Phoenix

PHOENIX LIFE LIMITED

Proposed Scheme to transfer the German, Icelandic and Irish business of Phoenix Life Limited to Phoenix Life Assurance Europe DAC

Supplementary Report by the Chief Actuary on the impact of the Scheme on Policyholders of Phoenix Life Limited

3 October 2022

Contents

1. PURPOSE OF THIS REPORT

The purpose of this report (my "Supplementary Report") is to provide an update to my report entitled 'Report by the Chief Actuary on the Impact of the Scheme on Policyholders of Phoenix Life Limited' dated 30 June 2022 ("my Main Report"). All definitions and abbreviations used in my Main Report apply also to this Supplementary Report.

In my Main Report I concluded that no class of policyholder of Phoenix Life Limited ("Phoenix") will be materially adversely affected by the implementation of the Scheme[1] and, in particular, that the Scheme should not have any material adverse impact on the security of benefits of the existing Phoenix policyholders.

In this Supplementary Report, I consider whether, taking into account developments since the date of my Main Report and their potential impact on Phoenix and its policyholders, it remains appropriate to proceed with the Scheme. In considering the position, it is important to distinguish between changes that affect or would affect Phoenix policyholders in any event, irrespective of the implementation of the Scheme, and changes in the position of policyholders or a particular group of policyholders that arise or might arise as a result of the implementation of the Scheme. It is only the second type of change that is of relevance in deciding whether the conclusions reached in my Main Report remain valid notwithstanding any changed circumstances.

As part of my consideration of the Scheme in this Supplementary Report, I have updated the financial analysis to use financial information as at 30 June 2022 (see section 3), taken into account events that have occurred since then and considered whether the impact of the Scheme on the security and benefits of Phoenix policyholders would be affected in light of that updated information.

My conclusions are given in section 7.

This Supplementary Report is written for the Phoenix Board in my capacity as Chief Actuary for Phoenix. As well as the Board, this Supplementary Report may be used by the Phoenix With-Profits Committee ("WPC"), the Independent Person, the High Court, the High Court of Ireland, the Prudential Regulation Authority ("PRA"), the Financial Conduct Authority ("FCA"), the Central Bank of Ireland ("CBI") and any overseas regulators and courts in forming their own judgements about the Scheme. It is supplementary to my Main Report and should accordingly be read alongside my Main Report.

This Supplementary Report and the underlying preparation work that has been carried out is in my opinion compliant with the relevant Technical Actuarial Standards issued by the Financial Reporting Council that apply to certain types of actuarial work, namely TAS100: Principles for Actuarial Work and TAS 200: Insurance.

In my opinion there has been an appropriate level of review in the production of this Supplementary Report and that it is compliant with the requirements of Actuarial Practice Standard X2 as issued by the Institute and Faculty of Actuaries.

[1] The UK and Irish Schemes are referred to as the "Scheme" within my report. I adopt the same convention in this supplementary report.

2. DEVELOPMENTS SINCE MY MAIN REPORT

2.1. Changes to the Scheme and reinsurance agreements

At the time of writing my Main Report in June 2022, I reviewed the draft Scheme and associated reinsurance and security agreements between PLAE and Phoenix. Since that time there have been no substantive changes to the Scheme or to the reinsurance arrangements.

Schedule 2 of the UK Scheme has been amended to remove references to the UNUM reinsurance agreement as this agreement is being novated separately to PLAE.

Additionally, a minor drafting change was made to the floating charge to be granted by Phoenix in favour of PLAE (the "Phoenix Floating Charge"). The result of the amendment made to the Phoenix Floating Charge is to ensure that the Phoenix Floating Charge would not extend to certain assets currently in SLAL which are already charged in favour of another reinsurance counterparty, following a transfer of the business of SLAL which is currently contemplated by the Phoenix Group to take place after this Scheme.

There were also some typographical corrections to the Scheme. These corrections align the Scheme with its original intended effect. The financial analyses in my Main Report and this Supplementary report are consistent with the corrected version of the Scheme.

I am satisfied that none of the changes affects the impact of the Scheme on policyholders.

2.2. Economic conditions since December 2021

The financial analysis in my Main Report was prepared at 31 December 2021. Investment markets have been volatile during the first half of 2022 reflecting an uncertain geopolitical outlook. Credit spreads have widened, and gilt yields have risen following Bank of England increases to base rates designed to bring down inflation rates. Further interest rate rises are expected later in 2022. The following table sets out the value of some key indicators of economic conditions.

Table 1: Movement in key economic indicators

	31 December 2021	31 March 2022	30 June 2022
FTSE-100	7384.54	7578.75	7169.28
FTSE-100 change since 31/12/21	-	+2.6%	-2.9%
UK Corporate bond spreads (basis points over gilts)			
AAA	38	40	60
AA	67	80	100
A	100	122	163
BBB	137	171	229
15-year gilt yield	1.15%	1.81%	2.67%

Phoenix's capital position is affected by the performance of its investments – particularly in corporate bonds, gilts and equities and any hedges it has taken against movements in these.

During 2022 there has been a sharp increase in the Retail Price Index (RPI), with the annual rate exceeding 10% for the first time in many years. This leads to an increase in Phoenix's liabilities in relation to future expenses and to those annuity policies where benefits are linked to an inflation index. Phoenix matches these liabilities with index linked assets and therefore the impact on Phoenix's financial strength is relatively small.

The impact of these and other movements have been reflected in the analysis shown in section 3.

2.3. Developments affecting the financial position of Phoenix

My Main Report showed the projected position of Phoenix before and after the Scheme based on the balance sheet position as at 31 December 2021. The financial position of Phoenix is broadly unchanged between 31 December 2021 and 30 June as shown in the table below.

Table 2: Financial position of Phoenix as at 30 June 2022 and 31 December 2021

	31 December 2021	30 June 2022
Own Funds	**4,728**	**4,174**
RFF Restriction	**-419**	**-293**
SCR	**2,656**	**2,373**
Excess of Adjusted Own Funds over SCR	**1,653**	**1,508**
Solvency Ratio	**162%**	**164%**

Over the first half of 2022 there has been a reduction in Own Funds of £554m. The principal cause of this reduction was the payment of a dividend in Q2. Other factors include a change to Solvency II transitional adjustments, offset by a reduction in the Risk Margin following the recent rises in fixed interest yields.

The SCR has decreased by £283m over the same period. This reduction was largely driven by increases in yields, which reduce longevity and credit risk capital.

Excess of Adjusted Own Funds over SCR decreased from £1,653m to £1,508m and, owing to the larger reduction in SCR, Phoenix's solvency ratio increased by two percentage points from 162% to 164%.

Phoenix continues to be an active participant in the BPA market having written further deals since 30 June 2022.
The associated capital strains are funded partially by capital from the Phoenix group and partly through utilisation of Phoenix's surplus capital above its CMP.

2.4. Solvency II consultations in the UK and the EU

In my Main Report I compared the UK and EU Solvency II regimes and noted the potential for them to diverge in future. In this context I referred to consultation papers published by the HM Treasury and the PRA on 28 April 2022. The papers propose reforms to the UK Solvency II regime which include reducing the Risk Margin and amending the eligibility for and calibration of the Matching Adjustment. I noted in my Main Report that the ultimate outcome of this consultation process was uncertain but both consultations made clear that the safeguarding of policyholder protection is an important priority. I undertook to provide an update in my Supplementary Report.

The consultation closed on 21 July 2022, and, at the time of writing, there has been no further update from the PRA or HM Treasury.

Although differences in regulatory regime are likely to arise, I continue to be satisfied that they should not have a material adverse effect on the transferring policyholders.

2.5. Operational readiness of PLAE

I noted in my Main Report that the Phoenix Group had planned the requirements to achieve operational readiness and establish appropriate management services agreements in time for the transfers in of business on 1 January 2023. I was informed by the project team that the necessary work was underway. I undertook to provide an update in my Supplementary Report.

I note significant progress has been made by the project team towards operational readiness post transfer. The key area where further progress still needs to be made is with regard the recruitment of new members of staff into SLAESL (Irish Branch) to perform customer servicing and administration requirements for PLAE.

Should the recruitment not be sufficiently advanced by the time of the transfer, contingency plans are being put in place by the project team. These plans include retaining existing Phoenix staff and, where necessary, seconding them to SLAESL in Ireland or leveraging resource from elsewhere within the Group.

I am satisfied that these contingency plans should avoid any material deterioration in the quality of servicing and administration experienced by transferring policyholders until the recruitment process has been successfully completed.

2.6. Tax Developments

In my Main Report I noted that there was not expected to be any change to the tax status of transferring policyholders, and that clearances and confirmations were being sought from the Irish tax authorities where considered necessary.

I have been advised that clearances and confirmations will be granted before the transfer takes effect.

As set out in my Main Report, I reiterate that, in the unlikely event that any transferring policyholders suffer detrimental changes to their tax status as a result of administering the changes required by the transfer, PLAE will make ex-gratia payments to compensate those affected.

2.7. Service standards in PLAE

As set out in my Main Report, the Phoenix Group will relocate regulated activity, including servicing activity, from the UK to Ireland to ensure that the transfer does not give rise to UK licensing requirements for PLAE. As a result, PLAE will enter into a Management Services Agreement ("MSA") with Standard Life Assets and Employee Services Limited, Ireland Branch ("SLAESL")
I noted in my Main Report that PLAE's MSA with SLAESL was expected to contain provisions such that the service standards provided by PLAE will not be materially different to those provided by PLL prior to the transfer.

I have been informed that the Service Level Agreements ("SLAs") in the Schedule to the MSA have been incorporated from the existing SLAs which are currently applicable to PLL. I am therefore comfortable that the Schedule contains provisions designed to ensure the same service standards will be maintained after the transfer.

2.8. PLAE Expenses

As a result of the new MSA between PLAE and SLAESL, following the relocation of servicing activity to Ireland, the level of fees to be incurred within PLAE will rise materially compared with the allowances incorporated into the PLAE balance sheet as at 31 December 2021 shown in my Main Report. This increase in expense liability, and the associated increases in Risk Margin and SCR will be met by an increase in the capital injection required from RAL. PLAE will continue to be capitalised to a solvency ratio post transfer of at least 150% of SCR, consistent with its capital management policy. I am therefore satisfied that the increase in PLAE expenses will not affect policyholder security.

3. **REVIEW OF FINANCIAL ANALYSIS**I have reviewed the contents of section 5 of my report and an update is given below.

3.1. Position of Phoenix before and after the transfer

My Main Report showed the position of Phoenix before, and the estimated position after the Scheme based on the balance sheet position as at 31 December 2021 assuming the transfers had taken place at that date. The following tables and the comments in this section 3 update that analysis to a balance sheet date of 30 June 2022, assuming the transfers had taken place on that later date. The updated analysis takes into account the economic conditions as referred to in section 2.2 of this Supplementary Report.

Table 3 below shows the financial position of Phoenix as at 30 June 2022, before the effect of the Scheme and reinsurance. The position as at 31 December 2021 in my Main Report is shown for comparison.

Table 3: Phoenix before the effect of the Scheme and reinsurance

	30 June 2022			31 December 2021		
	Own Funds £m	RFF Restric'n £m	SCR £m	Own Funds £m	RFF Restric'n £m	SCR £m
90% WPF	10	-4	5	12	-4	6
Alba WPF	101	-23	73	118	-11	101
Phoenix WPF	339	-97	194	463	-198	210
SPI WPF	109	-19	71	139	-15	104
Other WPFs	751	-150	379	974	-191	535
NPF and SHF	2,863	0	1,652	3,023	0	1,701
Total	**4,174**	**-293**	**2,373**	**4,728**	**-419**	**2,656**
Excess of Adjusted Own Funds over SCR		**£1,508**			**£1,653**	
Solvency Ratio – All Funds		**164%**			**162%**	
Solvency Ratio excluding unsupported WPFs		**191%**			**197%**	

Note – The numbers in the table above and elsewhere in this section may not add up due to rounding.

Table 3 shows that between 31 December 2021 and 30 June 2022 there was a reduction of £145m in the Excess of Adjusted Own Funds over SCR from £1,653m to £1,508m, and a two percentage point increase in the All Funds Solvency Ratio from 162% to 164%.

Table 4 below shows the estimated financial position of Phoenix as at 30 June 2022 assuming the Scheme and reinsurance had been implemented on that date. The estimated position as at 31 December 2022 given in my Main Report is shown for comparison.

Table 4: Phoenix after the effect of the Scheme and reinsurance

	30 June 2022			31 December 2021		
	Own Funds	RFF Restric'n	SCR	Own Funds	RFF Restric'n	SCR
	£m	£m	£m	£m	£m	£m
90% WPF	10	-4	5	12	-4	6
Alba WPF	101	-23	73	118	-11	101
Phoenix WPF	339	-97	194	463	-198	210
SPI WPF	109	-19	71	139	-15	104
Other WPFs	751	-150	379	974	-191	535
NPF and SHF	2,841	0	1,618	3,011	0	1,659
Total	**4,152**	**-293**	**2,339**	**4,715**	**-419**	**2,614**
Excess of Adjusted Own Funds over SCR		**£1,519**			**£1,682**	
Solvency Ratio – All Funds		**165%**			**164%**	
Solvency Ratio excluding unsupported WPFs		**194%**			**201%**	

Table 4 shows that between 31 December 2021 and 30 June 2022 there was a reduction of £163m in the Excess of Adjusted Own Funds over SCR from £1,682m to £1,519m, and a one percentage point increase in the All Funds Solvency Ratio from 164% to 165%.

Tables 3 and 4 together show that the implementation of the Scheme at 30 June 2022 has a similar impact to its implementation at 31 December 2021. Excess of Adjusted Own Funds over SCR has increased from £1,508m to £1,519m (£1,653m to £1,682m as at 31 December 2021) and the All Funds Solvency Ratio has increased from 164% to 165% (162% to 164% as at 31 December 2021).

3.2. PLAE

My Main Report showed the pro-forma financial position of PLAE and its solvency ratio as at 31 December 2021 as if the Scheme had been implemented at that date. The financial position included the impact of the transferring RLL business and assumed that a share capital injection from RAL was made prior to the Effective Date to cover the PLAE CMP and thus the capitalisation requirement.

The following table updates this analysis to 30 June 2022, taking into account the economic conditions as referred to in section 2.2 of this Supplementary Report. The 30 June 2022 pro-forma balance sheet allows for the increased expense liability as set out in section 2.8.

Table 5: PLAE after implementation of the Scheme and reinsurance

	PLAE as at 30 June after the implementation of the Scheme and reinsurance		PLAE as at 31 December after the implementation of the Scheme and reinsurance	
£m	**Available Own Funds**	**SCR**	**Available Own Funds**	**SCR**
PLAE 90% WPF	0	0	0	0
PLAE Alba WPF	0	0	0	0
PLAE Phoenix WPF	0	0	0	0
PLAE SPI WPF	0	0	0	0
Non-Profit Fund	85	57	99	66
Total	**85**	**57**	**99**	**66**
Excess of Own Funds over SCR	**28**		**33**	
Solvency ratio	**150%**		**150%**	

The solvency ratio of PLAE assuming the transfers took place at 30 June 2022 is unaltered compared with 31 December 2021. This is because the capitalisation requirement in the Scheme provides for a share capital injection from RAL to cover the PLAE CMP leading to a solvency ratio of 150% post transfer. The Own Funds and SCR have decreases at 30 June 2022, compared with 31 December 2021. The two main causes of this reduction are:

- A rise in risk-free yields over the first half of 2022, which reduces the overall size of PLAE's balance sheet because future liabilities are more heavily discounted
- a reduction in volumes of business expected to transfer as a result of a further six months of run-off of the business prior to the later the transfer date.

The impact of these two effects is partially offset by the increase in expenses as set out in 2.8.

3.3. Impact of events since 30 June 2022

The nature and financial condition of Phoenix has continued to evolve since 30 June 2022, reflecting external economic conditions and Phoenix's own internal strategy including its activity in the bulk purchase annuity market.

The economic trends of rising interest rates and inflation, as set out in section 2.2, have persisted. In particular, interest rates have been volatile and 15 year gilt yields exceeded 4% in the latter part of September.

These movements have led to a reduction in Phoenix's solvency position but Phoenix continues to meet its regulatory solvency requirements and the higher requirements of Phoenix's capital policy. They do not lead me to change my view on the impact of the Scheme on non-transferring policyholders.

For PLAE, interest rate rises since 30 June 2022 will reduce the value of the transferring assets and liabilities, and this will reduce PLAE's capital requirements. I note that PLAE would be exposed to inflation on part of its expense liabilities (and a very small proportion of its annuity liabilities) following the transfer. I note that a severe inflation stress test has been carried out on the PLAE balance sheet, which showed that PLAE would withstand the stress and remain within its amber risk appetite for solvency capital coverage. This did not take account of management actions that are available to PLAE to mitigate the severity of this scenario.

I am satisfied that PLAE would be sufficiently capitalised at 30 June 2022 to withstand a more severe inflation scenario, albeit resulting in the need for management actions to be considered to restore PLAE's risk appetite. I also note that the capitalisation requirement of PLAE set out in the Scheme will be finalised in December 2022 and that it is a pre-condition of the Scheme becoming effective that PLAE must be capitalised so as to meet that requirement.

These events do not lead me to change my view on the impact of the Scheme on transferring policyholders.

4. EFFECT OF THE SCHEME ON NON-TRANSFERRING PHOENIX POLICIES

4.1. Security of benefits

The key points in my Main Report with regard to the effect of the Scheme on the security of non-transferring Phoenix policyholders were:

- They will remain in the same funds as now and no changes are being proposed to their terms and conditions under the Scheme
- There will be no change to Phoenix's capital policy
- The risks within the NPF will reduce slightly following implementation due to the transfer of the annuities, but there will be no material change for the WPFs due to the reinsurance.

Based on the updated analysis shown in section 3, my opinion remains unchanged that the level of capital support that will be available to provide security for benefits in Phoenix after implementation of the Scheme should at least be the same as the level of capital support available to provide security for benefits currently.

4.2. Benefit expectations

The key points in my Main Report with regard to the effect of the Scheme on the benefit expectations of non-transferring Phoenix policyholders were:

- No changes are being proposed under the Scheme to the terms and conditions of existing Phoenix policies.
- No changes will be made to the way the existing policies of Phoenix are managed and implementation of the Scheme will not impact the way tax is charged to the unit-linked funds of Phoenix now or to the WPFs.

I also noted in my Main Report the key conclusion of the report of the With Profits Actuary of Phoenix:

- the Scheme will not materially adversely affect the interests and reasonable expectations of the affected Phoenix with-profits customers and the protections afforded to these customers.
- The Scheme should have no material adverse impact on the security of customers' benefits and that the Scheme is consistent with treating customers fairly."

Based on the updated analysis shown in section 3, my opinion remains unchanged that I consider that there will be no reduction in the reasonable benefit expectations of current Phoenix policyholders as a result of the Scheme.

5. EFFECT OF THE SCHEME ON TRANSFERRING PHOENIX POLICIES

5.1. Security of benefits

I made a number of points in my Main Report with regard to the effect of the Scheme on the security of transferring Phoenix policyholders. I considered separately those policies not subject to reinsurance and those subject to reinsurance back to Phoenix.

The transferring business not subject to reinsurance back to Phoenix

For these policies, security is provided by PLAE. The key points from my Main Report were:

- The conditions to the scheme require that PLAE will be fully capitalised immediately after the transfer, and the report of the PLAE HoAF comments that PLAE is projected to remain so over the five-year planning horizon. This takes into account a commitment from RAL (its parent company) to provide a second capital injection to PLAE prior to the Effective Date of the Scheme. PLAE has received an initial injection of capital from RAL to cover the Minimum Capital Requirement required for PLAE's authorisation by the CBI, as well as any short-term obligations of PLAE.
- The security of benefits in PLAE will be provided by:
    - The Solvency II requirements, which include a buffer over the policy liabilities and which are intended to ensure that the company can cover its technical provisions even after a 1 in 200 year event;
    - PLAE's own capital policy, which provides an additional buffer over the Solvency II requirements, together with governance around how this operates and when changes can be made to it;
    - The level of oversight provided by the regulatory regime that will apply to the transferred Phoenix policies; and
    - The strength of PLAE's reinsurance agreements and associated security.

I also explained some differences in the way that Phoenix and PLAE calculate their Solvency II technical provisions and SCR:

- Phoenix has a matching adjustment and TMTP, whereas PLAE has not applied for these measures;
- Phoenix uses an internal model for the calculation of its SCR; PLAE will use the Standard Formula.

Despite these differences, I noted that the Solvency II rules are intended to ensure that both Internal Model and Standard Formula will provide financial strength and security for the relevant policies such that under each a company can survive severe events with at least a 99.5% probability of remaining solvent over a one-year time horizon.

I concluded that, whilst PLAE will follow a different approach to Phoenix, their approach is in line with Solvency II requirements and their technical provisions and SCR will not lead to a material adverse effect on the security of benefits under the transferring policies.

The updated financial position set out in section 3 does not change any of the points made above and so my conclusion in respect of transferring policies not subject to reinsurance remains unchanged.

The business that is reinsured back to Phoenix

The key points in my Main Report with regard to the effect of the Scheme on the security of transferring Phoenix policies reinsured back to Phoenix were:

- The reinsurance preserves the existing treatment of transferring policyholders and their reasonable benefit expectations
- The security agreements between Phoenix and PLAE protect PLAE's solvency and hence the security of benefits.
- Appropriate controls are embedded in the reinsurance arrangements such that, in the event of a termination of the reinsurance, the security and benefit expectations of the transferring and non-transferring policyholders will be suitably protected.

There have been no changes to the Scheme, security agreements or the reinsurance agreements (including the minor amendments and typographical corrections to align to the intended effect, described in section 2.1 of this Supplementary Report) which would invalidate the points set out above therefore the conclusions in my Main Report remain unchanged.

5.2. Benefit expectations

In my Main Report I noted that the Scheme would have no impact on the benefits of transferring policyholders, with the following key points:

- For with-profits business:
    - Whilst the reinsurance remains in force, the with-profits policies in PLAE WPFs should receive at least as much as they would have received had their policy remained in Phoenix. They will also continue to have their benefits determined by reference to the estate of the relevant WPF of Phoenix. No change will be made to any options or guarantees on transferring policies.
    - Expenses charged by the management services company to PLAE will mirror those which Phoenix would have been charged.
    - The Phoenix With-Profits Actuary concluded that the Scheme will not materially adversely affect the interests and reasonable expectations of the affected Phoenix with-profits customers and the protections afforded to these customers.
- For vesting pensions:
    - the four WPFs of Phoenix with Irish business secure their vesting guaranteed annuities by making a payment to the Phoenix NPF whereas, after the Scheme, this arrangement will be with the PLAE NPF.
    - PLAE will have its own underwriting and pricing policy for the annuity business it writes. This will reflect the prevailing solvency regime under which PLAE will operate in Ireland, and local annuity experience in Ireland.
    - The WPFs will retain the alternative options they currently have, namely to secure annuities externally to Phoenix or to retain the annuities and pay them from the relevant PLAE WPF's.
    - In the unlikely event the PLAE WPFs retain the annuities at the behest of Phoenix; they would automatically come under the reinsurance agreement.
- Unit-linked business:
    - For the Irish unit-linked business, following the transfer there will be no change to the funds they can invest in, or charges that they pay, and any guarantees that they have on their policy will continue. Any

policy that can currently switch into (or out of) with-profits investment will be able to do so following the transfer.
    - After the transfer PLAE will be responsible for the application of discretion relating to charges. There is no expectation that there will be any change to the way in which discretion is applied following the transfer.
    - I was satisfied that the provisions regarding closure or amalgamation of unit linked funds are reasonable and do not materially impact the benefit expectations of policyholders relative to the existing provisions in Phoenix.
- Irish non-profit business including annuities:
    - There will be no change to the terms and conditions of Irish non-profit business transferring to PLAE, this includes annuities in payment. Any guarantees or options on these policies will not be affected by the transfer.
- German and Icelandic non-profit business:
    - No changes are being proposed under the Scheme to the terms and conditions of the transferring non-profit German and Icelandic Phoenix policies. There will be no change to the process of calculating reviewable premiums or charges.

Based on the points set out above and taking account of the report by the With-Profits Actuary, I concluded that there will be no reduction in the reasonable benefit expectations of transferring non-profit and with-profits Phoenix policyholders as a result of the Scheme.

Based on the developments set out in this Supplementary Report, I have no reason to change my conclusion. As set out in the Appendix, the With Profits Actuary also has no reason to change his original conclusions.

6. OTHER MATTERS

6.1. Policyholder communications

I have reviewed the Scheme guide prepared for Phoenix policyholders and the related materials made available on the website. I am satisfied that the information regarding the proposals as contained therein adequately bring the proposals to the attention of policyholders and that it is not necessary to bring the observations made in this Supplementary Report to the attention of policyholders.

At the time of writing this Supplementary Report, 88 general enquiries about the transfer have been received from PLL policyholders. Three objections to the transfer have been received from PLL policyholders. Two holders of annuity policies are concerned about the loss of FSCS protection; and in one case concerns were raised about the timing of the notification and what would happen if the UK Scheme is not sanctioned. The third policyholder is objecting over concerns regarding previous complaints about his pension policy. I note that all objections have been replied to and have been passed to the regulators and to the Independent Expert for their information and will also be passed to the Court.

None of the concerns raised in those objections affects the conclusions in my Main Report or this Supplementary Report.

7. CONCLUSIONS

My view is that the changes in the economic conditions and the other matters mentioned in this Supplementary Report have not affected the conclusions that I reached in my Main Report. Therefore, my opinion remains that no class of Phoenix policyholder will be materially adversely affected by the implementation of the Scheme and, in particular, that the Scheme will not have any adverse impact on the security of benefits of policyholders. I continue to believe that the Scheme is consistent with Phoenix's obligation to treat its customers fairly.

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A D Rendell
Fellow of the Institute and Faculty of Actuaries
3 October 2022

8. APPENDIX -SUPPLEMENTARY NOTE BY THE PHOENIX WITH-PROFITS ACTUARY

The court directions hearings in both the UK and Ireland were successfully held and the customer mailings have now taken place. At the time of writing there have been no customer responses relating to the with-profits aspects of the scheme.

There have been some changes to the expense and administration arrangements in order to satisfy the Irish regulator, and these have increased the expected cost base of the new Irish company (PLAE) going forward.

However, the arrangements have been structured so that the costs applied to the WP funds will not be changed from those that currently apply.

Consequently, nothing has changed from a WP fund or WP customer perspective. and the conclusions in my report of 30 June still apply.

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Andrew Burke

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Andrew Burke
Fellow of the Institute and Faculty of Actuaries
3 October 2022