means Phoenix Life As+B10surance Europe Designated Activity Company
PLAE 90% WPF	means the PLAE 90% With-Profits Fund
PLAE Alba WPF	means the PLAE Alba With-Profits Fund
PLAE MSA	means the Management Services Agreement through which administration and other services are provided by PGMSIB to PLAE.
PLAE NPF	means PLAE Non-Profit Fund
PLAE PWWF	means PLAE Phoenix With-Profits Fund
PLAE SPI WPF	means PLAE SPI With-Profits Fund
plc	Public limited company
PLL	means Phoenix Life Limited, a UK life company and part of the Phoenix Group
Policyholder Letter	A letter issued to the Transferring Policyholders which, in broad terms, explains the proposed Scheme
PPFM	means Principles and Practices of Financial Management, a document required for UK with-profits funds that aims to explain how a firm manages its with-profits business.
PRE	Policyholders' reasonable expectations
proposed Scheme / proposed transfer	The legal scheme of transfer by which it is proposed that the Transferring Policies and their associated assets and liabilities will be transferred from PLAE to SLIntl. Under the relevant provisions of the 1909 Act (see above), the proposed scheme requires the approval of the Court
Protektor	The German protection scheme / protection fund for German life insurers.
QRTs	Quantitative Reporting Templates. These are specific forms which insurers must complete on a regular basis under Solvency II. Some QRTs are required to be produced quarterly and more are required to be produced annually. Some of the annual QRTs are public (typically appended to the SFCR)
RAL	means ReAssure Limited, the immediate parent company of PLAE.
Reinsurance recoverable	To the extent that business is reinsured, reinsurance recoverable is an offset to the BEL which sits on the asset side of the balance sheet
RMF	Risk Management Framework - a term that describes the overall risk management system and process within an insurance company.
Risk Margin	The risk margin is an amount, in addition to the BEL, designed to bring the technical provisions up to the amount that another insurer (or reinsurer) would be expected to require in order to take over and discharge the insurance liabilities in an arm's length transaction
Risk Profile	The composition of different types of risk borne by an insurance company, typically subdivided into market risks, insurance risks, and operational risks.
RLL	means ReAssure Life Limited, a UK life company and part of the Phoenix Group

RUKSL	ReAssure UK Services Ltd, a service company in the Phoenix group that provides administration for life companies that were part of the ReAssure group.
Run-off	A line of insurance business, or an insurance company, that no longer accepts new business but continues to provide coverage for claims arising on policies still in-force and that makes payments for claims that have occurred on policies that have expired
SAI	The Society of Actuaries in Ireland
Sanctions Hearing	means the final hearing before the Court to be held in our around 12 November 2024 at which the Court is asked to consider the petition seeking the Court's approval for the Transfer (following such hearing the Court will issue its judgement on whether or not to sanction the Scheme)
SCR	Solvency Capital Requirement. One of the regulatory capital requirements under Solvency II. Intended to represent the amount required to ensure that an insurer's assets continue to exceed its liabilities over a one-year time frame with a probability of 99.5%
SFCR	Solvency and Financial Condition Report. This is a public document which all insurers are required to produce on an annual basis under Solvency II. Insurers are required to publish their SFCRs on their websites. In addition, the Central Bank also maintains a public repository of all Irish insurers' SFCRs
Shareholder's Fund	means assets and liabilities not attributable to the long term insurance business
SLAL	means Standard Life Assurance Limited, a UK life company and part of the Phoenix Group
SLAL Brexit Scheme	means the transfer of euro-denominated business written in Ireland, Germany and Austria from SLAL to SLIntl by way of a UK Part VII Scheme and Irish Scheme that became effective on 28 February 2019
SLIntl	means Standard Life International Designated Activity Company
SLIntl GSMWPF	means SLIntl German Smoothed With-Profits Fund
SLIntl GWPF	means SLIntl German With-Profits Fund
SLIntl HWPF	means SLIntl Heritage With-Profits Fund
SLIntl MSA	means the Management Services Agreement through which administration and other services are provided by PGMSIB to PLAE.
SLIntl NPF	means SLIntl Non Profit Fund
SLIntl's Existing Policyholders	The inforce policies of SLIntl on the Effective Date of the Scheme.
SLOC	means Sun Life Assurance Company of Canada (UK)
Solvency Cover ratio	The ratio of Own Funds divided by the SCR
Solvency II	The regulatory regime for insurers which came into force on 1 January 2016 aimed at harmonising insurance regulation across all EEA countries
Solvency II Regulations	The European Union (Insurance and Reinsurance) Regulations 2015 (S.I. No 485 of 2015) (as amended)
SS&C	means SS&C International Managed Services Limited
Standard Formula	A standardised calculation method for determining the SCR under Solvency II. Insurers are required to calculate their SCR using either the Standard Formula, or an approved Internal Model, or an approved Partial Internal Model
Supplemental report	A further report to be prepared by the Independent Actuary prior to the final Court hearing. The purpose of the supplemental report is to provide an update for the Court on the Independent Actuary's conclusions in light of any significant events subsequent to the date of the finalisation of this report
Technical provisions	The value of the insurance liabilities of an insurer, as determined for regulatory purposes. Under Solvency II, the Technical Provisions comprise the BEL and the Risk Margin
the Companies	PLAE and SLIntl, collectively
the Court	The High Court of Ireland

Transfer Documentation	The Circular, the proposed Scheme, a summary of the proposed Scheme, the Independent Actuary's Report (i.e. this report) and a summary of the Independent Actuary's Report, as well as reports by each of the HoAFs of the Companies on the proposed Scheme.
Transferring Policies	The policies that are proposed to be transferred from PLAE to SLIntl under the proposed Scheme
Transferring Policyholders	The policyholders being transferred from PLAE to SLIntl.
UK	The United Kingdom of Great Britain and Northern Ireland
UK FSCS	UK's Financial Services Compensation Scheme. The FSCS is the UK's statutory compensation scheme for customers of UK authorised financial services firms.
Unit-linked business	A type of life assurance business, written under Class III and VII of the Solvency II Regulations, where the benefits payable are linked to the performance of investment funds
WPF	Means with-profits fund, a pooled investment fund where the policyholders share a participating interest in the rewards and risks borne by the fund.
WPOP	means With-Profits Operating Principles, a document required for Irish with-profits funds that aims to explain how a firm manages its with-profits business.