

MILLIMAN CLIENT REPORT

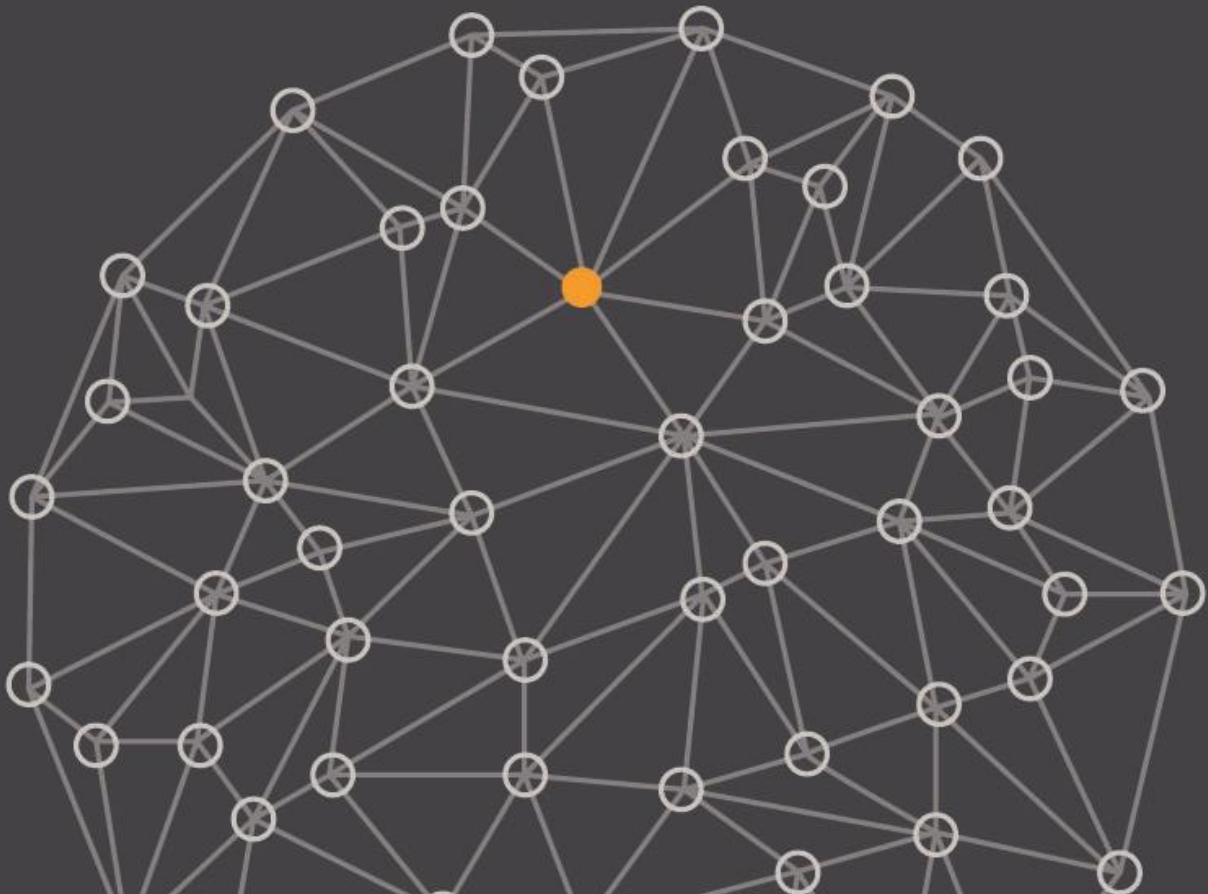
Phoenix Group Holdings Plc

Supplementary Report of the Independent Expert on the proposed transfer of the EEA business of ReAssure Life Limited (formerly Old Mutual Wealth Life Assurance Limited) and Phoenix Life Limited to Phoenix Life Assurance Europe DAC

Final Version

03 October 2022

Philip Simpson, FIA, FSAI





Contents

1. INTRODUCTION	4
2. THE CHANGES AND EVENTS SINCE THE MAIN REPORT THAT ARE RELEVANT TO THE SCHEMES ..	9
3. THE IMPACT OF THE UK SCHEME ON THE PLL TRANSFERRED POLICYHOLDERS	23
4. THE IMPACT OF THE UK SCHEME ON THE RLL TRANSFERRED POLICYHOLDERS	34
5. THE IMPACT OF THE IRISH SCHEME ON THE IRISH PLL TRANSFERRED POLICYHOLDERS	43
6. THE IMPACT OF THE UK SCHEME ON THE PLL NON-TRANSFERRING POLICYHOLDERS.....	53
7. THE IMPACT OF THE UK SCHEME ON THE RLL NON-TRANSFERRING POLICYHOLDERS	56
8. THE IMPACT OF THE IRISH SCHEME ON THE PLL NON-TRANSFERRING POLICYHOLDERS	59
9. CORRESPONDENCE AND OBJECTIONS RECEIVED FROM POLICYHOLDERS IN RELATION TO THE UK SCHEME	62
10. CORRESPONDENCE AND OBJECTIONS RECEIVED FROM POLICYHOLDERS IN RELATION TO THE IRISH SCHEME.....	65
11. OTHER CONSIDERATIONS IN RELATION TO THE UK SCHEME	68
12. OTHER CONSIDERATIONS IN RELATION TO THE IRISH SCHEME	72
13. CONCLUSIONS ON THE UK SCHEME	76
14. CONCLUSIONS ON THE IRISH SCHEME.....	77
APPENDIX A SELECTED FINANCIAL INFORMATION BEFORE THE IMPLEMENTATION OF THE SCHEMES	78
APPENDIX B SELECTED FINANCIAL INFORMATION AFTER THE IMPLEMENTATION OF THE SCHEMES	80
APPENDIX C DEFINITIONS	82
APPENDIX D KEY SOURCES OF DATA	89

1. INTRODUCTION

INTRODUCTION

- 1.1 It is proposed to transfer particular blocks of long term insurance business of ReAssure Life Limited (“RLL”) and Phoenix Life Limited (“PLL”) (including all directly insured business in the Irish branch of PLL) to Phoenix Life Assurance Europe DAC (“PLAE”), an Irish insurance company, by an insurance business transfer scheme (the “UK Scheme”), as defined in Section 105 of the Financial Services and Markets Act 2000 (“FSMA”). The implementation of the UK Scheme will require approval of the High Court of Justice in England and Wales (the “UK Court”).
- 1.2 Following the United Kingdom’s (“UK’s”) exit from the European Union (“EU”), the transfer of business in the Irish branch of PLL to PLAE will also require the approval of the High Court of Justice in Ireland (the “Irish Court”), as defined in the European Union (Insurance and Reinsurance) Regulations 2015. The transfer of business in the Irish branch (the “Irish Scheme”) will run parallel to the UK Scheme.
- 1.3 I refer to the UK Scheme and the Irish Scheme collectively as the “Schemes”. The transfers under the UK Scheme and the Irish Scheme are designed such that they are co-dependent, meaning that the transfers will only occur should both the UK Scheme and Irish Scheme be approved by the relevant court.
- 1.4 It is a requirement of the FSMA that an application to the UK Court for an insurance business transfer scheme must be accompanied by a report on the terms of the transfer (“the Independent Expert’s Report”) by an independent and suitably skilled person (“the Independent Expert”). Similarly, Section 13 of the Assurance Companies Act 1909 requires that an application to the Irish Court for an order sanctioning an insurance business transfer scheme must be accompanied by a report on the terms of the transfer (the “Irish Scheme Report”) by an independent actuary (the “Independent Actuary”).
- 1.5 RLL, PLL and PLAE have together nominated me, Philip Simpson, to act as Independent Expert to the UK Court and Independent Actuary to the Irish Court. I prepared a report dated 1 July 2022 (the “Main Report”) in which I considered the proposed Schemes in advance of the UK Directions Hearing¹ at the UK Court on 11 July 2022 and the Irish Directions Hearing at the Irish Court on 18 July 2022 and 21 July 2022.
- 1.6 The purpose of this report (the “Supplementary Report”) is to provide an updated assessment of the likely effects of the proposed Schemes ahead of the UK Sanction Hearing² and the Irish Sanction Hearing, which are expected to be held on 18 October 2022 and 1 November 2022 respectively.

THE PROPOSED SCHEMES

- 1.7 There are two tranches of business to be transferred (the “Transferred Business”) under the proposed UK Scheme:
 - The first tranche (the “RLL Transferred Business”) consists of certain unit-linked saving, investment and protection products and critical illness policies, all of which were underwritten by RLL for policyholders resident in Germany, Norway or Sweden at inception of the relevant policy.
 - The second tranche (the “PLL Transferred Business”) consists of non-profit, including accelerated critical illness and term assurance policies, with-profits, annuities, unit-linked savings and income protection policies. These policies were sold in Ireland (see paragraph 1.8 below), Iceland or Germany.
- 1.8 As detailed in paragraph 1.2, following the UK’s exit from the EU, it is necessary to run an Irish Scheme in parallel with the UK Scheme. The proposed Irish Scheme transfers only a subset of the PLL Transferred Business to PLAE:

¹ *The Directions Hearing, in the context of the Main Report and this Supplementary Report, is a short hearing at which the UK Court or Irish Court (as applicable) makes procedural orders with regard to a proposed scheme, in particular in relation to communications with policyholders.*

² *At the Sanction Hearing the UK Court or Irish Court (as applicable) hears the application to sanction a proposed transfer of insurance business.*

- It transfers all directly insured policies of PLL's third country branch operation in Ireland (the "Irish PLL Transferred Business"); this includes non-profit, with-profits, annuities, unit-linked savings and income protection policies. These were all sold in Ireland either via Irish branches of PLL's predecessor entities (which were later acquired by PLL) or via cross-border passporting. For the avoidance of doubt, the Irish PLL Transferred Business is contained within the PLL Transferred Business described in paragraph 1.7 above and is captured by both the Irish Scheme and the UK Scheme.
- 1.9 The proposed Schemes, if approved, would transfer all of the assets and liabilities associated with the Transferred Business, with the exception of any Residual Policies³, from RLL and PLL to PLAE on the Effective Date (i.e., the date on and from which the Schemes become effective), which is expected to be 1 January 2023. The UK Scheme and Irish Scheme documents allow for the Effective Date to be deferred up to 1 April 2023 without a further application to the UK Court or Irish Court.
- 1.10 The investment element of the unit-linked RLL Transferred Business and unit-linked PLL Transferred Business will be immediately reinsured back to RLL and PLL, respectively, while the non-investment risks are retained in PLAE. RLL's and PLL's respective obligations to transfer the associated unit-linked assets to PLAE under the Schemes will be set off against PLAE's obligation to pay reinsurance premiums of an amount equal to the unit value of the respective business to RLL and PLL.
- 1.11 The Irish PLL Transferred Business written in a with-profits fund will be immediately reinsured back to PLL and so PLL's obligation to transfer the associated with-profits funds' assets to PLAE will be set off against PLAE's obligation to pay a reinsurance premium of an equal amount to PLL.
- 1.12 PLAE will retain the non-investment element of the unit-linked RLL Transferred Business and unit-linked PLL Transferred Business and the non-unit-linked Transferred Business that is not written in a with-profits fund (which primarily consists of annuity business). These risks are to be retained by PLAE as they are not directly linked to market risk, and so do not need to be reinsured back to PLL or RLL to ensure those benefits are unchanged. Conversely, if PLAE were to retain the market risk associated with the Transferred Business then there would be various implications on policyholder benefits, operations and costs. The proposed reinsurances back to RLL and PLL address these implications on policyholder benefits, and minimise the duplication of costs and operations.

MY ROLE AS THE INDEPENDENT EXPERT (UK) AND THE INDEPENDENT ACTUARY (IRELAND)

- 1.13 RLL, PLL and PLAE have together nominated me, Philip Simpson, to act as Independent Expert to the UK Court and Independent Actuary to the Irish Court. My role is collectively referred to as the "Independent Person", and the Prudential Regulation Authority ("PRA") has approved my appointment following consultation with the Financial Conduct Authority ("FCA"). Given the co-dependency of the UK Scheme and the Irish Scheme, RLL, PLL and PLAE consider it appropriate to appoint me to cover both roles collectively and include my analysis and conclusions on both Schemes in a single Scheme Report. The PRA, FCA and the Central Bank of Ireland ("CBI") have agreed to this approach.
- 1.14 My role as Independent Person is set out in Section 3 of the Main Report and in this Supplementary Report has been produced for the UK Court and the Irish Court to assist in their deliberations in respect of the UK Scheme and the Irish Scheme respectively.
- 1.15 I have considered the terms of the Schemes only and have not considered whether any other scheme or schemes or alternative arrangement might provide a more efficient or effective outcome.

THE PURPOSE OF THIS SUPPLEMENTARY REPORT

- 1.16 In Section 17 of the Main Report I set out my conclusions on the UK Scheme as follows:

I confirm that I have considered the issues affecting the various policyholders of RLL and PLL separately, including both the policyholders that remain with RLL and PLL and those that transfer to PLAE under the UK Scheme. My considerations are set out in the Main Report in Sections 7, 8, 10, 11, 13 and 15, and I do not consider an assessment of further subdivisions of policyholders (other than those considered in this Report) to be necessary.

I am satisfied that the implementation of the proposed UK Scheme would not have a material adverse effect on:

³ Residual Policies are those within the Transferred Business that cannot be transferred to PLAE on the Effective Date. As and when all consents, permissions or other requirements have been obtained they would be transferred to PLAE.

- The security of the benefits under the Transferred Policies;
- The profile of risks to which the Transferred Policies are exposed;
- The protection offered by the regulatory regime that would apply to the Transferred Policies; and
- The reasonable expectations of the Transferred Policyholders in respect of their benefits, including the level and standards of administration and service that would apply to the Transferred Policies.

In addition, I am satisfied that the implementation of the proposed UK Scheme would not have a material adverse effect on:

- The security of benefits under the Non-transferring Policies;
- The profile of risks to which the Non-transferring Policies are exposed; and
- The reasonable expectations of the Non-transferring Policyholders in respect of their benefits, including the level and standards of administration and service that would apply to the Non-transferring Policies.

I am satisfied that the UK Scheme is equitable to all classes and generations of RLL and PLL policyholders.

1.17 In section 18 of the Main Report I set out my conclusions on the Irish Scheme as follows:

I confirm that I have considered the issues affecting the various policyholders of PLL, including the policyholders that remain with PLL, those of the Irish branch of PLL that transfer to PLAE under the Irish Scheme and those that transfer to PLAE under the UK Scheme but not the Irish Scheme (for whom I set out my conclusions in the Main Report in Section 17). My considerations are set out in the Main Report in Sections 9, 12, 14 and 16, and I do not consider an assessment of further subdivisions of policyholders (other than those considered in this Report) to be necessary.

I am satisfied that the implementation of the proposed Irish Scheme would not have a material adverse effect on:

- The security of the benefits under the Irish PLL Transferred Policies;
- The profile of risks to which the Irish PLL Transferred Policies are exposed;
- The protection offered by the regulatory regime that would apply to the Irish PLL Transferred Policies; and
- The reasonable expectations of the Irish PLL Transferred Policyholders in respect of their benefits, including the level and standards of administration and service that would apply to the Irish PLL Transferred Policies.

In addition, I am satisfied that the implementation of the proposed Irish Scheme would not have a material adverse effect on:

- The security of benefits under the PLL Non-transferring Policies;
- The profile of risks to which the PLL Non-transferring Policies are exposed; and
- The reasonable expectations of the PLL Non-transferring Policyholders in respect of their benefits, including the level and standards of administration and service that would apply to the PLL Non-transferring Policies.

I am satisfied that the Irish Scheme is equitable to all classes and generations of PLL policyholders.

1.18 The purpose of this Supplementary Report is to provide an updated assessment of the likely effects of the proposed transfer ahead of the UK Sanction Hearing on 18 October 2022 and the Irish Sanction Hearing on 1 November 2022, and to consider whether the conclusions reached in the Main Report remain valid in light of the updated financial information received, any other relevant significant events subsequent to the date of the finalisation of the Main Report, and any policyholder feedback or queries in relation to the UK Scheme or the Irish Scheme.

1.19 This Supplementary Report should be read in conjunction with the Main Report. Defined terms used in the Main Report have the same meaning in this Supplementary Report and are set out in Appendix C.

- 1.20 The reliances and limitations set out in Section 1 of the Main Report apply equally to this Supplementary Report. In addition, reliance has been placed upon, but is not limited to, the information set out in Appendix D, as well as upon the information set out in Appendix M of the Main Report. My opinions depend on the accuracy and completeness of this data, information and the underlying calculations. I have discussed the information set out in Appendix D with RLL, PLL and PLAE, and have considered how it has changed from similar information provided in support of the Main Report. RLL, PLL and PLAE have each confirmed to me that, to the best of their knowledge and belief, all data and information they have provided to me is accurate and complete. They have also informed me that there have been no material developments since the latest information made available to me that are relevant to the Schemes.
- 1.21 Given the inherent uncertainty of the outcome of future events, it is not possible to be certain of the effect of the proposed Schemes on the affected policies and, in order to acknowledge this inherent uncertainty, the conclusions of an Independent Expert or an Independent Actuary in relation to transfers of long-term insurance business are usually framed using a materiality threshold. My application of the concept of “materiality” is set out in paragraph 1.30 of the Main Report. In summary, if a potential effect of the Schemes is very unlikely to happen or has a very small impact, I do not consider it material. The framework in which I undertake my consideration of the proposed Schemes in both this Supplementary Report and the Main Report is set out in Section 3 of the Main Report.

PROFESSIONAL AND REGULATORY GUIDANCE

- 1.22 I am required to comply with relevant professional standards and guidance maintained by the Financial Reporting Council and by the IFoA, including TAS 100: Principles for Technical Actuarial Work and TAS 200: Insurance. I have complied with such standards, subject to the principles of proportionality and materiality.
- 1.23 In accordance with Actuarial Profession Standard X2, as issued by the IFoA and General Actuarial Practice ASP PA-2 as issued by the Society of Actuaries in Ireland, I have considered whether this Supplementary Report should be subject to review (“Work Review”). I concluded that it should, and I have also decided that the Work Review should be conducted by an individual who has not otherwise been involved in the analysis underlying this Supplementary Report or in the preparation of this Supplementary Report, but who would have had the appropriate experience and expertise to take responsibility for the work himself. In other words, I have decided that this Supplementary Report should be subject to “Independent Peer Review”. I confirm that this Supplementary Report has been subject to Independent Peer Review prior to its publication.
- 1.24 This Supplementary Report has been prepared under the terms of the guidance set out in the Statement of Policy entitled ‘The Prudential Regulation Authority’s approach to insurance business transfers’ (the “PRA Statement of Policy”), initially issued in April 2015 and updated in January 2022, and in SUP18 contained in the FCA’s Handbook of Rules and Guidance to cover scheme reports on the transfer of insurance business. I have also followed the FCA’s guidance FG22/1 entitled ‘The FCA’s approach to the review of Part VII insurance business transfers’ (the “FCA Guidance”), initially issued in May 2018 and updated in February 2022, and the advice of the Society of Actuaries in Ireland ASP-LA6 entitled ‘Transfer of Insurance Portfolio of a Life Insurance Company – Role of the Independent Actuary’.

THE STRUCTURE OF THIS SUPPLEMENTARY REPORT

- 1.25 The remainder of this Supplementary Report is set out as follows:
- Section 2: I set out the changes and events that have taken place since the Main Report that are relevant to the Schemes.
 - Section 3: I consider the likely impact of the UK Scheme on the PLL Transferred Policyholders in light of the changes and events set out in Section 2.
 - Section 4: I consider the likely impact of the UK Scheme on the RLL Transferred Policyholders in light of the changes and events set out in Section 2.
 - Section 5: I consider the likely impact of the Irish Scheme on the Irish PLL Transferred Policyholders in light of the changes and events set out in Section 2.
 - Section 6: I consider the likely impact of the UK Scheme on the PLL Non-transferring Policyholders in light of the changes and events set out in Section 2.
 - Section 7: I consider the likely impact of the UK Scheme on the RLL Non-transferring Policyholders in light of the changes and events set out in Section 2.

- Section 8: I consider the likely impact of the Irish Scheme on the PLL Non-transferring Policyholders in light of the changes and events set out in Section 2.
- Section 9: I consider the correspondence and objections received from policyholders in relation to the UK Scheme.
- Section 10: I consider the correspondence and objections received from policyholders in relation to the Irish Scheme.
- Section 11: I cover more general issues relating to the UK Scheme in light of the changes and events set out in Section 2.
- Section 12: I cover more general issues relating to the Irish Scheme in light of the changes and events set out in Section 2.
- Section 13: I provide an update on my conclusions on the effect of the UK Scheme in light of the changes and events set out in Section 2.
- Section 14: I provide an update on my conclusions on the effect of the Irish Scheme in light of the changes and events set out in Section 2.
- Appendices: Include financial and other information.

1.26 Figure 1.1 below sets out the sections of this Supplementary Report relevant to the UK Scheme and the Irish Scheme.

FIGURE 1.1 SECTIONS OF SUPPLEMENTARY REPORT RELEVANT TO THE UK SCHEME AND THE IRISH SCHEME

Section	UK Scheme	Irish Scheme
1	✓	✓
2	✓	✓
3	✓	
4	✓	
5		✓
6	✓	
7	✓	
8		✓
9	✓	
10		✓
11	✓	
12		✓
13	✓	
14		✓
Appendices	✓	✓

2. THE CHANGES AND EVENTS SINCE THE MAIN REPORT THAT ARE RELEVANT TO THE SCHEMES

THE UPDATED FINANCIAL INFORMATION AS AT 30 JUNE 2022 FOR PLL, RLL AND PLAE

- 2.1 The conclusions in the Main Report were based on the financial information in respect of PLL, RLL and PLAE as at 31 December 2021.
- 2.2 The updated pre-Schemes and pro-forma post-Schemes financial results as at 30 June 2022 are included in Appendix A and Appendix B respectively. The pro-forma financial results as at 30 June 2022 have been through RLL's and PLL's internal review process, in addition in the case of PLAE they have also been reviewed by the PLAE Head of Actuarial Function ("HoAF"). Where directly comparable, I have compared the pre-Schemes financial results of RLL and PLL with the regulatory quantitative reporting templates submitted to the Prudential Regulation Authority on 4 August 2022.
- 2.3 I have reconsidered the conclusions set out in the Main Report in light of this updated financial information in Sections 3 to 8 of this Supplementary Report.
- 2.4 The capitalisation of PLAE is progressing as set out in the Main Report. It currently has sufficient capital to cover its MCR and its expected expenses up to the Effective Date. The amount of the proposed capital injection, sufficient to capitalise PLAE to the level required by the PLAE Capital Management Policy, was approved by the Board of RAL and noted by the Boards of PLL and RLL in September 2022. This amount is due to be injected into PLAE during October 2022. The capital injection amount will be subject to finalisation in December 2022 in order to ensure that it reflects any developments since the date the proposed amount was calculated, and if this results in an additional injection being required, this would be subject to confirmation by the Board of RAL in December 2022. Following these steps, in December 2022 the Board of PLAE will be asked to confirm that PLAE has sufficient assets to meet the PLAE Capital Management Policy.
- 2.5 As set out in the Main Report, the proposed Effective Date for the Schemes is 1 January 2023, and the Schemes allow for the proposed Effective Date to be deferred up to 1 April 2023 without further UK Court and Irish Court applications. In the event that the Effective Date is deferred up to 1 April 2023 then if, since the time of determining the capital injection amount, market conditions affecting the solvency position of PLAE had changed significantly or if other information had arisen that needed to be taken account of, the determination of the final capital injection amount would be deferred to a later date in line with (but not later than) the changed Effective Date. In this event, if the final capital injection amount had already been confirmed by the Boards of RAL and PLAE, then the amount determined would be revisited and re-confirmed by the Boards of RAL and PLAE in line with the change in the Effective Date.
- 2.6 I have reviewed PLAE's plans relating to the capitalisation of PLAE and I have performed reasonableness checks on the pro-forma PLAE balance sheet as at 31 December 2021 and 30 June 2022; however, as set out in paragraph 1.20, I have relied on the accuracy of information provided to me by PLL, RLL and PLAE.
- 2.7 As a result of the planned operating model for PLAE, which involves the provision of services for a number of the Transferred Policyholders by PLAE using personnel provided by SLAESL (Irish branch) rather than the existing service providers, there has been an increase in the level of expenses that PLAE expects to incur on an on-going basis. I have seen a breakdown of the change in assumed expenses between 31 December 2021 and 30 June 2022 and am satisfied that these are consistent with the planned operating model for PLAE. These increased expenses are reflected within the pro-forma financial information for PLAE contained within this Supplementary Report and will be reflected in the final capital injection into PLAE, and therefore it is still the case that PLAE will be capitalised so that it has a solvency cover ratio of at least 150% as at the Effective Date.

Exposure to inflation

- 2.8 In general, countries around the world including the UK and Ireland are experiencing a period of higher inflation which is predicted to remain for at least the short term.

- 2.9 The Phoenix Group considered the impact of a high inflation scenario in its most recent ORSA, and its overall view is that the Phoenix Group is not materially exposed to the risk of high inflation, and that its solvency position is expected to be resilient to higher inflation. PLL is primarily exposed to inflation risk through future expense levels and annuity liabilities where benefits are linked to an inflation index; however, the overall impact of rising inflation on PLL's financial position is relatively small, as it matches its future expense liabilities and inflation-linked annuity liabilities with index-linked assets. In response to heightened market volatility experienced in the UK during late September 2022, the Phoenix Group assessed the estimated solvency position for PLL and this indicated that PLL continued to hold assets in excess of the minimum capital buffer under the PLL Capital Management Policy. Similarly for RLL the impact of rising inflation is not material, as the Intra-Group Reinsurance Agreement ("IGR") in place between RLL and RAL mitigates the majority of risks to which RLL is exposed.
- 2.10 PLAE is exposed to inflation risk almost entirely through future expense levels. At my request, the Phoenix actuarial team carried out a stress test examining the impact of a further, permanent, 10% increase in expenses from 2023 (put another way, an increase in the 2023 assumed inflation rate of a further 10 percentage points). PLAE was able to withstand this stress and remain within its Amber risk appetite zone for solvency capital coverage under the PLAE Capital Management Policy. Also under this stress liquidity was not an issue for PLAE. In my opinion this can be considered an extreme scenario. I note, for example, that in its Summer 2022 Economic Forecast (July 2022), the European Commission sets out a forecast inflation rate for Ireland in 2023 of 3.3%. The scenario is, however, plausible, being within the range suggested by some investment bank economists under conditions where gas prices stay elevated. The scenario is intended to test resilience to short term inflation shocks, and also serves as a proxy for resilience to increases in long-term inflation rates.

CAPITAL MANAGEMENT POLICY

PLL Capital Management Policy

- 2.11 As set out in my Main Report, PLL has a Capital Management Policy which is aligned to the Phoenix Group Life Companies Risk Appetite Framework ("Life Companies RAF"). Under the Life Companies RAF, the quantity of capital to be held in excess of the SCR is referred to as the minimum capital buffer and is defined as the most onerous of:
- having sufficient Own Funds⁴ to cover the SCR following a 1-in-10 year all risk stress event, and
 - having sufficient Own Funds to cover the SCR following a 1-in-20 year market stress event that emerges over the short term.
- 2.12 The minimum capital buffer is expressed as a percentage of the SCR and is recalibrated at least annually by the Board of PLL.
- 2.13 There have been no changes to the PLL Capital Management Policy since the finalisation of my Main Report, other than the annual recalibration of the minimum capital buffer. I note that as at 30 June 2022, PLL held capital in excess of this recalibrated minimum capital buffer.

RLL Capital Management Policy

- 2.14 In my Main Report I detailed that RLL was undergoing an alignment exercise whereby RLL will derive its capital management policy from the Life Companies RAF. This alignment exercise has now been completed.
- 2.15 Although under the Life Companies RAF the minimum capital buffer is typically expressed as a percentage of the SCR, for RLL it is instead set as an absolute monetary amount, as it was under the RGP Capital Management Policy. The capital held by RLL as at 30 June 2022, based on the annual recalibration as at 30 March 2021 which set the minimum capital buffer adopted from 1 January 2022, was more than sufficient to meet the minimum capital buffer required under the Life Companies RAF.

PLAE Capital Management Policy

- 2.16 At the time of writing the Main Report, PLAE had a draft Capital Management Policy that was aligned to the Life Companies RAF. As outlined above, under the Life Companies RAF, the quantity of capital to be held in excess of the SCR is referred to as the minimum capital buffer and is defined as the most onerous of:
- having sufficient Own Funds to cover the SCR following a 1-in-10 year all risk stress event, and

⁴ The excess of assets over liabilities, plus any subordinated liabilities, is known as "Own Funds".

- having sufficient Own Funds to cover the SCR following a 1-in-20 year market stress event that emerges over the short term.
- 2.17 The minimum capital buffer is expressed as a percentage of the SCR.
- 2.18 The PLAE Capital Management Policy has now been approved by the PLAE Board. I set out below the changes that were made to the PLAE Capital Management Policy since the time of writing the Main Report.
- 2.19 In the Main Report I set out the actions that PLAE would take should its solvency ratio fall below the minimum capital buffer, and the thresholds for the Amber and Red risk appetite ranges. Since the finalisation of the Main Report, and following a PLAE Board meeting, there has been a recalibration of these risk appetite ranges. The Amber range is set to solvency ratios of 130% to 146% (previously the range was 135% to 150%), with the 146% limit being calibrated as per the Life Companies RAF, taking into account the increased expense liabilities for PLAE outlined in paragraph 2.7 above, but without rounding up to the next 5%. The Red range is set to solvency ratios below 130% (previously this was 135%). It remains the intention to capitalise PLAE such that it has a solvency capital ratio of at least 150%.
- 2.20 In the Main Report I also set out that if the solvency cover ratio of PLAE falls within the Red range of the PLAE Capital Management Policy, the PLAE Board must notify the CBI. The PLAE Capital Management Policy has since been amended so that the CBI must also be notified if PLAE's solvency cover ratio falls within the Amber range, the definitions of the Amber and Red ranges take into account expected recovery over a 4 month period, and within the Amber range the urgency of the action to be taken to restore solvency is based on PLAE's projected solvency over a 12 month period.

UPDATED TRANSFERRED BUSINESS POLICY COUNTS

- 2.21 The table below summarises the PLL Transferred Business as at 30 June 2022.

Country	Policy type	Number of policies	Net BEL(£m)
Ireland	Conventional with-profits	7,070	230
	Conventional non-profit	1,937	13
	Income protection	2	0
	Annuity	4,695	347
	Unit-linked (non-profit)	3,789	29
	Unitised with-profits	559	19
Iceland	Accelerated critical illness, standalone critical illness and term assurance	1,268	0
German	Reviewable premium accelerated critical illness	310	0
Total		19,630	638

2.22 The table below summarises the RLL Transferred Business as at 30 June 2022.

Country	Policy type	Number of policies	Net BEL(£m)
Germany	Non-linked critical illness	938	0.0
Norway	Unit-linked savings	307	4.2
	Unit-linked pensions	877	9.0
Sweden	Unit-linked investment bonds	1,553	83.6
	Swedish bonds	586	12.4
	Protection policies	617	0.2
	Unit-linked savings	1,878	15.4
Total		6,756	124.9

Source: RLL Actuarial Team

THE POLICYHOLDER COMMUNICATIONS IN RELATION TO THE UK SCHEME

UK Court approvals

2.23 PLL and RLL sought, at the UK Directions Hearing on 11 July 2022, a direction confirming it could proceed with their proposed approach to policyholder communications. This included proposals for waivers from the regulatory requirements to send a written notice to:

- The holders of PLL policies that would not be transferred if the UK Scheme were to be implemented, i.e., the PLL Non-transferring Policyholders;
- The holders of RLL policies that would not be transferred if the UK Scheme were to be implemented, i.e., the RLL Non-transferring Policyholders; and
- To the following parties:
 - Gone-aways (policyholders for whom a valid address is not held);
 - Joint policyholders (living at different addresses, with only the first or otherwise nominated policyholder to receive communications);
 - Beneficiaries and dependants (including in respect of pensions earmarking and trust-based pension schemes);
 - Assignees;
 - Trustees in respect of bankruptcy;
 - The holder of the power of attorney; and
 - Deceased policyholders.

2.24 In addition, PLL and RLL sought a waiver from the regulatory requirement to publish a notice in two UK national newspapers, including international editions of UK newspapers.

2.25 The proposals for these waivers were approved by the UK Court on 11 July 2022.

Formal communications on the UK Scheme

2.26 The Transferred Policyholders for whom PLL or RLL held a name and address (except those for which a waiver has been granted by the UK Court) were sent a Communications Pack. The Communications Packs were provided in the language in which the original policy was written and contained:

- A covering letter (the "Cover Letter");
- A Questions & Answers leaflet providing answers to the most common questions that a policyholder may have about the Schemes (the "Q&A");
- A brochure (the "Scheme Guide") containing:
 - A summary of the process being followed;
 - A summary of what the transfer means for the policyholders;
 - A summary of the terms of the UK Scheme;

- A summary of the Main Report produced by me (the “Summary Report”); and
 - A copy of the legal notice on the UK Scheme.
- 2.27 The Q&A leaflet and the Cover Letter were tailored to the products in the different jurisdictions, with the main differences being language and contact details. The Scheme Guide (including the summary of the terms of the UK Scheme and the Summary Report) was common across all versions of the Communications Pack, with the exception that these were translated to German, Icelandic, Norwegian and Swedish as appropriate.
- 2.28 This Supplementary Report will be made available on the PLL, RLL and PLAE websites before the UK and Irish Sanction Hearings. In addition, this Supplementary Report will be sent to any person who objects or makes a representation in respect of the UK Scheme, any person who states they will attend the UK Sanction Hearing and any person who requests a copy of the Main Report. If there are any objections to the UK Scheme received in German, Icelandic, Norwegian or Swedish, if a policyholder has requested a copy of the UK Scheme in any of these languages, or upon request, this Supplementary Report will be translated and provided to the policyholder in the relevant language. As was the case for my Main Report, should there be any discrepancies between the English version of this Supplementary Report and any translated versions that are produced, it is the English version that should be referred to as the primary and original version. If the requirement to translate this Supplementary Report to German, Icelandic, Norwegian or Swedish arises within close proximity to the UK Sanction Hearing, there may be insufficient time to provide the relevant policyholder with a translated copy in advance of the UK Sanction Hearing. However in this scenario, the policyholder would have the ability to discuss the UK Scheme with PLL and RLL in the relevant language, and would have the option to object to the UK Scheme if they remain unsatisfied.

Further publication of the UK Scheme

- 2.29 The UK Scheme was also publicised in the following ways:
- On the PLL, RLL and PLAE websites;
 - In two national newspapers in each EEA member state which is a state of commitment in respect of a policy underlying the Transferred Business. Therefore, it was publicised in two national newspapers in:
 - Germany;
 - Iceland;
 - Norway;
 - Sweden;
 - Ireland;
 - Due to the high number of gone-aways in Ireland, the UK Scheme was also publicised in an additional three national newspapers in Ireland (i.e., the UK Scheme was publicised in a total of five national newspapers in Ireland); and
 - In the international edition of the Financial Times.

Policyholder responses

- 2.30 In Section 9 of this Supplementary Report I provide further detail on the responses received to the policyholder communications, including PLL’s and RLL’s approaches to dealing with general enquires or any objections or expressions of dissatisfaction received from policyholders regarding the UK Scheme.

THE POLICYHOLDER COMMUNICATIONS IN RELATION TO THE IRISH SCHEME

Irish Court approvals

- 2.31 PLL sought, at the Irish Directions Hearing on the 18 July 2022 and 21 July 2022, a direction confirming it could proceed with its proposed approach to policyholder communications. This included proposals for waivers from the regulatory requirements to send written notice to:
- Gone-aways (policyholders for whom a valid address is not held);
 - Joint policyholders living at different addresses, with only the first or otherwise nominated policyholder to receive communications;
 - Beneficiaries and dependants (including in respect of pensions earmarking and trust-based pension schemes);

- Assignees;
- Trustees in respect of bankruptcy;
- The holder of the power of attorney; and
- Deceased policyholders.

2.32 The proposals for these waivers were approved by the Irish Court on 21 July 2022.

Formal communications on the Irish Scheme

2.33 The Irish PLL Transferred Policyholders for whom PLL held a name and address (except those for which a waiver has been granted by the Irish Court) were sent a Communications Pack. The Communications Packs contained:

- A covering letter (the “Cover Letter”);
- A Questions & Answers leaflet providing answers to the most common questions that a policyholder may have about the Schemes (the “Q&A”);
- A brochure (the “Scheme Guide”) containing:
 - A summary of the process being followed;
 - A summary of what the transfer means for the policyholders;
 - A summary of the terms of the Schemes;
 - The Summary Report;
 - A copy of the legal notice on the UK Scheme; and
 - A copy of the legal notice on the Irish Scheme.
- For with-profits Irish PLL Transferred Business or holders of investments in a with-profits fund: a with-profit leaflet explaining how the proposal will affect the with profit funds in which with-profits Irish PLL Transferred Policyholders are invested.

2.34 This Supplementary Report will be made available on the PLL, RLL and PLAE websites before the UK and Irish Sanction Hearings. In addition, this Supplementary Report will be sent to any person who objects or makes a representation in respect of the Irish Scheme, any person who states they will attend the Irish Sanction Hearing and any person who requests a copy of the Main Report.

Further publication of the Irish Scheme

2.35 The Irish Scheme was also publicised in the following ways:

- On the PLL and PLAE websites;
- In the following national newspapers in Ireland:
 - An Iris Oifigiúil (the Irish Gazette);
 - The Irish Times;
 - The Irish Independent;
 - Irish Daily Mirror;
 - Irish Daily Sun;
 - Irish Examiner; and
 - The Sunday World; and
- In international edition of the Financial Times.

2.36 Under Irish regulations, PLL is required to advertise the Irish Scheme in all EEA member states which are a state of commitment if and as required by local regulation. In Ireland this is defined to be the country in which the policyholder is now resident. PLL has corresponded with each relevant EEA regulator to clarify the requirements for advertising the Irish Scheme in their applicable jurisdiction. Where it was determined that PLL was required to carry out local advertisement, I understand that such requirements will be fulfilled.

2.37 As at August 2022, 2,141 (approximately 12%) of the Irish PLL Transferred Policyholders were marked as 'gone-away' (this excludes any Irish PLL Transferred Policies paid out to the National Treasury Management Agency⁵ that would otherwise be 'gone-away'). Due to the relatively high number of gone-away Irish PLL Transferred Policyholders the Irish Scheme was publicised in five more newspapers in Ireland than is required by Regulation 178 of the European Union (Insurance and Reinsurance) Regulations 2015.

Policyholder responses

2.38 In Section 10 of this Supplementary Report I provide further detail on the responses received to the policyholder communications, including PLL's approach to dealing with general enquires or any objections or expressions of dissatisfaction received from policyholders regarding the Irish Scheme.

THE PROPOSED SCHEMES

The UK Scheme, Unit-Linked Reinsurance Agreements, With-Profits Reinsurance Agreements and associated security arrangements

2.39 Since the time of writing my Main Report, there have been four small amendments to the UK Scheme, these are as follows:

- To remove a reinsurance agreement from the list of reinsurance agreements to be transferred under the UK Scheme. The agreement that has been removed from the list is a reinsurance agreement with both Unum Limited ("Unum") and Swiss Re, this agreement is now being novated to PLAE separately to the UK Scheme.
- The definition of Transferred Assets has been updated to correct two typographical errors. As these errors were typographical in nature they did not impact any of the actuarial analysis in relation to the UK Scheme.
- The UK Scheme sets out conditions which must be met in order for the UK Scheme to become effective, minor changes have been made to this section to make it explicitly clear that these conditions apply even if the Effective Date is deferred. This change was for clarification, rather than a change to the intended operation of the UK Scheme.

2.40 I understand from the Phoenix Group management that there have been no material changes to the proposed Unit-Linked Reinsurance Agreements, With-Profits Reinsurance Agreements and WP Fixed Charges, and these remain as described in section 5 of the Main Report.

2.41 As outlined in my Main Report, PLAE will have a floating charge over all available assets held by PLL (that is, all assets except those over which PLL is unable to grant security) in order to minimise its counterparty exposure resulting from the PLL Unit-Linked Reinsurance Agreement and With-Profits Reinsurance Agreements. This is referred to as the "PLL Floating Charge". For the avoidance of doubt, the PLL Floating Charge is a single charge which covers the PLL Unit-Linked Reinsurance Agreement and the With-Profits Reinsurance Agreements. The PLL Floating Charge has the effect that, in the event of PLL insolvency, PLAE would rank equally with the PLL Non-transferring Policyholders (and other policyholders⁶).

2.42 Since the time of writing my Main Report, there has been a minor amendment to the PLL Floating Charge in anticipation of the planned future transfer of the business of Standard Life Assurance Limited ("SLAL"), Standard Life Pensions Funds Limited and Phoenix Life Assurance Limited into PLL (which I discussed in Section 15 of my Main Report).

2.43 SLAL has previously accepted inwards reinsurance of unit-linked business from external insurers which are secured under a combined arrangement, whereby The Law Debenture Trust plc holds a floating charge over the unit-linked funds in which these reinsurance arrangements are invested. This floating charge allows The Law Debenture Trust plc to recover the amount which relates to the reinsured units in the event of SLAL insolvency. Following the planned future transfer of the business of SLAL into PLL, this floating charge will be replicated by PLL, so that The Law Debenture Trust will have a charge over the reinsured units in the event of PLL insolvency.

⁵ The National Treasury Management Agency is an agency which manages the assets and liabilities of the Government of Ireland.

⁶ This includes any new business written by PLL and any new policies that arise in relation to existing policies.

- 2.44 As a result of the planned future transfer of SLAL into PLL and the replication of the floating charge held by The Law Debenture Trust plc, PLL does not intend to extend the scope of the PLL Floating Charge to the assets covered by the floating charge held by The Law Debenture Trust plc. Therefore, the terms of the PLL Floating Charge have been amended to exclude the assets covered by the floating charge held by The Law Debenture Trust plc.
- 2.45 The overall result of this change to the PLL Floating Charge is that, following the planned future transfer of the business of SLAL into PLL, although the overall pool of assets over which the PLL Floating Charge applies will increase, the scope of the PLL Floating Charge would not include the assets covered by the floating charge held by The Law Debenture Trust plc. I consider this change further in respect of the PLL Transferred Policies in Section 3.
- 2.46 PLAE will also have a floating charge over all available assets held by RLL (that is, all assets except those over which RLL is unable to grant security) in order to minimise its counterparty exposure resulting from the RLL Unit-Linked Reinsurance Agreement. There have been no changes to the RLL Floating Charge since the time of writing my Main Report, and the above change to the PLL Floating Charge is not required as the planned future transfer of the business to SLAL into PLL does not involve RLL.
- 2.47 It remains the case that there is no expectation that there will be any Excluded Policies.
- 2.48 I have reviewed the final draft versions of the UK Scheme, Unit-Linked Reinsurance Agreements, With-Profits Reinsurance Agreements, WP Fixed Charges, PLL Floating Charge and RLL Floating Charge, and I understand from Phoenix Group management that each of these documents are shortly due to be signed, in advance of the UK Sanction Hearing. My commentary within this Supplementary Report is based on the final draft versions of each of these documents.

The Irish Scheme, PLL Unit-Linked Reinsurance Agreement, With-Profits Reinsurance Agreements and associated security arrangements

- 2.49 Since the time of writing my Main Report, there have been three small amendments to the Irish Scheme, these are as follows:
- To remove a reinsurance agreement from the list of reinsurance agreements to be transferred under the Irish Scheme. The agreement that has been removed from the list is the reinsurance agreement with both Unum and Swiss Re, this agreement is now being novated to PLAE separately to the Irish Scheme.
 - The definition of Transferred Assets has been updated to correct a typographical error. As this error was typographical in nature it did not impact any of the actuarial analysis in relation to the Irish Scheme.
 - The Irish Scheme sets out conditions which must be met in order for the Irish Scheme to become effective, minor changes have been made to this section to make it explicitly clear that these conditions apply even if the Effective Date is deferred. This change was for clarification, rather than a change to the intended operation of the Irish Scheme.
- 2.50 I understand from the Phoenix Group management that there have been no changes to the proposed PLL Unit-Linked Reinsurance Agreement, With-Profits Reinsurance Agreements and WP Fixed Charges, and these remain as described in section 6 of the Main Report.
- 2.51 As outlined in my Main Report, PLAE will have a floating charge over all available assets held by PLL (that is, all assets except those over which PLL is unable to grant security) in order to minimise its counterparty exposure resulting from the PLL Unit-Linked Reinsurance Agreement and With-Profits Reinsurance Agreements. This is referred to as the "PLL Floating Charge". For the avoidance of doubt, the PLL Floating Charge is a single charge which covers the PLL Unit-Linked Reinsurance Agreement and the With-Profits Reinsurance Agreements. The PLL Floating Charge has the effect that, in the event of PLL insolvency, PLAE would rank equally with the PLL Non-transferring Policyholders (and other policyholders⁷).
- 2.52 Since the time of writing my Main Report, there has been a minor amendment to the PLL Floating Charge in anticipation of the planned future transfer of the business of Standard Life Assurance Limited ("SLAL"), Standard Life Pensions Funds Limited and Phoenix Life Assurance Limited into PLL (which I discussed in Section 16 of my Main Report).

⁷ This includes any new business written by PLL and any new policies that arise in relation to existing policies.

- 2.53 SLAL has previously accepted inwards reinsurance of unit-linked business from external insurers which are secured under a combined arrangement, whereby The Law Debenture Trust plc holds a floating charge over the unit-linked funds in which these reinsurance arrangements are invested. This floating charge allows The Law Debenture Trust plc to recover the amount which relates to the reinsured units in the event of SLAL insolvency. Following the planned future transfer of the business of SLAL into PLL, this floating charge will be replicated by PLL, so that The Law Debenture Trust will have a charge over the reinsured units in the event of PLL insolvency.
- 2.54 As a result of the planned future transfer of SLAL into PLL and the replication of the floating charge held by The Law Debenture Trust plc, PLL does not intend to extend the scope of the PLL Floating Charge to the assets covered by the floating charge held by The Law Debenture Trust plc. Therefore, the terms of the PLL Floating Charge have been amended to exclude the assets covered by the floating charge held by The Law Debenture Trust plc.
- 2.55 The overall result of this change to the PLL Floating Charge is that, following the planned future transfer of the business of SLAL into PLL, although the overall pool of assets over which the PLL Floating Charge applies will increase, the scope of the PLL Floating Charge would not include the assets covered by the floating charge held by The Law Debenture Trust plc. I consider this change further in respect of the Irish PLL Transferred Policies in Section 5.
- 2.56 It remains the case that there is no expectation that there will be any Excluded Policies.
- 2.57 I have reviewed the final draft versions of the Irish Scheme, PLL Unit-Linked Reinsurance Agreement, With-Profits Reinsurance Agreements, WP Fixed Charges and PLL Floating Charge, and I understand from Phoenix Group management that each of these documents are shortly due to be signed, in advance of the Irish Sanction Hearing. My commentary within this Supplementary Report is based on the final draft versions of each of these documents.

PLAE READINESS

- 2.58 PLAE is a newly established entity within the Phoenix Group and has submitted an application for authorisation to the CBI. The CBI granted authorisation of PLAE in September 2022.
- 2.59 Alongside its authorisation application to the CBI, PLAE applied for permission to operate under the Freedom of Services regime under EU legislation in all EEA states in which it has been identified that a policyholder of the Transferred Business is currently resident. I understand that the CBI has sent the relevant notifications to EEA regulators and therefore PLAE is expected to have the required permissions to operate under the Freedom of Services regime from the Effective Date. I also note that, whilst permissions to operate under the Freedom of Services regime are required in order for PLAE to be in compliance with EU passporting rules, obtaining such permissions is not a condition of the Schemes and do not affect the legal validity of the Schemes.
- 2.60 As set out in the Main Report, all PLAE Pre-Approval Controlled Functions (“PCFs”) have been submitted to the CBI. Since the Main Report, all proposed PCF role holders have now commenced employment with PLAE (either directly or, in the case of the HoAF, via an external consultancy⁸) and all PCFs except one have now received approval from the CBI. I understand from Phoenix management that the final PCF is expected to receive approval from the CBI very shortly.
- 2.61 As PLAE is a newly established entity, there are currently a number of activities underway to ensure operational readiness ahead of the Effective Date. I have received details of PLAE’s approach to ensuring operational readiness. This includes weekly progress meeting to review progress and discuss any risks or issues that require escalation, a framework for the requirements for being granted approval to ‘go-live’, allocation of responsibilities and approvals for different aspects of operational readiness by function and the different success criteria that PLAE was required to meet ahead of being granted PLAE authorisation and will be required to meet ahead of the UK and Irish Sanction Hearing and ahead of the Effective Date.
- 2.62 In addition to the process outlined above, a series of operational readiness reviews are being undertaken by the risk function prior to the Effective Date, with the aim of identifying any operational risks and ensuring that all aspects of operational readiness are in place prior to the Effective Date of the Schemes. The most recent operational readiness review was performed in September 2022 prior to the UK and Irish Sanction Hearings, and a final review is scheduled for December 2022 to confirm operational readiness prior to the planned Effective Date of 1 January 2023.

⁸ The external consultancy is not Milliman.

- 2.63 I have received the output of the operational readiness review that was performed by the Phoenix Group risk function during September 2022. The scope of this review covered a wide range of aspects, including a review of progress against PLAE's operational readiness plan, engagement of relevant business functions, recruitment and training of new staff, establishment of governance structures and risk policies, systems readiness and risk management processes and culture. As part of the scoping for this operational readiness review, the process for addressing and closing any action points identified from the review has also been specified, which includes the agreement of timescales, the provision of evidence to demonstrate closure of the action points and an escalation route for any difficulties that may arise when completing actions.
- 2.64 The overall rating of the operational readiness review that was performed during September 2022 was Green, showing an improvement from the previous operational readiness review performed in June 2022, which had an Amber rating. This reflects the progress made against the various operational readiness activities underway and the successful delivery of a number of milestones during the interim period. The residual risks highlighted within the review are the recruitment of staff to perform the services that will be provided by PLAE using personnel provided by SLAESL (Irish branch) and the workload of the Finance and Accounting team of PLAE.

Administration and servicing

- 2.65 The recruitment of new staff members to perform the services that will be provided by PLAE using personnel provided by SLAESL (Irish branch) within Ireland in respect of the relevant Transferred Policies is now underway. Of the 20 customer services advisors that SLAESL (Irish branch) is seeking to recruit for this purpose, 18 positions have now been confirmed, including candidates who are able to deal with policyholders in German, Norwegian and Swedish. I understand from the Phoenix Group that they intend to continue with the current recruitment drive until all roles are filled. Based on the current progress of recruitment, the Phoenix Group anticipate that all roles will be filled by 31 October 2022. I understand that in the event that it is not possible to recruit the required number of staff members, the Phoenix Group has identified a number of contingencies to ensure sufficient staff are available and trained in advance of the Effective Date. This includes the identification of existing staff members that are able to deal with policyholders in these languages (and also in English) who would be seconded to SLAESL (Irish branch) until such time as the required staff members have been recruited. Icelandic speaking staff are not required as the Icelandic PLL Transferred Policyholders will continue to be provided by services from TMI via Diligenta.
- 2.66 SLAESL (Irish branch) has recruited a Customer Services Department Manager, two Team Managers and one Complaints Handler, and are in the process of recruiting one further Complaints Handler. These individuals will have responsibility for ensuring all staff responsible for the administration of the Transferring Business are adequately trained ahead of the Effective Date, and will also be responsible for monitoring service standards, management information and complaints. The Customer Services Department Manager will be ultimately responsible for ensuring that the services standards for the Transferred Business are maintained.
- 2.67 In order to aid the transition of activity from existing service providers to the newly recruited SLAESL (Irish branch) personnel that will be provided to PLAE, training of new staff by the relevant external services providers and RUKSL will commence in October 2022, three months prior to the planned Effective Date. In addition, for the relevant PLL Transferred Business the existing service providers have committed to providing staff within Ireland to support the transition for a period of three months after the Effective Date, and PLAE will review the position at the end of this period to consider whether an extension of this support period is required. For the RLL Transferred Business, RUKSL will provide existing staff with retention payments in order to maintain existing support and knowledge for a period of 12 months and has committed to seconding staff to SLAESL (Irish branch) both before and after the Effective Date to support the transfer of knowledge and training of day-to-day activities. PLAE will review the position three months after the Effective Date to consider whether an extension of this support period is required.
- 2.68 PLAE and SLAESL (Irish branch) will enter into a Management Services Agreement ("MSA") covering the provision of all services that PLAE requires in order to operate. This MSA contains a schedule setting out the various service level metrics which are aligned to the existing service level metrics used in respect of the Transferred Business. At the time of writing my Main Report, the MSA between PLAE and SLAESL (Irish branch) was in draft form. The MSA has now been finalised and signed, and my commentary within this Supplementary Report is based on this final version.

- 2.69 In my Main Report I stated that for services in respect of the PLL Transferred Policies that will continue to be provided by external third parties (namely SS&C International Managed Services Limited (“SS&C”) and Diligenta Limited (“Diligenta”)), SLAESL (Irish branch) will enter into, or amend existing, agreements to enable the continued service provision by these parties. In respect of the agreement with SS&C, an MSA has now been drafted between the existing Phoenix Group party (Pearl Group Management Services (Ireland) Limited (“PGMSI”)) and SLAESL (Irish branch) in order to extend the services currently provided by SS&C from PGMSI to SLAESL (Irish branch). In respect of the agreement with Diligenta, a change control agreement has now been drafted which extends the services currently provided by Diligenta to include SLAESL (Irish branch) and PLAE. The existing service level metrics used in respect of services provided by SS&C and Diligenta will be maintained through the MSA between PLAE and SLAESL (Irish branch). In addition, an MSA between RUKSL and SLAESL has now been drafted to cover the unregulated activities that RUKSL will provide to PLAE via SLAESL (Irish branch). Whilst these various agreements have not been finalised at the time of writing this Supplementary Report, the service level metrics within the MSA between PLAE and SLAESL (Irish branch) have been finalised and signed, and these are, in my view, the key aspects to consider when assessing the impact of the Schemes on the levels and standards of administration and services that apply to the Transferred Policies.
- 2.70 As outlined in the Main Report, for the Irish PLL Transferred Policies currently administered by Mercer or Unum, the platform on which they are administered will be transferred onto an existing Phoenix Group administration platform. I have been provided with the roadmap for implementing this transfer. I understand from the Phoenix Group that the transfer is on track to be completed as planned in time for the planned Effective Date for the majority of affected policyholders. A small number of policies may be required to be administered manually for a limited period of time following the Effective Date; however, I understand from the Phoenix Group that the majority of these policyholders are gone-away (as described in paragraphs 2.23 and 2.31 above) and therefore administrative activity and the associated risk of errors arising is expected to be minimal.
- 2.71 The PLAE Customer Committee, which oversees the management of all areas impacting PLAE’s customers, including oversight of outsourced services, is due to be established following PLAE authorisation and is expected to meet once prior to the Effective Date. On a monthly basis the Customer Committee will review customer treatment, operational metrics, services standards and complaint trend analysis.

PLAE Board approvals

- 2.72 The PLAE Board is now holding regular meetings, with attendance including the proposed independent non-executive directors. Following discussion at a PLAE Board meeting held during July 2022 and subsequent correspondence, the PLAE Board has now approved the PLAE Capital Management Policy. In addition, the PLAE Board approved PLAE’s approach to the exercise of discretion and the implementation of the CBI’s principles of best practice in September 2022.

TAX

- 2.73 At the time of writing the Main Report, PLL and RLL were awaiting confirmation from the Irish Revenue regarding the taxation basis for Transferred Policies. I understand that PLL and RLL have now received written confirmation from the Irish Revenue that all required tax clearances have been granted.
- 2.74 As outlined in the Main Report, whilst the proposed Schemes should not result in any tax consequences for annuities in payment contained within the PLL Transferred Business, it is necessary to bulk transfer these policies to a new payroll system. PLL has now received confirmation from the relevant administration providers that they will be able to perform the bulk transfer and therefore I understand that there will be no impact on annuity payment amounts or on the tax status of annuitants within the PLL Transferred Business as a result of the Schemes.

CORRESPONDENCE RECEIVED FROM THE PRA AND THE FCA

- 2.75 Following the publication of the Main Report I have been in correspondence with the PRA and the FCA.
- 2.76 The PRA prepared a report dated 6 July 2022 and concluded that it did not have any objections to the directions sought at the UK Directions Hearing on 11 July 2022, but that its assessment of the UK Scheme was ongoing. The PRA expects to file a report at the UK Sanction Hearing setting out its views on the UK Scheme.

- 2.77 The FCA prepared a report dated 5 July 2022, in which it considered the proposed UK Scheme for the UK Directions Hearing on 11 July 2022. The FCA also concluded that it did not have any objections to the directions sought at the UK Directions Hearing and that its assessment of the UK Scheme was ongoing. The FCA also expects to file a report at the UK Sanction Hearing setting out its views on the UK Scheme.

OTHER INTERNAL CHANGES AND EVENTS

The Effective Date of the Schemes

- 2.78 As set out in the Main Report, the proposed Effective Date for the Schemes is 1 January 2023, and the Schemes allow for the proposed Effective Date to be deferred up to 1 April 2023 without further UK Court and Irish Court applications. There have been no changes to the proposed Effective Date or period over which it can be deferred since the finalisation of the Main Report.
- 2.79 The Main Report set out that a preliminary application heard by the UK Court on 15 June 2022 confirmed that, without prejudice to any objections relating to potential adverse effects associated with the proposed Effective Date, the UK Scheme would continue to be a transitional insurance business transfer scheme if the Effective Date is after 31 December 2022. The Phoenix Group wrote to the relevant EEA regulators regarding the outcome of the preliminary application and of the proposed Effective Date. In addition, the Irish Court was informed of the proposed Effective Date of 1 January 2023 at the Directions Hearing of the Irish Court. To date the Phoenix Group has received responses from the regulators in Sweden and Germany (both of which did not raise any issues or request any further discussion), and has not received any response from the regulators in Iceland or Norway.

Swedish branch of RLL

- 2.80 As outlined in the Main Report, there is currently no regime which permits the run-off of existing business within Sweden. As a result, RLL is in the process of establishing a third country branch in Sweden so that, in the event that the UK Scheme is not sanctioned, the Swedish RLL Transferred Business could be managed via this branch. I understand that RLL is continuing to progress with the establishment of the Swedish branch, that the application has been submitted and that the Phoenix Group is in correspondence with the Swedish regulator in order to establish the Swedish branch or seek regulatory forbearance, should either of these actions be necessary. However, I understand that it is still the case that if the UK Scheme and the Irish Scheme are both sanctioned, the process will be ceased and the Swedish branch of RLL will not be established.

Hannover Re treaty

- 2.81 Since writing my Main Report, RLL has identified a reinsurance treaty in place with Hannover Re which covers both RLL Transferred Business and RLL Non-transferring Business. I understand that this treaty covers a small proportion of the benefits for c.20 RLL Transferred Policies and that RLL has agreed with Hannover Re to recapture the reinsurance coverage for these policies on or before the Effective Date. Any costs that arise as a result of lapsing this reinsurance coverage will not be met by any policyholders of RLL, PLL or PLAE. I discuss this further in Section 11.

IFRS 17 readiness

- 2.82 As outlined in the Main Report, the Phoenix Group is working to implement the accounting standard IFRS 17 ahead of it becoming effective. Whilst the Phoenix Group is still determining its approach to certain aspects of IFRS 17 within PLL, RLL and PLAE such as the treatment of risk mitigation techniques, this would be reflected only on a statutory accounting basis and there will be no impact on the Solvency II balance sheets of PLL, RLL and PLAE.

Operational resilience

- 2.83 Since writing the Main Report PLAE has completed a gap analysis between the CBI consultation paper on operational resilience and the Phoenix Group's operational resilience framework. Based on the outcome of this gap analysis, PLAE has determined that the existing operational resilience framework can be used, with some adjustments to allow for the CBI's guidelines around approving impact tolerances for each critical or important business service. I understand that PLAE is currently undertaking a series of workshops to identify critical or important business services, set the required impact tolerances and agree ownership, and that the required changes will be implemented in advance of the Effective Date. It remains the case that, as set out in the Main Report, the Phoenix Group operational resilience framework is intended to be used across the entire Phoenix Group, and therefore will be updated to reflect these changes.

Relevant post balance sheet events

- 2.84 On 4 August 2022 the Phoenix Group announced its acquisition of Sun Life Financial of Canada UK Ltd (“SLFC UK”), a closed book UK life insurance company, from Sun Life Financial Inc. This acquisition is subject to regulatory approvals and is expected to complete in Q1 2023. In due course it is expected that the Phoenix Group will seek to transfer the business within SLFC UK into PLL; however, Phoenix management does not expect to commence this future potential transfer until 2024 at the earliest. Prior to this potential transfer, SLFC UK will remain a separate entity within the Phoenix Group. I would expect any scheme related to the potential future transfer of SLFC UK to PLL to abide by the provisions of the proposed Schemes where relevant. I understand that this transfer would not directly involve RLL or PLAE.
- 2.85 Since 30 June 2022 PLL has entered into a number of new bulk annuity transactions. This is in line with the nature of PLL’s strategy and therefore it is not unexpected that PLL will continue to write such business. I understand that these transactions are subject to Phoenix Group support as standard practice and PLL will continue to adhere to the PLL Capital Management Policy when allocating capital to support the bulk annuity (and other) business it writes.

OTHER EXTERNAL CHANGES AND EVENTS

UK and EU Solvency II consultations

- 2.86 As set out in my Main Report, the UK government is reviewing certain features of Solvency II in order to ensure that the regime properly reflects the structural features of the UK insurance sector. HM Treasury and the PRA are currently considering the feedback received to the consultation papers they issued on 28 April 2022.
- 2.87 The European Commission⁹ set out its proposed adjustments to the Solvency II Directive, as applied in EU states, and these proposals are currently being discussed and negotiated. No final legislative text has yet been issued.
- 2.88 Therefore, there have not been any material developments in respect of the application of Solvency II in the UK or Europe since the finalisation of my Main Report.

FCA Consumer Duty

- 2.89 On 27 July 2022 the FCA published its final rules and guidance for a new Consumer Duty which aims to bring about a fairer, more consumer-focused and level playing field in retail financial markets. For existing business, the Consumer Duty rules and guidance take effect from 31 July 2024. The Phoenix Group has an internal programme, led by the Phoenix Group Head of Compliance, that will deliver new Customer Business Standards and articulate the standards of treatment and product outcomes that will apply for customers in line with the Consumer Duty. As part of this internal programme, the Phoenix Group performed a gap analysis of current practices against the Consumer Duty and is currently preparing implementation plans to address any findings of this analysis. Any actions taken to address these findings will capture the Transferred Business as appropriate and will be subject to governance review within PLAE. In addition, I understand that PLAE would adopt any amendments to the Phoenix Group customer strategy, customer communications or customer support approach as appropriate, taking into account CBI requirements.

CBI Consultation Paper – Guidance for (Re)Insurance Undertakings on Intragroup Transactions & Exposures

- 2.90 On 4 July 2022 the CBI published a guidance consultation paper CP150 titled ‘Guidance for (Re)Insurance Undertakings on Intragroup Transactions & Exposures’, which sets out the CBI’s expectations with regard to intragroup transactions and exposures of (re)insurance undertakings supervised by the CBI. The consultation period is due to end on 22 September 2022, after which the CBI is expected to consider responses and issue finalised guidance.
- 2.91 Whilst the timing for implementing any final guidance in response to CP150 remains uncertain and the content is subject to finalisation, I understand that the Phoenix Group has reviewed the proposals under CP150 and is satisfied that the Schemes and related reinsurance and security arrangements are aligned to this proposed guidance in all material aspects. I have also reviewed the contents of CP150 and am satisfied that the Schemes and related reinsurance and security arrangements align to the proposed guidance in all material aspects.

⁹ The European Commission is the executive branch of the European Union, responsible for proposing legislation, enforcing EU laws and directing the union’s administrative operations.

The COVID-19 pandemic

- 2.92 At the time of writing the Main Report, most COVID-19 related restrictions in the UK had been removed and the Omicron variant had had limited disruptive impact, although many firms were reporting higher than usual sickness absences due to COVID-19. This continues to be the case; however, there was a brief increase in daily reported cases during July 2022.
- 2.93 It continues to be the case that the short- and long-term impacts of the COVID-19 pandemic are uncertain. PLL and RLL have considered COVID-19 experience data during their recent experience analyses and best estimate assumptions setting processes and have determined that COVID-19 experience over the past two years will be excluded when setting longevity assumptions. For PLAE, it continues to be the case that the primary adverse impacts of the COVID-19 pandemic would be through operational or market impacts, which are assessed within its Own Risk and Solvency Assessment ("ORSA").

Conflict between Russia and Ukraine

- 2.94 At the time of writing the Main Report, c.250 unit-linked Swedish RLL Transferred Policyholders held units in RLL internal linked funds ("RLL Linked Funds") that had been suspended as a result of the current conflict between Russia and Ukraine. At present, these suspensions are still in force and therefore it continues to be the case that c. 250 unit-linked Swedish RLL Transferred Policyholders hold units in suspended RLL Linked Funds. If these funds remain suspended at the Effective Date, then RLL is not expected to change its approach to applying suspensions, and the suspensions would continue to affect the relevant unit-linked Swedish RLL Transferred Policyholders through the RLL Unit-Linked Reinsurance Agreement.
- 2.95 It continues to be the case that there are no PLL Transferred Policyholders who currently hold units in PLL internal linked funds ("PLL Linked Funds") that have been suspended due to the conflict between Russia and Ukraine.

Cost of Living Crisis

- 2.96 The Phoenix Group has a number of strategies to support customers experiencing financial or other vulnerabilities. In relation to the current cost of living crisis, and the challenges this brings. The Phoenix Group currently has a project to review and consider additional ways in which it can assist its policyholders. These strategies apply across the Phoenix Group, and will therefore continue to apply following the transfer of the Transferred Business to PLAE.

3. THE IMPACT OF THE UK SCHEME ON THE PLL TRANSFERRED POLICYHOLDERS

INTRODUCTION

- 3.1 If the proposed UK Scheme were to be approved by the UK Court and the Irish Scheme approved by the Irish Court the PLL Transferred Business (including the Irish PLL Transferred Business) would be transferred from PLL to PLAE. The policies within the PLL Transferred Business are collectively referred to as the “PLL Transferred Policies”, and the policyholders holding these policies are collectively referred to as the “PLL Transferred Policyholders”. For the avoidance of doubt these policies and policyholders include those of the Irish PLL Transferred Business.

THE EFFECT OF THE UK SCHEME ON THE SECURITY OF BENEFITS UNDER THE PLL TRANSFERRED POLICIES

The effect on the security of benefits of a change in the applicable capital management policy

- 3.2 As set out in Section 7 of the Main Report, both PLL and PLAE set their respective Capital Management Policies such that they follow the principles that underpin the Life Companies RAF, as such both PLL and PLAE are required to maintain a minimum capital buffer in excess of the SCR. The minimum capital buffer is defined as the amount required to absorb the more onerous of a 1-in-10 year all risk stress event and a 1-in-20 year market risk stress event while still holding Own Funds to cover the SCR.
- 3.3 There have been no material changes to the PLL and PLAE Capital Management Policies since the finalisation of my Main Report, and the PLAE Capital Management Policy has now been formally approved by the PLAE Board. It remains the intention to capitalise PLAE such that it has a solvency ratio of at least 150%. Additionally, the governance around the Capital Management Policies of PLL and PLAE remain as described in the Main Report.
- 3.4 The Amber and Red risk appetite ranges under the PLAE Capital Management Policy have been recalibrated since the Main Report and as a result the thresholds of these ranges have been updated, as detailed in paragraph 2.19. The only change to the methodology applied in deriving these thresholds is that the upper limit of the Amber risk appetite range of 146% is now calibrated without rounding up to the next 5% (i.e., to 150%). I am satisfied that the change in these ranges does not materially adversely affect the security of benefits for PLL Transferred Business as the method of calibrating these ranges has not changed, albeit there has been a move to the unrounded basis for the top of the Amber risk appetite range.
- 3.5 In addition, as outlined in paragraph 2.20, the PLAE Capital Management Policy has been updated so that the CBI will be notified if the solvency cover ratio of PLAE falls within the Amber range or the Red range (previously the CBI notification requirement applied only to the Red range), the definitions of the Amber and Red ranges take into account expected recovery over a 4 month period, and within the Amber range the urgency of the action to be taken to restore solvency is based on PLAE’s projected solvency over a 12 month period. I am satisfied that these changes do not materially adversely affect the security of benefits for PLL Transferred Business.
- 3.6 As a result, I remain satisfied that there is no material adverse effect on the security of benefits for PLL Transferred Business from being subject to the PLAE Capital Management Policy as compared to the PLL Capital Management Policy.

The effect on the security of benefits due to being part of PLAE after the UK Scheme compared to PLL currently

The financial strength of PLAE

- 3.7 The conclusions in the Main Report were based on financial information provided by PLL and PLAE as at 31 December 2021 and the information contained within the most recently available ORSA for each entity.
- 3.8 The financial results for PLL and PLAE as at 30 June 2022 are included in Appendix A and Appendix B. I have reconsidered my conclusions in light of this updated financial information.

- 3.9 Figure 3.1 below sets out the pre-UK Scheme PLL and pro-forma post-UK Scheme PLAE solvency cover ratios as at 31 December 2021, as shown in the Main Report, and 30 June 2022. The pre-UK Scheme PLL position has been prepared using PLL's approved internal model, and the pro-forma post-UK Scheme PLAE position has been prepared using the Standard Formula Approach to calculate the SCR.

FIGURE 3.1 SOLVENCY II PILLAR 1 SOLVENCY RATIOS AS AT 31 DECEMBER 2021 AND 30 JUNE 2022

SOLVENCY COVER RATIO	PLL	PLAE
	PRE-UK SCHEME	POST-UK SCHEME
31 December 2021	162%	150%
30 June 2022	164%	150%

Source: The Main Report and Appendix A and Appendix B

- 3.10 As can be seen, there has been no material change to the solvency cover ratio of either PLL pre-UK Scheme or PLAE post-UK Scheme between 31 December 2021 and 30 June 2022. If the proposed UK Scheme had been implemented as at 30 June 2022:
- The solvency coverage ratio of PLL would have been in excess of that required by the regulations and by the PLL Capital Management Policy.
 - The PLAE solvency coverage ratio would have been materially in excess of that required by the regulations and at the level required by the PLAE Capital Management Policy.
- 3.11 Figure 3.2 below sets out the pre-UK Scheme and pro-forma post-UK Scheme solvency cover ratios for the relevant PLL WPFs as at 31 December 2021 and 30 June 2022.

FIGURE 3.2 SOLVENCY II PILLAR 1 SOLVENCY RATIOS AS AT 31 DECEMBER 2021 AND 30 JUNE 2022

SOLVENCY COVER RATIO	31 DECEMBER 2021		30 JUNE 2022	
	PRE-UK SCHEME	POST-UK SCHEME	PRE-UK SCHEME	POST-UK SCHEME
SPI WPF	119%	119%	126%	126%
90% WPF	138%	138%	141%	141%
Phoenix WPF	126%	126%	125%	125%
Alba WPF	105%	105%	107%	107%
Other WPFs	146%	146%	159%	159%
NPF and Shareholders' Fund	178%	181%	173%	176%

Source: Calculated by Milliman using data from the PLL Chief Actuary Report and the PLL Chief Actuary Supplementary Report on the proposed transfer of certain long-term insurance business from PLL to PLAE

- 3.12 Figure 3.2 shows that the solvency coverage ratios of the PLL WPFs would have been unchanged as a result of the UK Scheme and the With-Profits Reinsurance Agreements had they become effective as at 30 June 2022. The With-Profits Reinsurance Agreements fully reinsure the liabilities of the New With-Profits Funds back to the corresponding PLL WPFs.
- 3.13 As outlined in paragraphs 2.8 to 2.10, countries around the world including the UK and Ireland are currently experiencing a period of higher inflation.
- The Phoenix Group considered the impact of a high inflation scenario in its most recent ORSA, and its overall view is that the Phoenix Group is not materially exposed to the risk of high inflation, and that its solvency position is expected to be resilient to higher inflation;
 - The overall impact of rising inflation on PLL's financial position is relatively small, as it matches its inflation-linked liabilities with index-linked assets; and

- Sensitivity testing was performed to assess PLAE’s exposure to inflation. At my request, the Phoenix actuarial team carried out an additional stress test examining the impact of a further, permanent, 10% increase in expenses from 2023 (put another way, an increase in the 2023 assumed inflation rate of a further 10 percentage points). PLAE was able to withstand this stress and remain within its Amber risk appetite zone for solvency capital coverage under the PLAE Capital Management Policy. Also under this stress liquidity was not an issue for PLAE.
- 3.14 In addition, I note that higher inflation is currently being experienced in both the UK and Ireland, and therefore both before and after the implementation of the UK Scheme, the PLL Transferred Policyholders are allocated to an entity that is operating within a higher inflation environment than has been the case in recent years.
- 3.15 Overall, I remain satisfied that reliance on the financial strength of PLAE if the UK Scheme were to be implemented would not lead to a material adverse effect on the security of benefits under the PLL Transferred Policies.

The reinsurance arrangements of PLAE after the implementation of the UK Scheme

- 3.16 As set out in the Main Report, the UK Scheme does not lead to any changes to the existing reinsurance arrangements in respect of the PLL Transferred Policies as a result of the UK Scheme. The majority of the reinsurance contracts will be transferred to PLAE, with the exception of:
 - The reinsurance agreement which covers the Irish PLL Transferred Business in the PLL SPI WPF; and
 - The reinsurance agreement with both Unum and Swiss Re.
- 3.17 The existing reinsurance contract covering the Irish PLL Transferred Business in the PLL SPI WPF will be converted to a retrocession agreement, as the business covered by this agreement would be reinsured back to PLL under the With-Profits Reinsurance Agreements. I have reviewed the agreements that have been drafted in order to effect this conversion, and I understand that they are due to be signed in advance of the Sanction Hearing¹⁰.
- 3.18 Since the Main Report, PLL has determined that it is necessary to novate, rather than transfer under the UK Scheme, the reinsurance agreement with both Unum and Swiss Re. I have reviewed the agreements that have been drafted in order to effect the novation of this reinsurance agreement, and I understand that these are expected to be signed in advance of the UK Sanction Hearing.
- 3.19 The novation of the reinsurance agreement with both Unum and Swiss Re, rather than its transfer under the UK Scheme, does not impact my conclusions on the security of benefits for the PLL Transferred Business nor on the benefit expectations of the PLL Transferred Policyholders. Therefore, I remain satisfied that the transfer of these reinsurance contracts does not materially adversely affect the security of benefits for the PLL Transferred Business.

The PLL Unit-Linked Reinsurance Agreement and With-Profits Reinsurance Agreements

- 3.20 Since the Main Report, the terms of the PLL Unit-Linked Reinsurance Agreement, the With-Profits Reinsurance Agreements and the associated PLL Floating Charge and WP Fixed Charges have been finalised. I understand from the Phoenix Group management that there have been no material changes to the PLL Unit-Linked Reinsurance Agreement, the With-Profits Reinsurance Agreements or the WP Fixed Charges; however, as outlined in paragraphs 2.39 to 2.45, there has been a minor amendment to the PLL Floating Charge to exclude certain assets that will be transferred from SLAL to PLL under a planned future transfer. In relation to this change to the PLL Floating Charge, I note that:
 - It will not result in a change to the overall pool of assets over which the PLL Floating Charge will apply as at the Effective Date;
 - Whilst it does result in certain future assets of PLL being excluded from the scope of the PLL Floating Charge, this is in the context of the overall pool of assets over which the PLL Floating Charge applies increasing as a result of the planned future transfer of the business of SLAL into PLL;
 - An equivalent carve-out applies to the assets underlying the floating charge that Standard Life International DAC holds over the assets of SLAL, and therefore this approach is not without precedent;

¹⁰ There are no existing reinsurance contracts covering PLL Transferred Business invested in PLL WPFs other than the PLL SPI WPF.

- PLL considered the option of amending the PLL Floating Charge after the Effective Date but before the planned future transfer of the business of SLAL into PLL, however this introduces the risk of certain legal issues arising at a later date;
- It remains the case that there is no reason to believe that the PLL Unit-Linked Reinsurance Agreement and the PLL Floating Charge would not work as designed and intended, based on my discussions with executives within PLL and their legal advisors in the UK and Ireland;
- As detailed in my Main Report, I was provided with information regarding the value of assets against which PLL is unable to grant security as at 31 December 2021. I have been provided with updated information as at 30 June 2022 and I remain satisfied that the available assets over which the PLL Floating Charge applies would be sufficient for PLAE to recover an amount equal to liabilities covered by the PLL Unit-Linked Reinsurance Agreement and With-Profits Reinsurance Agreements; and
- As set out in my Main Report, when granting any new security, I understand that PLL undertakes a review of existing securities in order to identify any potential impact of granting further security, and the PLL Floating Charge contains a provision which ensures that the PLL Floating Charge will rank equally with (and not below) any existing or future floating charges granted by PLL. I therefore remain satisfied that there are adequate safeguards in place in relation to the granting of future floating charges by PLL.

3.21 Therefore, I remain satisfied that the PLL Unit-Linked Reinsurance Agreement, the With-Profits Reinsurance Agreements, the PLL Floating Charge and the WP Fixed Charges would not lead to a material adverse effect on the security of benefits under the PLL Transferred Policies.

The support for PLAE from PGH as the ultimate parent of PLAE

3.22 Both PLL and PLAE are members of the Phoenix Group of companies, with PGH being the ultimate parent of both PLL and PLAE. The analysis in my Main Report around parental support from PGH remains valid and I remain satisfied that it is unlikely that the proposed UK Scheme would change PGH's willingness or ability to support the PLL Transferred Business.

Additional security for the PLL Transferred Policies

3.23 Since the finalisation of the Main Report, there have been no changes to the regulatory regime in Ireland or the UK that would alter the position of policyholders in a winding-up situation. Therefore, I remain satisfied that the policyholder ranking upon wind-up of an Irish insurer is at least as favourable as the policyholder ranking upon wind-up of a UK insurer.

The effect on the security of benefits under the PLL Transferred Policies due to losing the protection conferred by the FSCS

3.24 As set out in the Main Report, some of the PLL Transferred Policies are currently covered under the Financial Services Compensation Scheme ("FSCS"), the UK's statutory 'fund of last resort'. If the UK Scheme were to be implemented, the eligible PLL Transferred Policies would no longer be covered under the FSCS for claims occurring on or after the Effective Date. I understand that there is no relevant equivalent Irish compensation scheme for the types of policies held by the PLL Transferred Policyholders.

3.25 Therefore, if the proposed UK Scheme were to be implemented, claims from eligible PLL Transferred Policyholders occurring prior to the Effective Date (whether reported or not) would be protected in the event of the failure of PLL. However, it is likely that PLL Transferred Policies would no longer be covered under the FSCS for claims occurring on or after the Effective Date. However, I note that:

- The purpose of the proposed UK Scheme is to effect the transfer of PLL Transferred Business to PLAE in order to provide certainty, as well as consistency and continuity, of the provision of administration and benefits following Brexit and the end of the transition period, and the loss of FSCS protection is an unavoidable consequence of this;
- Given that PLAE will be adequately capitalised and will be required to comply with Solvency II, I consider the likelihood of PLAE insolvency to be remote; and

- The alternative scenario whereby the proposed UK Scheme is not implemented and eligible PLL Transferred Policyholders retain their coverage under the FSCS poses a greater risk to PLL Transferred Policyholders, since in this scenario PLL's ability to manage, administer and provide benefits to the PLL Transferred Business in Germany, Iceland, and Ireland may be at risk of any changes to, or withdrawal of, regulations that allow the PLL Transferred Business to be managed and administered in those countries by a UK insurance company. In particular, at short notice EEA regulators can withdraw permissions to allow the business to run off, and this possibility creates uncertainty for affected policyholders.
- 3.26 Based on the analysis performed by PLL, approximately half of PLL Transferred Policyholders are not currently covered by the FSCS; for such policyholders, the implementation of the UK Scheme would therefore not result in any changes to their compensation scheme eligibility.
- 3.27 I remain satisfied that the loss of FSCS protection would not lead to a material adverse effect on the security of benefits for the PLL Transferred Policyholders. In particular, given that the likelihood of default or insolvency of PLAE is remote, the loss of FSCS is more than outweighed by the benefits of the UK Scheme, in that the UK Scheme ensures certainty, as well as consistency and continuity, of the provision of administration and benefits for PLL's EEA policyholders by an insurer within the Phoenix Group.

Summary and conclusion

- 3.28 Overall, I remain satisfied that there would be no material adverse effect on the security of benefits under the PLL Transferred Policies as a result of:
- The reliance on the financial strength of PLAE rather than PLL;
 - PLAE's reinsurance arrangements;
 - PLAE having PGH as an ultimate parent, as PGH is also the ultimate parent of PLL;
 - Being subject to Irish law relating to the right on wind-up of an insurer; and
 - No longer being covered under the FSCS.
- 3.29 Therefore, I remain satisfied that, if the proposed UK Scheme were to be implemented, there would be no material adverse effect on the security of the benefits of the PLL Transferred Policies as a result of being part of PLAE after the UK Scheme rather than PLL as currently. I set out my overall conclusion on the effect of the UK Scheme on the security of benefits under the PLL Transferred Policies in paragraphs 3.30 to 3.31 below.

Overall conclusion on the effect of the UK Scheme on the security of benefits under the PLL Transferred Policies

- 3.30 In summary, I remain satisfied that, if the proposed UK Scheme were to be implemented:
- There would be no material adverse effect on the security of the benefits under the PLL Transferred Policies from being subject to the PLAE Capital Management Policy rather than the PLL Capital Management Policy;
 - There would be no material adverse effect on the security of benefits under the PLL Transferred Policies as a result of being part of PLAE rather than PLL as currently; and
 - The loss of FSCS protection would not lead to a material adverse effect on the security of benefits under the PLL Transferred Policies.
- 3.31 Therefore, in conclusion, I remain satisfied that the implementation of the proposed UK Scheme would not have a material adverse effect on the security of benefits under the PLL Transferred Policies.

THE EFFECT OF THE UK SCHEME ON THE PROFILE OF RISKS TO WHICH THE PLL TRANSFERRED POLICIES ARE EXPOSED

- 3.32 Figure 3.3 below sets out the breakdown of the PLL pre-UK Scheme and PLAE pro-forma post-UK Scheme pre-diversification Solvency II Pillar 1 SCR as at 31 December 2021 and 30 June 2022. This is presented in descending order of risk exposures for both PLL and PLAE.

FIGURE 3.3 PRE-DIVERSIFICATION SOLVENCY II PILLAR 1 SCR BREAKDOWN AS AT 31 DECEMBER 2021 AND 30 JUNE 2022

RISK EXPOSURE	31 DECEMBER 2021	30 JUNE 2022
<i>PLL pre-UK Scheme</i>		
Market risk (other than spread risk)	31%	35%
Spread risk	22%	21%
Longevity risk	21%	16%
Other underwriting risk	17%	18%
Operational risk	5%	5%
Counterparty default risk	4%	4%
<i>PLAE post-UK Scheme</i>		
Longevity risk	46%	41%
Spread risk	23%	22%
Other underwriting risk	13%	19%
Counterparty default risk	10%	11%
Equity risk	5%	3%
Currency risk	1%	1%
Interest rate risk	1%	0%
Other	1%	1%

Source: The Main Report and the RLL Actuarial Team. 30 June 2022 percentages sum to 98% (PLAE) and 99% (PLL) due to rounding.

- 3.33 Between 31 December 2021 and 30 June 2022, the pre-UK Scheme risk profile of PLL has become more weighted towards market risk and less weighted towards longevity risk due to the increase in interest rates between 31 December 2021 and 30 June 2022. The pro-forma post-UK Scheme risk profile of PLAE has become more weighted towards “other underwriting risk” due to increased expense risk SCR, because of the increase in assumed expenses for PLAE as at 30 June 2022 compared to that as at 31 December 2022.
- 3.34 Whilst the implementation of the UK Scheme would result in a change to the risk exposures of the PLL Transferred Policies, the risk profile of PLL pre-UK Scheme and PLAE post-UK Scheme remain as described in my Main Report and the analysis set out in my Main Report continues to apply. Therefore, I remain satisfied that any change in risk profile and risk management would not have a material adverse effect on the PLL Transferred Policies.

THE EFFECT ON THE PLL TRANSFERRED POLICIES OF THE CHANGE IN REGULATORY REGIME FROM THE UK TO IRELAND

Regulation in respect of the conduct of business

- 3.35 It remains the case that for the PLL Transferred Business:
- Currently, the regulatory responsibility for conduct of business supervision is shared between the FCA and the host regulator (but the CBI is also responsible for prudential and conduct of business supervision regarding the Irish branch of PLL); whereas
 - If the proposed UK Scheme were to be implemented, the CBI would become the regulator primarily responsible for conduct of business supervision instead of the FCA; however, the requirements of the host regulator would continue to apply.

- 3.36 On 27 July 2022 the FCA published its final rules and guidance for a new Consumer Duty which aims to bring about a fairer, more consumer-focused and level playing field in retail financial markets. For existing business, the Consumer Duty rules and guidance take effect from 31 July 2024. The Phoenix Group has an internal programme that will deliver new Customer Business Standards and articulate the standards of treatment and product outcomes that will apply for customers in line with the Consumer Duty. As part of this internal programme, the Phoenix Group performed a gap analysis of current practices against the Consumer Duty and is currently preparing implementation plans to address any findings of this analysis. As the proposed UK Scheme is due to become effective before the Consumer Duty comes into effect, it will not be a regulatory requirement in respect of the PLL Transferred Business. However, I understand that any actions taken by the Phoenix Group in respect of the Consumer Duty, which will be the responsibility of the Phoenix Group Head of Compliance, will capture the PLL Transferred Business as appropriate and will be subject to governance review within PLAE, as the Phoenix Group's intention is to apply the Consumer Duty using a holistic and consistent approach across the Phoenix Group, whilst working closely with the relevant PCF holder in PLAE. In addition, I understand that PLAE would adopt any amendments to the Phoenix Group customer strategy, customer communications or customer support approach as appropriate, taking into account CBI requirements. In addition, while the With-Profits Reinsurance Agreements are in place, the charges applied to the with-profits PLL Transferred Business will be the same as those for the Non-Transferring PLL Business allocated to the respective PLL WPF.
- 3.37 The PLAE Board approved the full implementation of the CBI principles of best practice for the distribution of products in other EU member states and third countries in September 2022.
- 3.38 As part of its authorisation application, PLAE sought derogation from the CBI in relation to the requirement to establish and maintain a WPOP in respect of the New With-Profits Funds. This derogation is expected to be granted ahead of the Effective Date.
- 3.39 Overall, the analysis in my Main Report regarding conduct of business regulation, including in respect of with-profits business, remains valid. In light of this and the additional points above, I remain satisfied that in terms of conduct of business regulation (including conduct regulation of with-profits business), the implementation of the proposed UK Scheme would not have a material adverse effect on the PLL Transferred Policies.

Regulation in respect of prudential supervision

- 3.40 It remains the case that if the proposed UK Scheme were to be implemented there would be a change in the primary regulator responsible for prudential supervision from the PRA to the CBI.
- 3.41 As set out in my Main Report, the Solvency II regime and the UK's adoption of the Solvency II regime are currently under review. In the UK, HM Treasury and the PRA are currently considering the feedback received to the consultation papers they issued on 28 April 2022. In Europe, the European Commission set out its proposed adjustments to the Solvency II Directive, as applied in EU states, and these proposals are currently being discussed and negotiated. No final legislative text has yet been issued.
- 3.42 Overall, there have not been any material developments in the application of Solvency II in the UK or Europe since the finalisation of my Main Report. It therefore remains the case that it is not possible to consider in detail the impact of any potential divergence between the UK's and Ireland's adoption of Solvency II. However, I note the desire for the UK to maintain broad equivalence with the Solvency II regime as it applies in Europe.
- 3.43 Overall, the analysis in my Main Report regarding prudential supervision remains valid and therefore, I remain satisfied that the change in primary regulatory oversight in respect of prudential supervision from the PRA to the CBI would not have a material adverse effect on the PLL Transferred Policies.
- 3.44 There have been no changes since the time of writing my Main Report in respect of the access of PLL Transferred Policyholders to the services of an independent complaints service before and after the implementation of the proposed UK Scheme, and the analysis in my Main Report remains valid. Therefore, I remain satisfied that the implementation of the proposed UK Scheme would not have a material adverse effect on the rights of the PLL Transferred Policyholders in relation to their access to the services of an independent complaints service.

Overall conclusion on effect on the PLL Transferred Policies of the change in regulatory regime from the UK to Ireland

- 3.45 In summary, I remain satisfied that, if the proposed UK Scheme were to be implemented:

- In terms of conduct of business regulation, there would be no material adverse effect on the PLL Transferred Policies;
- In terms of conduct of business regulation specifically related to with-profits business, there would be no material adverse effect on the PLL Transferred Policies;
- The change in primary regulatory oversight in respect of prudential supervision from the PRA to the CBI would not have a material adverse effect on the PLL Transferred Policies;
- There would be no material adverse effect on the rights of PLL Transferred Policyholders in relation to their access to an independent complaints service; and
- I am satisfied that the loss of FSCS protection would not lead to a material adverse effect on the rights of PLL Transferred Policies.

3.46 Therefore, in conclusion, I remain satisfied that the change in regulatory regime from the UK to Ireland would not have a material adverse effect on the PLL Transferred Policies.

THE EFFECT OF THE UK SCHEME ON THE REASONABLE EXPECTATIONS OF THE PLL TRANSFERRED POLICYHOLDERS IN RESPECT OF THEIR BENEFITS AND STANDARDS OF SERVICE

The benefit expectations of the PLL Transferred Policyholders

3.47 In the Main Report I set out my considerations of the impact of the UK Scheme on the benefit expectations of the PLL Transferred Policyholders. There have been no developments since the finalisation of the Main Report which alter those conclusions.

3.48 As set out in my Main Report, for some Irish PLL Transferred Policyholders paying their policy premiums by bank transfer, Standing Order, Giro or cheque, after the UK Scheme there will be a change to the account into which payments are made. A targeted communication on this matter will be sent to the affected Irish PLL Transferred Policyholders at least 30 days before the Effective Date, and it remains the case that the Phoenix Group is novating the relevant bank accounts to PLAE and therefore all policyholder premiums should be received by PLAE following the Effective Date, regardless of whether an affected policyholder updates the payee account to which their premium payments are directed. I understand from PLL that this targeted communication is in progress and is on track to be sent to the affected Irish PLL Transferred Policyholders within the planned timeframes.

3.49 In addition, the PLAE Board approved PLAE's approach to the exercise of discretion in September 2022.

3.50 Overall, I remain satisfied that the implementation of the UK Scheme would not have a material adverse effect on the benefit expectations of the PLL Transferred Policyholders.

The effect of the UK Scheme on the management, governance, administration and servicing of the PLL Transferred Policies

Management and governance

3.51 There have been no changes to the management and governance framework of PLAE set out in the Main Report, however since the finalisation of the Main Report:

- The PLAE Board is now holding regular meetings, with attendance including the proposed independent non-executive directors;
- All proposed PCF role holders have now commenced employment with PLAE (either directly or, in the case of the HoAF, via an external consultancy); and
- The CBI has approved all of the PCF applicants except one. I understand from Phoenix management that the final PCF is expected to receive approval from the CBI very shortly.

3.52 Therefore, I remain satisfied that the implementation of the UK Scheme would not have a material adverse effect on the levels of management and governance that would apply to the PLL Transferred Policies.

Administration and servicing

3.53 I detailed in the Main Report the changes to the administration and servicing of the PLL Transferred Policies as a result of the UK Scheme. The table below summarises these changes:

FIGURE 3.4 TABLE SHOWING THE CHANGES TO ADMINISTRATION AND SERVICING OF THE PLL TRANSFERRED POLICIES AS A RESULT OF THE UK SCHEME

PLL Transferred Policies	Administration Provider Pre-UK Scheme	Administration Provider Post-UK Scheme	Administration Platform
Irish PLL Transferred Policies	Diligenta	SLAESL (Irish branch) will provide personnel to PLAE to enable PLAE to carry on the regulated activities in this administration arrangement. Unregulated activities will continue to be provided by Diligenta.	No change.
	SS&C	SS&C	No change.
	Mercer *	SLAESL (Irish branch) will provide personnel to PLAE to enable PLAE to carry on the regulated activities in this administration arrangement. Unregulated activities will be provided by RUKSL.	Will be transferred onto Phoenix Group's in-house administration platform.
	Unum **	SLAESL (Irish branch) will provide personnel to PLAE to enable PLAE to carry on the regulated activities in this administration arrangement. Unregulated activities will be provided by RUKSL.	Will be transferred onto Phoenix Group's in-house administration platform.
Icelandic PLL Transferred Policies	Diligenta, with responsibility for the administration subcontracted to TMI.	Diligenta, with responsibility for the administration subcontracted to TMI.	No change.
	Diligenta has responsibility for oversight of claims administration and referrals for decisions from TMI.	PLAE would have responsibility for claims administration and referrals for decisions from TMI.	
German PLL Transferred Policies	Diligenta, with responsibility for the administration subcontracted to SLP.	Diligenta, with responsibility for the administration subcontracted to SLP.	No change.
	Diligenta has responsibility for oversight of claims administration and referrals for decisions from SLP.	PLAE would have responsibility for claims administration and referrals for decisions from SLP.	

* There are currently c. 80 Irish PLL Transferred Policyholders administered by Mercer

** There is currently a single Irish PLL Transferred Policyholder administered by Unum

3.54 Since the Main Report the MSA between PLAE and SLAESL (Irish branch) has been finalised and signed. I have been provided with the final version of this MSA, and in particular I note that it contains service level metrics which are aligned to the existing service level metrics used in respect of the Irish PLL Transferred Business. Overall I am satisfied that the commentary in my Main Report in respect of the MSA between PLAE and SLAESL (Irish branch) continues to apply.

- 3.55 In respect of services that will continue to be provided by external third parties (namely SS&C and Diligenta), agreements have now been drafted to enable the continued service provision by these parties. For each of these agreements, the existing service level agreements within the current contracts have been maintained through the MSA between PLAE and SLAESL (Irish branch). Whilst these agreements have not been finalised at the time of writing this Supplementary Report, the service level metrics within the MSA between PLAE and SLAESL (Irish branch) have been finalised and signed, and these are, in my view, the key aspects to consider when assessing the impact of the Schemes on the levels and standards of administration and services that apply to the Transferred Policies.
- 3.56 As outlined in the Main Report, for the Irish PLL Transferred Policies currently administered by Mercer or Unum, the platform on which they are administered will be transferred onto an existing Phoenix Group administration platform. I have been provided with the roadmap for implementing this transfer and I understand from the Phoenix Group that the transfer is on track to be completed as planned in time for the planned Effective Date for the majority of affected policyholders. A small number of policies may be required to be administered manually for a limited period of time following the Effective Date; however, I understand from the Phoenix Group that the majority of these policyholders are gone-away (as described in paragraphs 2.23 and 2.31 above) and therefore administrative activity and the associated risk of errors arising is expected to be minimal. I am therefore satisfied that the transfer of the administration platform used for the Irish PLL Transferred Policies currently administered by Mercer or Unum is not expected to have a material adverse effect on the levels and standards of administration that would apply to these policies.
- 3.57 The PLAE Customer Committee, which oversees the management of all areas impacting PLAE's customers, including oversight of outsourced services, is due to be established following PLAE authorisation and is expected to meet once prior to the Effective Date. On a monthly basis the Customer Committee will review customer treatment, operational metrics, services standards and complaint trend analysis.
- 3.58 As set out in paragraphs 2.65 to 2.67, the recruitment of new staff members to perform the services that will be provided by PLAE using personnel provided by SLAESL (Irish branch) within Ireland in respect of the relevant PLL Transferred Policies is now underway, and SLAESL (Irish branch) has arrangements in place to aid the transition of activity from the existing service providers to the newly recruited SLAESL (Irish branch) staff, including a period of at least three months after the Effective Date during which the existing service providers will provide staff within Ireland to support the transition. I have been provided with regular updates on the progress of recruitment within SLAESL (Irish branch), and I understand that in the event that it is not possible to recruit the required number of staff members, the Phoenix Group has identified a number of contingencies to ensure sufficient staff are available and trained in advance of the Effective Date. This includes the identification of existing staff members that are able to deal with policyholders in German (and also in English) who would be seconded to SLAESL (Irish branch) until such time as the required staff members have been recruited. Based on this and the transitional arrangements that have been agreed with the existing service providers, I am satisfied that the process of SLAESL (Irish branch) recruitment and training is on track to ensure adequate servicing can be provided to the relevant PLL Transferred Policyholders from the Effective Date.
- 3.59 PLAE will establish dedicated Irish telephone numbers for PLL Transferred Policyholders (excluding the Irish PLL Transferred Policyholders administered by SS&C for which Irish telephone numbers already exist). A targeted communication will be sent to these PLL Transferred Policyholders at least 30 days before the Effective Date containing these new contact details. I understand from PLL that this targeted communication is in progress and is on track to be sent to the relevant PLL Transferred Policyholders within the planned timeframes.
- 3.60 Overall, I am satisfied that PLAE has made detailed preparations to ensure, on a best endeavours basis, that it will be operationally ready such that there is no deterioration in the levels of administration and servicing of the PLL Transferred Policies, even temporarily. It has established effective oversight of its service providers and has plans in place to ensure there is a sufficient number of staff members who are adequately trained to deliver services to the same standard as currently provided. Therefore, I remain satisfied that if the plans are met then the implementation of the UK Scheme would not have a material adverse effect on the levels and standards of administration and services that would apply to the PLL Transferred Policies.

Overall conclusion on the effect of the UK Scheme on the reasonable expectations of the PLL Transferred Policyholders in respect of their benefits and standards of service

3.61 In conclusion, I remain satisfied that the proposed UK Scheme would not have a material adverse effect on the reasonable expectations of the PLL Transferred Policyholders in respect of their benefits and standards of service.

CONCLUSION FOR THE EFFECT OF THE PROPOSED UK SCHEME ON THE PLL TRANSFERRED POLICIES

3.62 I remain satisfied that the implementation of the proposed UK Scheme would not have a material adverse effect on:

- The security of benefits under the PLL Transferred Policies;
- The profile of risks to which the PLL Transferred Policies are exposed;
- The oversight provided by the regulatory regime that will apply to the PLL Transferred Policies; and
- The reasonable expectations of the PLL Transferred Policyholders in respect of their benefits, including the standards of administration, service, management and governance that apply to the PLL Transferred Policies.

4. THE IMPACT OF THE UK SCHEME ON THE RLL TRANSFERRED POLICYHOLDERS

INTRODUCTION

- 4.1 If the proposed UK Scheme were to be approved by the UK Court and the Irish Scheme approved by the Irish Court, the RLL Transferred Business would be transferred from RLL to PLAE. The policies within the RLL Transferred Business are collectively referred to as the “RLL Transferred Policies”, and the policyholders holding these policies are collectively referred to as the “RLL Transferred Policyholders”.

THE EFFECT OF THE UK SCHEME ON THE SECURITY OF BENEFITS UNDER THE RLL TRANSFERRED POLICIES

The effect on the security of benefits of a change in the applicable capital management policy

- 4.2 As outlined in paragraph 2.14, the RLL Capital Management Policy has now been aligned to the Life Companies RAF, and therefore both RLL and PLAE now set their respective Capital Management Policies such that they follow the principles that underpin the Life Companies RAF. As such, both RLL and PLAE are required to maintain a minimum capital buffer in excess of the SCR. Although under the Life Companies RAF the minimum capital buffer is typically expressed as a percentage of the SCR, for RLL it is instead set as an absolute monetary amount which, based on the annual recalibration as at 31 March 2022, was more than sufficient to meet the minimum capital buffer required under the Life Companies RAF. For PLAE, the minimum capital buffer is defined as the amount required to absorb the more onerous of a 1-in-10 year all risk stress event and a 1-in-20 year market risk stress event while still holding Own Funds to cover the SCR.
- 4.3 The alignment of the RLL Capital Management Policy described in my Main Report was completed and implemented as intended. There have been no material changes to the PLAE Capital Management Policy since the finalisation of my Main Report, and the PLAE Capital Management Policy has now been formally approved by the PLAE Board. It remains the intention to capitalise PLAE such that it has a solvency ratio of at least 150%. Additionally, the governance around the Capital Management Policies of RLL and PLAE remain as described in the Main Report.
- 4.4 The Amber and Red risk appetite ranges under the PLAE Capital Management Policy have been recalibrated since the Main Report and as a result the thresholds of these ranges have been updated as detailed in paragraph 2.19. The only change to the methodology applied in deriving these thresholds is that the top of the Amber risk appetite range of 146% is now calibrated without rounding up to the next 5% (i.e. to 150%). I am satisfied that the change in these ranges does not materially adversely affect the security of benefits for RLL Transferred Business as the method of calibrating these ranges has not changed, albeit there has been a move to the unrounded basis for the top of the Amber risk appetite range.
- 4.5 In addition, as outlined in paragraph 2.20, the PLAE Capital Management Policy has been updated so that the CBI will be notified if the solvency cover ratio of PLAE falls within the Amber range or the Red range (previously the CBI notification requirement applied only to the Red range), the definitions of the Amber and Red ranges take into account expected recovery over a 4 month period, and within the Amber range the urgency of the action to be taken to restore solvency is based on PLAE’s projected solvency over a 12 month period. I am satisfied that these changes do not materially adversely affect the security of benefits for RLL Transferred Business.
- 4.6 As a result, I remain satisfied that there is no material adverse effect on the security of benefits for RLL Transferred Business from being subject to the PLAE Capital Management Policy as compared to the RLL Capital Management Policy.

The effect on the security of benefits due to being part of PLAE after the UK Scheme compared to RLL currently

The financial strength of PLAE

- 4.7 The conclusions in the Main Report were based on financial information provided by RLL and PLAE as at 31 December 2021 and the information contained within the most recently available ORSA for each entity.
- 4.8 The financial results for RLL and PLAE as at 30 June 2022 are included in Appendix A and Appendix B. I have reconsidered my conclusions in light of this updated financial information.

- 4.9 Figure 4.1 below sets out the pre-UK Scheme RLL and pro-forma post-UK Scheme PLAE solvency cover ratios as at 31 December 2021, as shown in the Main Report, and 30 June 2022. Both the pre-UK Scheme RLL position and the pro-forma post-UK Scheme PLAE position has been prepared using the Standard Formula Approach to calculate the SCR. The RLL figure is quoted net of the IGR in place between RLL and ReAssure Limited (“RAL”).

FIGURE 4.1 SOLVENCY II PILLAR 1 SOLVENCY RATIOS AS AT 31 DECEMBER 2021 AND 30 JUNE 2022

SOLVENCY COVER RATIO	RLL PRE-UK SCHEME	PLAE POST-UK SCHEME
31 December 2021	636%	150%
30 June 2022	1,229%	150%

Source: The Main Report and Appendix A and Appendix B

- 4.10 As can be seen, there has been no change to the solvency cover ratio of PLAE post-UK Scheme between 31 December 2021 and 30 June 2022. The solvency cover ratio of RLL pre-UK Scheme is materially higher as at 30 June 2022 than as at 31 December 2021. The solvency cover ratio for RLL is high as at both 31 December 2021 and 30 June 2022 as a result of the IGR with RAL, which significantly reduces RLL’s SCR (the divisor in the calculation of the solvency cover ratio). However, as at 31 December 2021 this effect was partially offset due to the SCR, which was noted by RLL to be high compared with previous quarters due to a temporarily higher level of excess assets in unit funds.
- 4.11 If the proposed UK Scheme had been implemented as at 30 June 2022:
- The solvency coverage ratio of RLL would have been significantly in excess of that required by the regulations and by the RLL Capital Management Policy.
 - The PLAE solvency coverage ratio would have been materially in excess of that required by the regulations and at the level required by the PLAE Capital Management Policy.
- 4.12 The projected decrease in the solvency cover ratio that would be experienced by the RLL Transferred Policies because of the UK Scheme might be taken, in isolation, to imply a negative impact on the security of the RLL Transferred Policies. However, as outlined in my Main Report, when considering the solvency coverage, one should only take into account the capital resources that the firm is required to hold up to the level specified by the capital management policy because capital resources in excess of this may be transferred out of the company. In addition, it is important to note that the IGR between RLL and RAL removes most of the SCR and risk margin of RLL, resulting in a high solvency cover ratio at both 31 December 2021 and 30 June 2022.
- 4.13 As outlined in paragraphs 2.8 to 2.10, countries around the world including the UK and Ireland are currently experiencing a period of higher inflation.
- The Phoenix Group considered the impact of a high inflation scenario in its most recent ORSA, and its overall view is that the Phoenix Group is not materially exposed to the risk of high inflation, and that its solvency position is expected to be resilient to higher inflation;
 - The overall impact of rising inflation on RLL’s financial position is not material, as the IGR in place between RLL and RAL mitigates the majority of risks to which RLL is exposed; and
 - Sensitivity testing was performed to assess PLAE’s exposure to inflation. At my request, the Phoenix actuarial team carried out an additional stress test examining the impact of a further, permanent, 10% increase in expenses from 2023 (put another way, an increase in the 2023 assumed inflation rate of a further 10 percentage points). PLAE was able to withstand this stress and remain within its Amber risk appetite zone for solvency capital coverage under the PLAE Capital Management Policy. Also under this stress liquidity was not an issue for PLAE.
- 4.14 In addition, I note that higher inflation is currently being experienced in both the UK and Ireland, and therefore both before and after the implementation of the UK Scheme, the RLL Transferred Policyholders are allocated to an entity that is operating within a higher inflation environment than has been the case in recent years.
- 4.15 In summary, I remain satisfied that reliance on the financial strength of PLAE if the UK Scheme were to be implemented would not lead to a material adverse effect on the security of benefits under the RLL Transferred Policies.

The reinsurance arrangements of PLAE after the implementation of the UK Scheme

- 4.16 As set out in the Main Report, the existing outwards reinsurance contracts in relation to the RLL Transferred Business will be transferred to PLAE at the Effective Date. The IGR in place between RLL and RAL will no longer cover the risks associated with the RLL Transferred Business after the implementation of the UK Scheme. I understand that the IGR was not intended to be a permanent reinsurance agreement, and that it will terminate immediately following the expected future transfer of all of the RLL Non-transferring Business from RLL and the business of RAL to another appropriately authorised member of the Phoenix Group, which will be implemented through a different scheme to the ones covered in my Main Report and this Supplementary Report. Therefore, I remain satisfied that the security of benefits for the RLL Transferred Business would not be materially adversely affected by no longer being covered by this reinsurance agreement as a result of implementation of the proposed UK Scheme.

The RLL Unit-Linked Reinsurance Agreement

- 4.17 Since the Main Report, the terms of the RLL Unit-Linked Reinsurance Agreement and the associated RLL Floating Charge have been finalised. I understand from the Phoenix Group management that there have been no material changes to the terms of these agreements from the draft versions considered in my Main Report, and therefore the analysis in my Main Report remains valid.
- 4.18 As detailed in my Main Report, I was provided with information regarding the value of assets against which RLL is unable to grant security as at 31 December 2021. I have been provided with updated information as at 30 June 2022 and I remain satisfied that the available assets over which the RLL Floating Charge applies would be sufficient for PLAE to recover an amount equal to liabilities covered by the RLL Unit-Linked Reinsurance Agreement.
- 4.19 Therefore, I remain satisfied that the RLL Unit-Linked Reinsurance Agreement between RLL and PLAE and the RLL Floating Charge would not lead to a material adverse effect on the security of benefits under the RLL Transferred Policies.

The support for PLAE from PGH as the ultimate parent of PLAE

- 4.20 Both RLL and PLAE are members of the Phoenix Group of companies, with PGH being the ultimate parent of both RLL and PLAE. The analysis in my Main Report around parental support from PGH remains valid and I remain satisfied that it is unlikely that the proposed UK Scheme would change PGH's willingness or ability to support the RLL Transferred Business.

Additional security for the RLL Transferred Policies

- 4.21 Since the finalisation of the Main Report, there have been no changes to the regulatory regime in Ireland or the UK that would alter the position of policyholders in a winding-up situation. Therefore, I remain satisfied that the policyholder ranking upon wind-up of an Irish insurer is at least as favourable as the policyholder ranking upon wind-up of a UK insurer.

The effect on the security of benefits under the RLL Transferred Policies due to losing the protection conferred by the FSCS

- 4.22 As set out in the Main Report, some of the RLL Transferred Policies are currently covered under the FSCS, the UK's statutory 'fund of last resort'. If the UK Scheme were to be implemented, the eligible RLL Transferred Policies would no longer be covered under the FSCS for claims occurring on or after the Effective Date. I understand that there is no relevant equivalent Irish compensation scheme for the types of policies held by the RLL Transferred Policyholders.
- 4.23 Therefore, if the proposed UK Scheme were to be implemented, claims from eligible RLL Transferred Policyholders occurring prior to the Effective Date (whether reported or not) would be protected in the event of the failure of RLL. However, it is likely that RLL Transferred Policies would no longer be covered under the FSCS for claims occurring on or after the Effective Date. However, I note that:
- The purpose of the proposed UK Scheme is to effect the transfer of RLL Transferred Business to PLAE in order to provide certainty, as well as consistency and continuity, of the provision of administration and benefits following Brexit and the end of the transition period, and the loss of FSCS protection is an unavoidable consequence of this;
 - Given that PLAE will be adequately capitalised and will be required to comply with Solvency II, I consider the likelihood of PLAE insolvency to be remote; and

- The alternative scenario whereby the proposed UK Scheme is not implemented and eligible RLL Transferred Policyholders retain their coverage under the FSCS poses a greater risk to RLL Transferred Policyholders, since in this scenario RLL's ability to manage, administer and provide benefits to the RLL Transferred Business in Germany, Norway and Sweden may be at risk of any changes to, or withdrawal of, regulations that allow the RLL Transferred Business to be managed and administered in those countries by a UK insurance company. In particular, at short notice EEA regulators can withdraw permissions to allow the business to run off, and this possibility creates uncertainty for affected policyholders.

4.24 I remain satisfied that the loss of FSCS protection would not lead to a material adverse effect on the security of benefits for the RLL Transferred Policyholders. In particular, given that the likelihood of default or insolvency of PLAE is remote, the loss of FSCS is more than outweighed by the benefits of the UK Scheme, in that the UK Scheme ensures certainty, as well as consistency and continuity, of the provision of administration and benefits for RLL's EEA policyholders by an insurer within the Phoenix Group.

Summary and conclusion

4.25 Overall, I remain satisfied that there would be no material adverse effect on the security of benefits under the RLL Transferred Policies as a result of:

- The reliance on the financial strength of PLAE rather than RLL;
- PLAE's reinsurance arrangements;
- PLAE having PGH as an ultimate parent, as PGH is also the ultimate parent of RLL;
- Being subject to Irish law relating to the right on wind-up of an insurer; and
- No longer being covered under the FSCS.

4.26 Therefore, I remain satisfied that, if the proposed UK Scheme were to be implemented, there would be no material adverse effect on the security of the benefits of the RLL Transferred Policies as a result of being part of PLAE after the UK Scheme rather than RLL as currently. I set out my overall conclusion on the effect of the UK Scheme on the security of benefits under the RLL Transferred Policies in paragraphs 4.27 to 4.28 below.

Overall conclusion on the effect of the UK Scheme on the security of benefits under the RLL Transferred Policies

4.27 In summary, I remain satisfied that, if the proposed UK Scheme were to be implemented:

- There would be no material adverse effect on the security of the benefits under the RLL Transferred Policies from being subject to the PLAE Capital Management Policy rather than the RLL Capital Management Policy;
- There would be no material adverse effect on the security of benefits under the RLL Transferred Policies as a result of being part of PLAE rather than RLL as currently; and
- The loss of FSCS protection would not lead to a material adverse effect on the security of benefits under the RLL Transferred Policies.

4.28 Therefore, in conclusion, I remain satisfied that the implementation of the proposed UK Scheme would not have a material adverse effect on the security of benefits under the RLL Transferred Policies.

THE EFFECT OF THE UK SCHEME ON THE PROFILE OF RISKS TO WHICH THE RLL TRANSFERRED POLICIES ARE EXPOSED

4.29 Figure 4.2 below sets out the breakdown of the RLL pre-UK Scheme (net of the IGR with RAL) and PLAE pro-forma post-UK Scheme pre-diversification Solvency II Pillar 1 SCR as at 31 December 2021 and 30 June 2022. This is presented in descending order of risk exposures for both RLL and PLAE.

FIGURE 4.2 PRE-DIVERSIFICATION SOLVENCY II PILLAR 1 SCR BREAKDOWN AS AT 31 DECEMBER 2021 AND 30 JUNE 2022

RISK EXPOSURE	31 DECEMBER 2021	30 JUNE 2022
RLL pre-UK Scheme		
Operational risk	41%	55%
Other market risk	39%	17%
Counterparty default risk	10%	23%
Spread risk	9%	6%
PLAE post-UK Scheme		
Longevity risk	46%	41%
Spread risk	23%	22%
Other underwriting risk	13%	19%
Counterparty default risk	10%	11%
Equity risk	5%	3%
Currency risk	1%	1%
Interest rate risk	1%	0%
Other	1%	1%

Source: The Main Report and the RLL Actuarial Team. 30 June 2022 percentages sum to 98% due to rounding.

- 4.30 The risk profile of RLL as at 30 June 2022 is somewhat different to that as at 31 December 2021. This is due to an increase in market risk as at 31 December 2021, which RLL has noted as being due to a temporary excess of investments in unit-linked funds at that time. The pro-forma post-UK Scheme risk profile of PLAE has become more weighted towards “other underwriting risk” due to increased expense risk SCR, because of the increase in assumed expenses for PLAE as at 30 June 2022 compared to that as at 31 December 2022.
- 4.31 Whilst the implementation of the UK Scheme would result in a change to the risk exposures of the RLL Transferred Policies, the risk profile of RLL pre-UK Scheme and PLAE post-UK Scheme remain as described in my Main Report and the analysis set out in my Main Report continues to apply. Therefore, I remain satisfied that any change in risk profile and risk management would not have a material adverse effect on the RLL Transferred Policies.

THE EFFECT ON THE RLL TRANSFERRED POLICIES OF THE CHANGE IN REGULATORY REGIME FROM THE UK TO IRELAND

Regulation in respect of the conduct of business

- 4.32 It remains the case that for the RLL Transferred Business:
- Currently, the regulatory responsibility for conduct of business supervision is shared between the FCA and the host regulator; whereas
 - If the proposed UK Scheme were to be implemented, the CBI would become the regulator primarily responsible for conduct of business supervision instead of the FCA; however, the requirements of the host regulator would continue to apply.

- 4.33 On 27 July 2022 the FCA published its final rules and guidance for a new Consumer Duty which aims to bring about a fairer, more consumer-focused and level playing field in retail financial markets. For existing business, the Consumer Duty rules and guidance take effect from 31 July 2024. The Phoenix Group has an internal programme that will deliver new Customer Business Standards and articulate the standards of treatment and product outcomes that will apply for customers in line with the Consumer Duty. As part of this internal programme, the Phoenix Group performed a gap analysis of current practices against the Consumer Duty and is currently preparing implementation plans to address any findings of this analysis. As the proposed UK Scheme is due to become effective before the Consumer Duty comes into effect, it will not be a regulatory requirement in respect of the RLL Transferred Business. However, I understand that any actions taken by the Phoenix Group in respect of the Consumer Duty, which will be the responsibility of the Phoenix Group Head of Compliance, will capture the RLL Transferred Business as appropriate and will be subject to governance review within PLAE, as the Phoenix Group's intention is to apply the Consumer Duty using a holistic and consistent approach across the Phoenix Group, whilst working closely with the relevant PCF holder in PLAE. In addition, I understand that PLAE would adopt any amendments to the Phoenix Group customer strategy, customer communications or customer support approach as appropriate, taking into account CBI requirements.
- 4.34 The PLAE Board approved the full implementation of the CBI principles of best practice for the distribution of products in other EU member states and third countries in September 2022.
- 4.35 Overall, the analysis in my Main Report regarding conduct of business regulation remains valid. In light of this and the additional points above, I remain satisfied that in terms of conduct of business regulation, the implementation of the proposed UK Scheme would not have a material adverse effect on the RLL Transferred Policies.

Regulation in respect of prudential supervision

- 4.36 It remains the case that if the proposed UK Scheme were to be implemented there would be a change in the primary regulator responsible for prudential supervision from the PRA to the CBI.
- 4.37 As set out in my Main Report, the Solvency II regime and the UK's adoption of the Solvency II regime are currently under review. In the UK, HM Treasury and the PRA are currently considering the feedback received to the consultation papers they issued on 28 April 2022. In Europe, the European Commission set out its proposed adjustments to the Solvency II Directive, as applied in EU states, and these proposals are currently being discussed and negotiated. No final legislative text has yet been issued.
- 4.38 Overall, there have not been any material developments in the application of Solvency II in the UK or Europe since the finalisation of my Main Report. It therefore remains the case that it is not possible to consider in detail the impact of any potential divergence between the UK's and Ireland's adoption of Solvency II. However, I note the desire for the UK to maintain broad equivalence with the Solvency II regime as it applies in Europe.
- 4.39 Overall, the analysis in my Main Report regarding prudential supervision remains valid and therefore, I remain satisfied that the change in primary regulatory oversight in respect of prudential supervision from the PRA to the CBI would not have a material adverse effect on the RLL Transferred Policies.
- 4.40 There have been no changes since the time of writing my Main Report in respect of the access of RLL Transferred Policyholders to the services of an independent complaints service before and after the implementation of the proposed UK Scheme, and the analysis in my Main Report remains valid. Therefore, I remain satisfied that the implementation of the proposed UK Scheme would not have a material adverse effect on the rights of the RLL Transferred Policyholders in relation to their access to the services of an independent complaints service.

Overall conclusion on effect on the RLL Transferred Policies of the change in regulatory regime from the UK to Ireland

- 4.41 In summary, I remain satisfied that, if the proposed UK Scheme were to be implemented:
- In terms of conduct of business regulation, there would be no material adverse effect on the RLL Transferred Policies;
 - The change in primary regulatory oversight in respect of prudential supervision from the PRA to the CBI would not have a material adverse effect on the RLL Transferred Policies;
 - There would be no material adverse effect on the rights of RLL Transferred Policyholders in relation to their access to an independent complaints service; and

- I am satisfied that the loss of FSCS protection would not lead to a material adverse effect on the rights of RLL Transferred Policies.

4.42 Therefore, in conclusion, I remain satisfied that the change in regulatory regime from the UK to Ireland would not have a material adverse effect on the RLL Transferred Policies.

THE EFFECT OF THE UK SCHEME ON THE REASONABLE EXPECTATIONS OF THE RLL TRANSFERRED POLICYHOLDERS IN RESPECT OF THEIR BENEFITS AND STANDARDS OF SERVICE

The benefit expectations of the RLL Transferred Policyholders

4.43 In the Main Report I set out my considerations of the impact of the UK Scheme on the benefit expectations of the RLL Transferred Policyholders. There have been no developments since the finalisation of the Main Report which alter those conclusions.

4.44 In addition, the PLAE Board approved PLAE's approach to the exercise of discretion in September 2022.

4.45 Overall, I remain satisfied that the implementation of the UK Scheme would not have a material adverse effect on the benefit expectations of the RLL Transferred Policyholders.

The effect of the UK Scheme on the management, governance, administration and servicing of the RLL Transferred Policies

Management and governance

4.46 There have been no changes to the management and governance framework of PLAE set out in the Main Report, however since the finalisation of the Main Report:

- The PLAE Board is now holding regular meetings, with attendance including the proposed independent non-executive directors;
- All proposed PCF role holders have now commenced employment with PLAE (either directly or, in the case of the HoAF, via an external consultancy); and
- The CBI has approved all of the PCF applicants except one. I understand from Phoenix management that the final PCF is expected to receive approval from the CBI very shortly.

4.47 Therefore, I remain satisfied that the implementation of the UK Scheme would not have a material adverse effect on the levels of management and governance that would apply to the RLL Transferred Policies.

Administration and servicing

4.48 I detailed in the Main Report the changes to the administration and servicing of the RLL Transferred Policies as a result of the UK Scheme. The table below summarises these changes:

FIGURE 4.3 TABLE SHOWING THE CHANGES TO ADMINISTRATION AND SERVICING OF THE RLL TRANSFERRED POLICIES AS A RESULT OF THE UK SCHEME

RLL Transferred Policies	Administration Provider Pre-UK Scheme	Administration Provider Post-UK Scheme	Administration Platform
German RLL Transferred Policies		SLAESL (Irish branch) will provide personnel to PLAE to enable PLAE to carry on the regulated activities in this administration arrangement. Unregulated activities will continue to be provided by RUKSL.	
Norwegian RLL Transferred Policies	RUKSL		No change.
Swedish RLL Transferred Policies			

- 4.49 Since the Main Report the MSA between PLAE and SLAESL (Irish branch) has been finalised and signed. I have been provided with the final version of this MSA, and in particular I note that the MSA contains service level metrics which are aligned to the existing service level metrics used in respect of the RLL Transferred Business. Overall I am satisfied that the commentary in my Main Report in respect of the MSA between PLAE and SLAESL (Irish branch) continues to apply.
- 4.50 In addition, the MSA between RUKSL and SLAESL has now been drafted to cover the unregulated activities that RUKSL will provide to PLAE via SLAESL (Irish branch). Whilst this MSA has not been finalised at the time of writing this Supplementary Report, the service level metrics within the MSA between PLAE and SLAESL (Irish branch) have been finalised and signed, and these are, in my view, the key aspects to consider when assessing the impact of the Schemes on the levels and standards of administration and services that apply to the RLL Transferred Policies.
- 4.51 The PLAE Customer Committee, which oversees the management of all areas impacting PLAE's customers, including oversight of outsourced services, is due to be established following PLAE authorisation and is expected to meet once prior to the Effective Date. On a monthly basis the Customer Committee will review customer treatment, operational metrics, services standards and complaint trend analysis.
- 4.52 As set out in paragraphs 2.65 to 2.67, the recruitment of new staff members to perform the services that will be provided by PLAE using personnel provided by SLAESL (Irish branch) within Ireland in respect of the RLL Transferred Policies is now underway, German, Norwegian and Swedish speaking candidates have been identified, and SLAESL (Irish branch) has arrangements in place to aid the transition of activity from RUKSL to the newly recruited SLAESL (Irish branch) staff, including a period of at least three months after the Effective Date during which the RUKSL will second staff to SLAESL (Irish branch) to support the transition. I have been provided with regular updates on the progress of recruitment within SLAESL (Irish branch), and I understand that in the event that it is not possible to recruit the required number of staff members, the Phoenix Group has identified a number of contingencies to ensure sufficient staff are available and trained in advance of the Effective Date. This includes the identification of existing staff members that are able to deal with policyholders in these languages (and also in English) who would be seconded to SLAESL (Irish branch) until such time as the required staff members have been recruited. Based on this and the transitional arrangements that have been agreed with RUKSL, I am satisfied that the process of SLAESL (Irish branch) recruitment and training is on track to ensure adequate servicing can be provided to the RLL Transferred Policyholders from the Effective Date.
- 4.53 PLAE will establish dedicated Irish telephone numbers for RLL Transferred Policyholders. A targeted communication will be sent to these RLL Transferred Policyholders at least 30 days before the Effective Date containing these new contact details. I understand from RLL that this targeted communication is in progress and is on track to be sent to the relevant RLL Transferred Policyholders within the planned timeframes.
- 4.54 Overall, I am satisfied that PLAE has made detailed preparations to ensure, on a best endeavours basis, that it is operationally ready such that there is no deterioration in the levels of administration and servicing of the RLL Transferred Policies, even temporarily. It has established effective oversight of its service providers and has plans in place to ensure there is a sufficient number of staff members who are adequately trained to deliver services to the same standard as currently provided. Therefore, I remain satisfied that if the plans are met then the implementation of the UK Scheme would not have a material adverse effect on the levels and standards of administration and services that would apply to the RLL Transferred Policies.

Overall conclusion on the effect of the UK Scheme on the reasonable expectations of the RLL Transferred Policyholders in respect of their benefits and standards of service

- 4.55 In conclusion, I remain satisfied that the proposed UK Scheme would not have a material adverse effect on the reasonable expectations of the RLL Transferred Policyholders in respect of their benefits and standards of service.

CONCLUSION FOR THE EFFECT OF THE PROPOSED UK SCHEME ON THE RLL TRANSFERRED POLICIES

- 4.56 I remain satisfied that the implementation of the proposed UK Scheme would not have a material adverse effect on:
- The security of benefits under the RLL Transferred Policies;
 - The profile of risks to which the RLL Transferred Policies are exposed;

- The oversight provided by the regulatory regime that will apply to the RLL Transferred Policies; and
- The reasonable expectations of the RLL Transferred Policyholders in respect of their benefits, including the standards of administration, service, management and governance that apply to the RLL Transferred Policies.

5. THE IMPACT OF THE IRISH SCHEME ON THE IRISH PLL TRANSFERRED POLICYHOLDERS

INTRODUCTION

- 5.1 If the proposed Irish Scheme were to be approved by the Irish Court and the UK Scheme approved by the UK Court the Irish PLL Transferred Business would be transferred from PLL to PLAE. The policies within the Irish PLL Transferred Business are collectively referred to as the “Irish PLL Transferred Policies”, and the policyholders holding these policies are collectively referred to as the “Irish PLL Transferred Policyholders”. For the avoidance of doubt these policies and policyholders are a subset of those contained within the PLL Transferred Business.

THE EFFECT OF THE IRISH SCHEME ON THE SECURITY OF BENEFITS UNDER THE IRISH PLL TRANSFERRED POLICIES

The effect on the security of benefits of a change in the applicable capital management policy

- 5.2 As set out in Section 9 of the Main Report, both PLL and PLAE set their respective Capital Management Policies such that they follow the principles that underpin the Life Companies RAF, as such both PLL and PLAE are required to maintain a minimum capital buffer in excess of the SCR. The minimum capital buffer is defined as the amount required to absorb the more onerous of a 1-in-10 year all risk stress event and a 1-in-20 year market risk stress event while still holding Own Funds to cover the SCR.
- 5.3 There have been no material changes to the PLL and PLAE Capital Management Policies since the finalisation of my Main Report, and the PLAE Capital Management Policy has now been formally approved by the PLAE Board. It remains the intention to capitalise PLAE such that it has a solvency ratio of at least 150%. Additionally, the governance around the Capital Management Policies of PLL and PLAE remain as described in the Main Report.
- 5.4 The Amber and Red risk appetite ranges under the PLAE Capital Management Policy have been recalibrated since the Main Report and as a result the thresholds of these ranges have been updated, as detailed in paragraph 2.19. The only change to the methodology applied in deriving these thresholds is that the upper limit of the Amber risk appetite range of 146% is now calibrated without rounding up to the next 5% (i.e. to 150%). I am satisfied that the change in these ranges does not materially adversely affect the security of benefits for Irish PLL Transferred Business as the method of calibrating these ranges has not changed, albeit there has been a move to the unrounded basis for the top of the Amber risk appetite range.
- 5.5 In addition, as outlined in paragraph 2.20, the PLAE Capital Management Policy has been updated so that the CBI will be notified if the solvency cover ratio of PLAE falls within the Amber range or the Red range (previously the CBI notification requirement applied only to the Red range), the definitions of the Amber and Red ranges take into account expected recovery over a 4 month period, and within the Amber range the urgency of the action to be taken to restore solvency is based on PLAE’s projected solvency over a 12 month period. I am satisfied that these changes do not materially adversely affect the security of benefits for Irish PLL Transferred Business.
- 5.6 As a result, I remain satisfied that there is no material adverse effect on the security of benefits for Irish PLL Transferred Business from being subject to the PLAE Capital Management Policy as compared to the PLL Capital Management Policy.

The effect on the security of benefits due to being part of PLAE after the Irish Scheme compared to PLL currently

The financial strength of PLAE

- 5.7 The conclusions in the Main Report were based on financial information provided by PLL and PLAE as at 31 December 2021 and the information contained within the most recently available ORSA for each entity.
- 5.8 The financial results for PLL and PLAE as at 30 June 2022 are included in Appendix A and Appendix B. I have reconsidered my conclusions in light of this updated financial information.

- 5.9 Figure 5.1 below sets out the pre-Irish Scheme PLL and pro-forma post-Irish Scheme PLAE solvency cover ratios as at 31 December 2021, as shown in the Main Report, and 30 June 2022. The pre-Irish Scheme PLL position has been prepared using PLL’s approved internal model, and the pro-forma post-Irish Scheme PLAE position has been prepared using the Standard Formula Approach to calculate the SCR.

FIGURE 5.1 SOLVENCY II PILLAR 1 SOLVENCY RATIOS AS AT 31 DECEMBER 2021 AND 30 JUNE 2022

SOLVENCY COVER RATIO	PLL	PLAE
	PRE-IRISH SCHEME	POST-IRISH SCHEME
31 December 2021	162%	150%
30 June 2022	164%	150%

Source: The Main Report and Appendix A and Appendix B

- 5.10 As can be seen, there has been no material change to the solvency cover ratio of either PLL pre-Irish Scheme or PLAE post-Irish Scheme between 31 December 2021 and 30 June 2022. If the proposed Irish Scheme had been implemented as at 30 June 2022:
- The solvency coverage ratio of PLL would have been in excess of that required by the regulations and by the PLL Capital Management Policy.
 - The PLAE solvency coverage ratio would have been materially in excess of that required by the regulations and at the level required by the PLAE Capital Management Policy.
- 5.11 Figure 5.2 below sets out the pre-Irish Scheme and pro-forma post-Irish Scheme solvency cover ratios for the relevant PLL WPFs as at 31 December 2021 and 30 June 2022.

FIGURE 5.2 SOLVENCY II PILLAR 1 SOLVENCY RATIOS AS AT 31 DECEMBER 2021 AND 30 JUNE 2022

SOLVENCY COVER RATIO	31 DECEMBER 2021		30 JUNE 2022	
	PRE-IRISH SCHEME	POST-IRISH SCHEME	PRE-IRISH SCHEME	POST-IRISH SCHEME
SPI WPF	119%	119%	126%	126%
90% WPF	138%	138%	141%	141%
Phoenix WPF	126%	126%	125%	125%
Alba WPF	105%	105%	107%	107%
Other WPFs	146%	146%	159%	159%
NPF and Shareholders’ Fund	178%	181%	173%	176%

Source: Calculated by Milliman using data from the PLL Chief Actuary Report and the PLL Chief Actuary Supplementary Report on the proposed transfer of certain long-term insurance business from PLL to PLAE

- 5.12 Figure 5.2 shows that the solvency coverage ratios of the PLL WPFs would have been unchanged as a result of the Irish Scheme and the With-Profits Reinsurance Agreements had they become effective as at 30 June 2022. The With-Profits Reinsurance Agreements fully reinsure the liabilities of the New With-Profits Funds back to the corresponding PLL WPFs.
- 5.13 As outlined in paragraphs 2.8 to 2.10, countries around the world including the UK and Ireland are currently experiencing a period of higher inflation.
- The Phoenix Group considered the impact of a high inflation scenario in its most recent ORSA, and its overall view is that the Phoenix Group is not materially exposed to the risk of high inflation, and that its solvency position is expected to be resilient to higher inflation;
 - The overall impact of rising inflation on PLL’s financial position is relatively small, as it matches its inflation-linked liabilities with index-linked assets; and

- Sensitivity testing was performed to assess PLAE’s exposure to inflation. At my request, the Phoenix actuarial team carried out an additional stress test examining the impact of a further, permanent, 10% increase in expenses from 2023 (put another way, an increase in the 2023 assumed inflation rate of a further 10 percentage points). PLAE was able to withstand this stress and remain within its Amber risk appetite zone for solvency capital coverage under the PLAE Capital Management Policy. Also under this stress liquidity was not an issue for PLAE.
- 5.14 In addition, I note that higher inflation is currently being experienced in both the UK and Ireland, and therefore both before and after the implementation of the Irish Scheme, the Irish PLL Transferred Policyholders are allocated to an entity that is operating within a higher inflation environment than has been the case in recent years.
- 5.15 Overall, I remain satisfied that reliance on the financial strength of PLAE if the Irish Scheme were to be implemented would not lead to a material adverse effect on the security of benefits under the Irish PLL Transferred Policies.

The reinsurance arrangements of PLAE after the implementation of the Irish Scheme

- 5.16 As set out in the Main Report, the Irish Scheme does not lead to any changes to the existing reinsurance arrangements in respect of the Irish PLL Transferred Policies as a result of the UK Scheme. The majority of the reinsurance contracts will be transferred to PLAE with the exception of:
 - The reinsurance agreement which covers the Irish PLL Transferred Business in the PLL SPI WPF; and
 - The reinsurance agreement with both Unum and with Swiss Re.
- 5.17 The existing reinsurance contract covering the Irish PLL Transferred Business in the PLL SPI WPF will be converted to a retrocession agreement, as the business covered by this agreement would be reinsured back to PLL under the With-Profits Reinsurance Agreements. I have reviewed the agreements that have been drafted in order to effect this conversion, and I understand that they are due to be signed in advance of the Sanction Hearing¹¹.
- 5.18 Since the Main Report, PLL has determined that it is necessary to novate, rather than transfer under the Irish Scheme, the reinsurance agreement with both Unum and Swiss Re. I have reviewed the agreements that have been drafted to effect the novation of this reinsurance agreement, and I understand that these are expected to be signed in advance of the Irish Sanction Hearing.
- 5.19 The novation of the reinsurance agreement with both Unum and Swiss Re, rather than its transfer under the Irish Scheme, does not impact my conclusions on the security of benefits for the Irish PLL Transferred Business nor on the reasonable benefit expectations of the PLL Transferred Policyholders. Therefore, I remain satisfied that the transfer of these reinsurance contracts does not materially adversely affect the security of benefits for the Irish PLL Transferred Business.

The PLL Unit-Linked Reinsurance Agreement and With-Profits Reinsurance Agreements

- 5.20 Since the Main Report, the terms of the PLL Unit-Linked Reinsurance Agreement, the With-Profits Reinsurance Agreements and the associated PLL Floating Charge and WP Fixed Charges have been finalised. I understand from the Phoenix Group Management that there have been no material changes to the PLL Unit-Linked Reinsurance Agreement, the With-Profits Reinsurance Agreement of the WP Fixed Charges; however, as outlined in paragraphs 2.49 to 2.55, there has been a minor amendment to the PLL Floating Charge to exclude certain assets that will be transferred from SLAL to PLL under a planned future transfer. In relation to this change to the PLL Floating Charge, I note that:
 - It will not result in a change to the overall pool of assets over which the PLL Floating Charge will apply as at the Effective Date;
 - Whilst it does result in certain future assets of PLL being excluded from the scope of the PLL Floating Charge, this is in the context of the overall pool of assets over which the PLL Floating Charge applies increasing as a result of the planned future transfer of the business of SLAL into PLL;
 - An equivalent carve-out applies to the assets underlying the floating charge that Standard Life International DAC holds over the assets of SLAL, and therefore this approach is not without precedent;

¹¹ There are no existing reinsurance contracts covering PLL Transferred Business invested in PLL WPFs other than the PLL SPI WPF.

- PLL considered the option of amending the PLL Floating Charge after the Effective Date but before the planned future transfer of the business of SLAL into PLL, however this introduces the risk of certain legal issues arising at a later date;
- It remains the case that there is no reason to believe that the PLL Unit-Linked Reinsurance Agreement and the PLL Floating Charge would not work as designed and intended, based on my discussions with executives within PLL and their legal advisors in the UK and Ireland;
- As detailed in my Main Report, I was provided with information regarding the value of assets against which PLL is unable to grant security as at 31 December 2021. I have been provided with updated information as at 30 June 2022 and I remain satisfied that the available assets over which the PLL Floating Charge applies would be sufficient for PLAE to recover an amount equal to liabilities covered by the PLL Unit-Linked Reinsurance Agreement and With-Profits Reinsurance Agreements; and
- As set out in my Main Report, when granting any new security, I understand that PLL undertakes a review of existing securities in order to identify any potential impact of granting further security, and the PLL Floating Charge contains a provision which ensures that the PLL Floating Charge will rank equally with (and not below) any existing or future floating charges granted by PLL. I therefore remain satisfied that there are adequate safeguards in place in relation to the granting of future floating charges by PLL.

5.21 Therefore, I remain satisfied that the PLL Unit-Linked Reinsurance Agreement, the With-Profits Reinsurance Agreements, the PLL Floating Charge and the WP Fixed Charges would not lead to a material adverse effect on the security of benefits under the Irish PLL Transferred Policies.

The support for PLAE from PGH as the ultimate parent of PLAE

5.22 Both PLL and PLAE are members of the Phoenix Group of companies, with PGH being the ultimate parent of both PLL and PLAE. The analysis in my Main Report around parental support from PGH remains valid and I remain satisfied that it is unlikely that the proposed Irish Scheme would change PGH's willingness or ability to support the Irish PLL Transferred Business.

Additional security for the Irish PLL Transferred Policies

5.23 Since the finalisation of the Main Report, there have been no changes to the regulatory regime in Ireland or the UK that would alter the position of policyholders in a winding-up situation. Therefore, I remain satisfied that the policyholder ranking upon wind-up of an Irish insurer is at least as favourable as the policyholder ranking upon wind-up of a UK insurer.

The effect on the security of benefits under the Irish PLL Transferred Policies due to losing the protection conferred by the FSCS

5.24 As set out in the Main Report, some of the Irish PLL Transferred Policies are currently covered under the FSCS, the UK's statutory 'fund of last resort'. If the Irish Scheme were to be implemented, the eligible Irish PLL Transferred Policies would no longer be covered under the FSCS for claims occurring on or after the Effective Date. I understand that there is no relevant equivalent Irish compensation scheme for the types of policies held by the Irish PLL Transferred Policyholders.

5.25 Therefore, if the proposed Irish Scheme were to be implemented, claims from eligible Irish PLL Transferred Policyholders occurring prior to the Effective Date (whether reported or not) would be protected in the event of the failure of PLL. However, it is likely that Irish PLL Transferred Policies would no longer be covered under the FSCS for claims occurring on or after the Effective Date. However, I note that:

- The purpose of the proposed Irish Scheme is to effect the transfer of Irish PLL Transferred Business to PLAE in order to provide certainty, as well as consistency and continuity, of the provision of administration and benefits following Brexit and the end of the transition period, and the loss of FSCS protection is an unavoidable consequence of this;
- Given that PLAE will be adequately capitalised and will be required to comply with Solvency II, I consider the likelihood of PLAE insolvency to be remote; and
- The alternative scenario whereby the proposed Irish Scheme is not implemented and eligible Irish PLL Transferred Policyholders retain their coverage under the FSCS poses a greater risk to Irish PLL Transferred Policyholders, since in this scenario there is no guarantee that PLL would be able to continue to provide benefits under, or administer, policies in respect of policyholders that are not resident in Ireland, including those who move to reside in other EEA member states. This possibility creates uncertainty for affected policyholders.

- 5.26 Based on the analysis performed by PLL, approximately half of Irish PLL Transferred Policyholders are not currently covered by the FSCS; for such policyholders, the implementation of the Irish Scheme would therefore not result in any changes to their compensation scheme eligibility.
- 5.27 I remain satisfied that the loss of FSCS protection would not lead to a material adverse effect on the security of benefits for the Irish PLL Transferred Policyholders. In particular, given that the likelihood of default or insolvency of PLAE is remote, the loss of FSCS is more than outweighed by the benefits of the Irish Scheme, in that the Irish Scheme ensures certainty, as well as consistency and continuity, of the provision of administration and benefits for PLL's EEA policyholders by an insurer within the Phoenix Group.

Summary and conclusion

- 5.28 Overall, I remain satisfied that there would be no material adverse effect on the security of benefits under the Irish PLL Transferred Policies as a result of:
- The reliance on the financial strength of PLAE rather than PLL;
 - PLAE's reinsurance arrangements;
 - PLAE having PGH as an ultimate parent, as PGH is also the ultimate parent of PLL;
 - Being subject to Irish law relating to the right on wind-up of an insurer; and
 - No longer being covered under the FSCS.
- 5.29 Therefore, I remain satisfied that, if the proposed Irish Scheme were to be implemented, there would be no material adverse effect on the security of the benefits of the Irish PLL Transferred Policies as a result of being part of PLAE after the Irish Scheme rather than PLL as currently. I set out my overall conclusion on the effect of the Irish Scheme on the security of benefits under the Irish PLL Transferred Policies in paragraphs 5.30 to 5.31 below.

Overall conclusion on the effect of the Irish Scheme on the security of benefits under the Irish PLL Transferred Policies

- 5.30 In summary, I remain satisfied that, if the proposed Irish Scheme were to be implemented:
- There would be no material adverse effect on the security of the benefits under the Irish PLL Transferred Policies from being subject to the PLAE Capital Management Policy rather than the PLL Capital Management Policy;
 - There would be no material adverse effect on the security of benefits under the Irish PLL Transferred Policies as a result of being part of PLAE rather than PLL as currently; and
 - The loss of FSCS protection would not lead to a material adverse effect on the security of benefits under the Irish PLL Transferred Policies.
- 5.31 Therefore, in conclusion, I remain satisfied that the implementation of the proposed Irish Scheme would not have a material adverse effect on the security of benefits under the Irish PLL Transferred Policies.

THE EFFECT OF THE IRISH SCHEME ON THE PROFILE OF RISKS TO WHICH THE IRISH PLL TRANSFERRED POLICIES ARE EXPOSED

- 5.32 Figure 5.3 below sets out the breakdown of the PLL pre-Irish Scheme and PLAE pro-forma post-Irish Scheme pre-diversification Solvency II Pillar 1 SCR as at 31 December 2021 and 30 June 2022. This is presented in descending order of risk exposures for both PLL and PLAE.

FIGURE 5.3 PRE-DIVERSIFICATION SOLVENCY II PILLAR 1 SCR BREAKDOWN AS AT 31 DECEMBER 2021 AND 30 JUNE 2022

RISK EXPOSURE	31 DECEMBER 2021	30 JUNE 2022
<i>PLL pre-Irish Scheme</i>		
Market risk (other than spread risk)	31%	35%
Spread risk	22%	21%
Longevity risk	21%	16%
Other underwriting risk	17%	18%
Operational risk	5%	5%
Counterparty default risk	4%	4%
<i>PLAE post-Irish Scheme</i>		
Longevity risk	46%	41%
Spread risk	23%	22%
Other underwriting risk	13%	19%
Counterparty default risk	10%	11%
Equity risk	5%	3%
Currency risk	1%	1%
Interest rate risk	1%	0%
Other	1%	1%

Source: The Main Report and the RLL Actuarial Team. 30 June 2022 percentages sum to 98% due to rounding.

- 5.33 Between 31 December 2021 and 30 June 2022, the pre-Irish Scheme risk profile of PLL has become more weighted towards market risk and less weighted towards longevity risk due to the increase in interest rates between 31 December 2021 and 30 June 2022. The pro-forma post-Irish Scheme risk profile of PLAE has become more weighted towards “other underwriting risk” due to increased expense risk SCR, because of the increase in assumed expenses for PLAE as at 30 June 2022 compared to that as at 31 December 2022.
- 5.34 Whilst the implementation of the Irish Scheme would result in a change to the risk exposures of the Irish PLL Transferred Policies, the risk profile of PLL pre-Irish Scheme and PLAE post-Irish Scheme remain as described in my Main Report and the analysis set out in my Main Report continues to apply. Therefore, I remain satisfied that any change in risk profile and risk management would not have a material adverse effect on the Irish PLL Transferred Policies.

THE EFFECT ON THE IRISH PLL TRANSFERRED POLICIES OF THE CHANGE IN REGULATORY REGIME FROM THE UK TO IRELAND

Regulation in respect of the conduct of business

- 5.35 It remains the case that for the Irish PLL Transferred Business:
- Currently, the regulatory responsibility for conduct of business supervision is shared between the FCA and the host regulator (but the CBI is also responsible for prudential and conduct of business supervision regarding the Irish branch of PLL); whereas
 - If the proposed Irish Scheme were to be implemented, the CBI would become the regulator primarily responsible for conduct of business supervision instead of the FCA; however, the requirements of the host regulator would continue to apply.

- 5.36 On 27 July 2022 the FCA published its final rules and guidance for a new Consumer Duty which aims to bring about a fairer, more consumer-focused and level playing field in retail financial markets. For existing business, the Consumer Duty rules and guidance take effect from 31 July 2024. The Phoenix Group has an internal programme that will deliver new Customer Business Standards and articulate the standards of treatment and product outcomes that will apply for customers in line with the Consumer Duty. As part of this internal programme, the Phoenix Group performed a gap analysis of current practices against the Consumer Duty and is currently preparing implementation plans to address any findings of this analysis. As the proposed Irish Scheme is due to become effective before the Consumer Duty comes into effect, it will not be a regulatory requirement in respect of the Irish PLL Transferred Business. However, I understand that any actions taken by the Phoenix Group in respect of the Consumer Duty, which will be the responsibility of the Phoenix Group Head of Compliance, will capture the Irish PLL Transferred Business as appropriate and will be subject to governance review within PLAE, as the Phoenix Group's intention is to apply the Consumer Duty to the Irish PLL Transferred Business using a holistic and consistent approach across the Phoenix Group, whilst working closely with the relevant PCF holder in PLAE. In addition, I understand that PLAE would adopt any amendments to the Phoenix Group customer strategy, customer communications or customer support approach as appropriate, taking into account CBI requirements. In addition, while the With-Profits Reinsurance Agreements are in place, the charges applied to the with-profits Irish PLL Transferred Business will be the same as those for the Non-Transferring PLL Business allocated to the respective PLL WPF.
- 5.37 The PLAE Board approved the full implementation of the CBI principles of best practice for the distribution of products in other EU member states and third countries in September 2022.
- 5.38 As part of its authorisation application, PLAE sought derogation from the CBI in relation to the requirement to establish and maintain a WPOP in respect of the New With-Profits Funds. This derogation is expected to be granted ahead of the Effective Date.
- 5.39 Overall, the analysis in my Main Report regarding conduct of business regulation, including in respect of with-profits business, remains valid. In light of this and the additional points above, I remain satisfied that in terms of conduct of business regulation (including conduct regulation of with-profits business), the implementation of the proposed Irish Scheme would not have a material adverse effect on the Irish PLL Transferred Policies.

Regulation in respect of prudential supervision

- 5.40 It remains the case that if the proposed Irish Scheme were to be implemented there would be a change in the primary regulator responsible for prudential supervision from the PRA to the CBI.
- 5.41 As set out in my Main Report, the Solvency II regime and the UK's adoption of the Solvency II regime are currently under review. In the UK, HM Treasury and the PRA are currently considering the feedback received to the consultation papers they issued on 28 April 2022. In Europe, the European Commission set out its proposed adjustments to the Solvency II Directive, as applied in EU states, and these proposals are currently being discussed and negotiated. No final legislative text has yet been issued.
- 5.42 Overall, there have not been any material developments in the application of Solvency II in the UK or Europe since the finalisation of my Main Report. It therefore remains the case that it is not possible to consider in detail the impact of any potential divergence between the UK's and Ireland's adoption of Solvency II. However, I note the desire for the UK to maintain broad equivalence with the Solvency II regime as it applies in Europe.
- 5.43 Overall, the analysis in my Main Report regarding prudential supervision remains valid and therefore, I remain satisfied that the change in primary regulatory oversight in respect of prudential supervision from the PRA to the CBI would not have a material adverse effect on the Irish PLL Transferred Policies.
- 5.44 There have been no changes since the time of writing my Main Report in respect of the access of Irish PLL Transferred Policyholders to the services of an independent complaints service before and after the implementation of the proposed Irish Scheme, and the analysis in my Main Report remains valid. Therefore, I remain satisfied that the implementation of the proposed Irish Scheme would not have a material adverse effect on the rights of the Irish PLL Transferred Policyholders in relation to their access to the services of an independent complaints service.

Overall conclusion on effect on the Irish PLL Transferred Policies of the change in regulatory regime from the UK to Ireland

- 5.45 In summary, I remain satisfied that, if the proposed Irish Scheme were to be implemented:
- In terms of conduct of business regulation, there would be no material adverse effect on the Irish PLL Transferred Policies;
 - In terms of conduct of business regulation specifically related to with-profits business, there would be no material adverse effect on the Irish PLL Transferred Policies;
 - The change in primary regulatory oversight in respect of prudential supervision from the PRA to the CBI would not have a material adverse effect on the Irish PLL Transferred Policies;
 - There would be no material adverse effect on the rights of Irish PLL Transferred Policyholders in relation to their access to an independent complaints service; and
 - I am satisfied that the loss of FSCS protection would not lead to a material adverse effect on the rights of Irish PLL Transferred Policies.
- 5.46 Therefore, in conclusion, I remain satisfied that the change in regulatory regime from the UK to Ireland would not have a material adverse effect on the Irish PLL Transferred Policies.

THE EFFECT OF THE IRISH SCHEME ON THE REASONABLE EXPECTATIONS OF THE IRISH PLL TRANSFERRED POLICYHOLDERS IN RESPECT OF THEIR BENEFITS AND STANDARDS OF SERVICE

The benefit expectations of the Irish PLL Transferred Policyholders

- 5.47 In the Main Report I set out my considerations of the impact of the Irish Scheme on the benefit expectations of the Irish PLL Transferred Policyholders. There have been no developments since the finalisation of the Main Report which alter those conclusions.
- 5.48 As set out in my Main Report, for some Irish PLL Transferred Policyholders paying their policy premiums by bank transfer, Standing Order, Giro or cheque, after the Irish Scheme there will be a change to the account into which payments are made. A targeted communication on this matter will be sent to the affected Irish PLL Transferred Policyholders at least 30 days before the Effective Date, and it remains the case that the Phoenix Group is novating the relevant bank accounts to PLAE and therefore all policyholder premiums should be received by PLAE following the Effective Date, regardless of whether an affected policyholder updates the payee account to which their premium payments are directed. I understand from PLL that this targeted communication is in progress and is on track to be sent to the affected Irish PLL Transferred Policyholders within the planned timeframes.
- 5.49 In addition, the PLAE Board approved PLAE's approach to the exercise of discretion in September 2022.
- 5.50 Overall, I remain satisfied that the implementation of the Irish Scheme would not have a material adverse effect on the benefit expectations of the Irish PLL Transferred Policyholders.

The effect of the Irish Scheme on the management, governance and administration of the Irish PLL Transferred Policies

Management and governance

- 5.51 There have been no changes to the management and governance framework of PLAE set out in the Main Report, however since the finalisation of the Main Report:
- The PLAE Board is now holding regular meetings, with attendance including the proposed independent non-executive directors;
 - All proposed PCF role holders have now commenced employment with PLAE (either directly or, in the case of the HoAF, via an external consultancy); and
 - The CBI has approved all of the PCF applicants except one. I understand from Phoenix management that the final PCF is expected to receive approval from the CBI very shortly.
- 5.52 Therefore, I remain satisfied that the implementation of the Irish Scheme would not have a material adverse effect on the levels of management and governance that would apply to the Irish PLL Transferred Policies.

Administration and servicing

- 5.53 I detailed in the Main Report the changes to the administration and servicing of the Irish PLL Transferred Policies as a result of the Irish Scheme. The table below summarises these changes:

FIGURE 5.4 TABLE SHOWING THE CHANGES TO ADMINISTRATION AND SERVICING OF THE IRISH PLL TRANSFERRED POLICIES AS A RESULT OF THE IRISH SCHEME

	Administration Provider Pre-Irish Scheme	Administration Provider Post-Irish Scheme	Administration Platform
Irish PLL Transferred Policies	Diligenta	SLAESL (Irish branch) will provide personnel to PLAE to enable PLAE to carry on the regulated activities in this administration arrangement. Unregulated activities will continue to be provided by Diligenta.	No change.
	SS&C	SS&C	No change.
	Mercer *	SLAESL (Irish branch) will provide personnel to PLAE to enable PLAE to carry on the regulated activities in this administration arrangement. Unregulated activities will be provided by RUKSL.	Will be transferred onto Phoenix Group's in-house administration platform.
	Unum **	SLAESL (Irish branch) will provide personnel to PLAE to enable PLAE to carry on the regulated activities in this administration arrangement. Unregulated activities will be provided by RUKSL.	Will be transferred onto Phoenix Group's in-house administration platform.

* There are currently c. 80 Irish PLL Transferred Policyholders administered by Mercer

** There is currently a single Irish PLL Transferred Policyholder administered by Unum

- 5.54 Since the Main Report the MSA between PLAE and SLAESL (Irish branch) has been finalised and signed. I have been provided with the final version of this MSA, and in particular I note that the MSA contains service level metrics which are aligned to the existing service level metrics used in respect of the Irish PLL Transferred Business. Overall I am satisfied that the commentary in my Main Report in respect of the MSA between PLAE and SLAESL (Irish branch) continues to apply.
- 5.55 In respect of services that will continue to be provided by external third parties (namely SS&C and Diligenta), agreements have now been drafted to enable the continued service provision by these parties. For each of these agreements, the existing service level agreements within the current contracts have been maintained through the MSA between PLAE and SLAESL (Irish branch). Whilst these agreements have not been finalised at the time of writing this Supplementary Report, the service level metrics within the MSA between PLAE and SLAESL (Irish branch) have been finalised and signed, and these are, in my view, the key aspects to consider when assessing the impact of the Schemes on the levels and standards of administration and services that apply to the Irish PLL Transferred Policies.
- 5.56 As outlined in the Main Report, for the Irish PLL Transferred Policies currently administered by Mercer or Unum, the platform on which they are administered will be transferred onto an existing Phoenix Group administration platform. I have been provided with the roadmap for implementing this transfer and I understand from the Phoenix Group that the transfer is on track to be completed as planned in time for the planned Effective Date for the majority of affected policyholders. A small number of policies may be required to be administered manually for a limited period of time following the Effective Date; however, I understand from the Phoenix Group that the majority of these policyholders are gone-away (as described in paragraphs 2.23 and 2.31 above) and therefore administrative activity and the associated risk of errors arising is expected to be minimal. I am therefore satisfied that the transfer of the administration platform used for the Irish PLL Transferred Policies currently administered by Mercer or Unum is not expected to have a material adverse effect on the levels and standards of administration that would apply to these policies.

- 5.57 The PLAE Customer Committee, which oversees the management of all areas impacting PLAE's customers, including oversight of outsourced services, is due to be established following PLAE authorisation and is expected to meet once prior to the Effective Date. On a monthly basis the Customer Committee will review customer treatment, operational metrics, services standards and complaint trend analysis.
- 5.58 As set out in paragraphs 2.65 to 2.67, the recruitment of new staff members to perform the services that will be provided by PLAE using personnel provided by SLAESL (Irish branch) within Ireland in respect of the relevant Irish PLL Transferred Policies is now underway, and SLAESL (Irish branch) has arrangements in place to aid the transition of activity from the existing service providers to the newly recruited SLAESL (Irish branch) staff, including a period of at least three months after the Effective Date during which the existing service providers will provide staff within Ireland to support the transition. I have been provided with regular updates on the progress of recruitment within SLAESL (Irish branch), and I understand that in the event that it is not possible to recruit the required number of staff members, the Phoenix Group has identified a number of contingencies to ensure sufficient staff are available and trained in advance of the Effective Date. This includes the identification of existing staff members who would be seconded to SLAESL (Irish branch) until such time as the required staff members have been recruited.. Based on this and the transitional arrangements that have been agreed with the existing service providers, I am satisfied that the process of SLAESL (Irish branch) recruitment and training is on track to ensure adequate servicing can be provided to the relevant PLL Transferred Policyholders from the Effective Date.
- 5.59 PLAE will establish dedicated Irish telephone numbers for Irish PLL Transferred Policyholders (excluding the Irish PLL Transferred Policyholders administered by SS&C for which Irish telephone numbers already exist). A targeted communication will be sent to these Irish PLL Transferred Policyholders at least 30 days before the Effective Date containing these new contact details. I understand from PLL that this targeted communication is in progress and is on track to be sent to the relevant Irish PLL Transferred Policyholders within the planned timeframes.
- 5.60 Overall, I am satisfied that PLAE has made detailed preparations to ensure, on a best endeavours basis, that it is operationally ready such that there is no deterioration in the levels of administration and servicing of the Irish PLL Transferred Policies, even temporarily. It has established effective oversight of its service providers and has plans in place to ensure there is a sufficient number of staff members who are adequately trained to deliver services to the same standard as currently provided. Therefore, I remain satisfied that if the plans are met then the implementation of the Irish Scheme would not have a material adverse effect on the levels and standards of administration and services that would apply to the Irish PLL Transferred Policies.

Overall conclusion on the effect of the Irish Scheme on the reasonable expectations of the Irish PLL Transferred Policyholders in respect of their benefits and standards of service

- 5.61 In conclusion, I remain satisfied that the proposed Irish Scheme would not have a material adverse effect on the reasonable expectations of the Irish PLL Transferred Policyholders in respect of their benefits and standards of service.

CONCLUSION FOR THE EFFECT OF THE PROPOSED IRISH SCHEME ON THE IRISH PLL TRANSFERRED POLICIES

- 5.62 I remain satisfied that the implementation of the proposed Irish Scheme would not have a material adverse effect on:
- The security of benefits under the Irish PLL Transferred Policies;
 - The profile of risks to which the Irish PLL Transferred Policies are exposed;
 - The oversight provided by the regulatory regime that will apply to the Irish PLL Transferred Policies; and
 - The reasonable expectations of the Irish PLL Transferred Policyholders in respect of their benefits, including the standards of administration, service, management and governance that apply to the Irish PLL Transferred Policies.

6. THE IMPACT OF THE UK SCHEME ON THE PLL NON-TRANSFERRING POLICYHOLDERS

INTRODUCTION

- 6.1 If the proposed UK Scheme were to be approved by the UK Court and the Irish Scheme approved by the Irish Court the PLL Transferred Business (including the Irish PLL Transferred Business) would be transferred from PLL to PLAE. The PLL Non-transferring Business would remain in PLL after the Effective Date. The policies within the PLL Non-transferring Business are collectively referred to as the “PLL Non-transferring Policies”, and the policyholders holding these policies are collectively referred to as the “PLL Non-transferring Policyholders”.

THE EFFECT OF THE UK SCHEME ON THE SECURITY OF BENEFITS UNDER THE PLL NON-TRANSFERRING POLICIES

The security of benefits derived from the applicable capital management policy

- 6.2 There have been no changes to the PLL Capital Management Policy since the finalisation of my Main Report, other than the annual recalibration of the minimum capital buffer. As set out in my Main Report, the UK Scheme would have no effect on the PLL Capital Management Policy, and the PLL Non-transferring Business would continue to be managed in accordance with this policy after the implementation of the proposed UK Scheme.

The security of benefits derived from the financial strength of PLL

- 6.3 The conclusions in my Main Report were based on financial information provided by PLL as at 31 December 2021 and the information contained within the most recently available ORSA. The financial results for PLL as at 30 June 2022 are included in Appendix A and Appendix B. I have reconsidered my conclusions in light of this financial information.
- 6.4 Figure 6.1 below sets out the pre-UK Scheme and pro-forma post-UK Scheme PLL Pillar 1 solvency cover ratios as at 31 December 2021, as shown in the Main Report, and 30 June 2022.

FIGURE 6.1 SOLVENCY II PILLAR 1 SOLVENCY RATIOS AS AT 31 DECEMBER 2021 AND 30 JUNE 2022

SOLVENCY COVER RATIO	PLL PRE-UK SCHEME	PLL POST-UK SCHEME
31 December 2021	162%	164%
30 June 2022	164%	165%

Source: The Main Report and Appendix A and Appendix B

- 6.5 As can be seen, it continues to be the case that the implementation of the proposed UK Scheme is expected to result in a small increase of the solvency cover ratio of PLL. This is caused mainly by a small reduction in the SCR resulting from the transfer of business out of PLL under the UK Scheme. As a result, I remain satisfied that there is no material adverse effect on the financial strength of PLL as a result of the UK Scheme.

The security of benefits derived from the reinsurance arrangements of PLL

The PLL Unit-Linked Reinsurance Agreement and With-Profits Reinsurance Agreements

- 6.6 Since the time of writing my Main Report, the terms of the PLL Unit-Linked Reinsurance Agreement, the With-Profits Reinsurance Agreements and the associated PLL Floating Charge and WP Fixed Charges have been finalised. I understand from the Phoenix Group management that there have been no material changes to the PLL Unit-Linked Reinsurance Agreement, the With-Profits Reinsurance Agreements or the WP Fixed Charges; however, as outlined in paragraphs 2.39 to 2.45, there has been a minor amendment to the PLL Floating Charge to exclude certain assets that will be transferred from SLAL to PLL under a planned future transfer.

- 6.7 The minor amendment to the PLL Floating charge does not impact the ranking of PLAE or PLL Non-transferring Policyholders in the event of the insolvency of PLL. It remains the case that as a result of the PLL Floating Charge, PLAE would rank equally to the PLL Non-transferring Policyholders in the event of insolvency of PLL, and that since the PLL Transferred Policyholders currently rank equally to the PLL Non-transferring Policyholders (as they are currently all direct policyholders of PLL), I do not consider that the PLL Floating Charge would have a material adverse effect on the security of benefits under the PLL Non-transferring Policies. In addition, it remains the case that there is no reason to believe that the PLL Unit-Linked Reinsurance Agreement and the PLL Floating Charge would not work as designed and intended, based on my discussions with executives within PLL and their legal advisors in the UK and Ireland.
- 6.8 Therefore, I remain satisfied that the PLL Unit-Linked Reinsurance Agreement, the With-Profits Reinsurance Agreements, the PLL Floating Charge and the WP Fixed Charges would not have a material adverse effect on the security of benefits under the PLL Non-transferring Policies.

Other reinsurance arrangements of PLL

- 6.9 It remains the case that, as set out in the Main Report, there would be no change to the external reinsurance arrangements used by PLL in respect of the PLL Non-transferring Business as a result of the UK Scheme. Therefore, I remain satisfied that the UK Scheme will not have a material adverse effect on PLL Non-transferring Policyholder benefit security in relation to these reinsurance arrangements.
- 6.10 As discussed in my Main Report, the inwards reinsurance business connected with the Irish branch of PLL is, and will remain post-transfer, business of PLL in the UK (and will not transfer to PLAE under the UK Scheme). No business will remain within the Irish branch of PLL following the implementation of the UK Scheme, and it remains the case that after the Effective Date, PLL's intention is to surrender the CBI authorisation held by the Irish branch of PLL as it will no longer be required. The considerations in my Main Report in respect of this inwards reinsurance business continue to apply and it remains the case that there will be no change to PLL's management of this business.

The security of benefits derived from the parental support for PLL

- 6.11 It remains the case that, as set out in the Main Report both before and after the implementation of the proposed UK Scheme, PLL will be subject to the Phoenix Group policy regarding the provision of capital support and that PGH is not under any legal obligation to provide capital support to PLL. Therefore, I remain satisfied that the proposed UK Scheme would not change the level of parental support available to PLL from PGH.

Additional security for PLL Non-transferring Policyholders

- 6.12 It remains the case that there would be no change to the FSCS eligibility of the PLL Non-transferring Policyholders as a result of the UK Scheme.
- 6.13 In addition, the analysis in my Main Report on the ranking of PLAE compared to the PLL Non-transferring Policyholders in the event of PLL insolvency remains valid, and I remain satisfied that the ranking of PLAE and PLL Non-transferring Policyholders in the event of PLL insolvency is materially equivalent to the current position whereby the PLL Transferred Policyholders rank equally to the PLL Non-transferring Policyholders.

Summary and conclusion

- 6.14 Overall, it remains the case that if the proposed UK Scheme were to be implemented:
- There would be no change to the PLL Capital Management Policy;
 - There would be no adverse effect on the financial strength of PLL;
 - The PLL Unit-Linked Reinsurance Agreement and With-Profits Reinsurance Agreements would not have a material adverse effect on the security of benefits under the PLL Non-transferring Policies or on the ranking of PLL Non-transferring Policyholders in the event of PLL insolvency;
 - There would be no changes to the external reinsurance arrangements used by PLL in respect of the PLL Non-transferring Business;
 - There would be no material change to how PLL manages the reinsurance business currently accepted in the Irish branch of PLL from two external parties;
 - There would be no change to the availability of parental support from PGH to PLL; and
 - There would be no change to the FSCS eligibility of PLL Non-transferring Policyholders.

6.15 Therefore, I remain satisfied that, if the proposed UK Scheme were to be implemented, there would be no material adverse effect on the security of the benefits under the PLL Non-transferring Policies.

THE EFFECT OF THE UK SCHEME ON THE PROFILE OF RISKS TO WHICH THE PLL NON-TRANSFERRING POLICIES ARE EXPOSED

6.16 Figure 6.2 below sets out the pre-UK Scheme and pro-forma post-UK Scheme breakdown of PLL's pre-diversification Pillar 1 SCR as at 31 December 2021 and 30 June 2022.

FIGURE 6.2 PRE-DIVERSIFICATION SOLVENCY II PILLAR 1 SCR BREAKDOWN AS AT 31 DECEMBER 2021 AND 30 JUNE 2022

RISK EXPOSURE	31 DECEMBER 2021		30 JUNE 2022	
	PRE-UK SCHEME	POST-UK SCHEME	PRE-UK SCHEME	POST-UK SCHEME
Market risk (other than spread risk)	31%	31%	35%	36%
Spread risk	22%	22%	21%	21%
Longevity risk	21%	20%	16%	16%
Other underwriting risk	17%	17%	18%	18%
Operational risk	5%	5%	5%	6%
Counterparty default risk	4%	4%	4%	4%

Source: The Main Report and the Phoenix actuarial team. Column totals range from 99% to 101% due to rounding.

6.17 As can be seen above, it continues to be the case that following the implementation of the proposed UK Scheme the risk profile of PLL would be materially unchanged. Therefore, the analysis in my Main Report continues to be valid, and I remain satisfied that the implementation of the UK Scheme would not have a material adverse effect on the profile of risks to which the PLL Non-transferring Policies are exposed.

THE EFFECT OF THE UK SCHEME ON THE REASONABLE EXPECTATIONS OF THE PLL NON-TRANSFERRING POLICYHOLDERS IN RESPECT OF THEIR BENEFITS AND STANDARDS OF SERVICE

6.18 In the Main Report I set out my considerations of the impact of the UK Scheme on the reasonable benefit expectations of the PLL Non-transferring Policyholders in respect of their benefits and standards of service. There have been no developments since the finalisation of the Main Report which alter those conclusions. Therefore, I remain satisfied that the implementation of the UK Scheme would not have a material adverse effect on the reasonable benefit expectations of the PLL Non-transferring Policyholders or on the standards of administration, management and governance that apply to the PLL Non-transferring Policies.

CONCLUSION FOR THE EFFECT OF THE PROPOSED UK SCHEME ON PLL NON-TRANSFERRING POLICIES

6.19 Overall, I remain satisfied that the implementation of the proposed UK Scheme would not have a material adverse effect on:

- The security of benefits under the PLL Non-transferring Policies;
- The profile of risks to which the PLL Non-transferring Policies are exposed; and
- The reasonable expectations of the PLL Non-transferring Policyholders in respect of their benefits, including the standards of administration, management and governance that apply to the PLL Non-transferring Policies.

7. THE IMPACT OF THE UK SCHEME ON THE RLL NON-TRANSFERRING POLICYHOLDERS

INTRODUCTION

- 7.1 If the proposed UK Scheme were to be approved by the UK Court and the Irish Scheme approved by the Irish Court the RLL Transferred Business would be transferred from RLL to PLAE. The RLL Non-transferring Business would remain in RLL after the Effective Date. The policies within the RLL Non-transferring Business are collectively referred to as the “RLL Non-transferring Policies”, and the policyholders holding these policies are collectively referred to as the “RLL Non-transferring Policyholders”.

THE EFFECT OF THE UK SCHEME ON THE SECURITY OF BENEFITS UNDER THE RLL NON-TRANSFERRING POLICIES

The security of benefits derived from the applicable capital management policy

- 7.2 As outlined in paragraph 2.14, the RLL Capital Management Policy has now been aligned to the Life Companies RAF. This change is a result of the acquisition of RGP by the Phoenix Group and is not a consequence of the UK Scheme. As a result, the UK Scheme is expected to have no effect on the RLL Capital Management Policy, and the RLL Non-transferring Business would continue to be managed in accordance with this policy after the implementation of the proposed UK Scheme.

The security of benefits derived from the financial strength of RLL

- 7.3 The conclusions in my Main Report were based on financial information provided by RLL as at 31 December 2021 and the information contained within the most recently available ORSA. The financial results for RLL as at 30 June 2022 are included in Appendix A and Appendix B. I have reconsidered my conclusions in light of this financial information.
- 7.4 Figure 7.1 below sets out the pre-UK Scheme and pro-forma post-UK Scheme RLL Pillar 1 solvency cover ratios as at 31 December 2021, as shown in the Main Report, and 30 June 2022. These figures are quoted net of the IGR in place between RLL and RAL.

FIGURE 7.1 SOLVENCY II PILLAR 1 SOLVENCY RATIOS AS AT 31 DECEMBER 2021 AND 30 JUNE 2022

SOLVENCY COVER RATIO	RLL PRE-UK SCHEME	RLL POST-UK SCHEME
31 December 2021	636%	661%
30 June 2022	1,229%	1,272%

Source: The Main Report and Appendix A and Appendix B

- 7.5 As can be seen, it continues to be the case that the implementation of the proposed UK Scheme is expected to result in an increase of the solvency cover ratio of RLL. This is caused mainly by a small increase in Own Funds due to the transfer price received by RLL from PLAE, offset slightly by a small decrease in the SCR resulting from the transfer of business out of RLL under the UK Scheme. As a result, I remain satisfied that there is no material adverse effect on the financial strength of RLL as a result of the UK Scheme.

The security of benefits derived from the reinsurance arrangements of RLL

The RLL Unit-Linked Reinsurance Agreement

- 7.6 Since the time of writing my Main Report, the terms of the RLL Unit-Linked Reinsurance Agreement and the associated RLL Floating Charge have been finalised, and I understand from the Phoenix Group management that there have been no material changes to the terms of these agreements from the draft versions considered in my Main Report. Therefore, the analysis in my Main Report relating to the impact of the RLL Unit-Linked Reinsurance Agreement and the associated RLL Floating Charge on RLL Non-transferring Policyholders continues to be valid, and I remain satisfied that the RLL Unit-Linked Reinsurance Agreement and RLL Floating Charge would not have a material adverse effect on the security of benefits under the RLL Non-transferring Policies.

Other reinsurance arrangements of RLL

- 7.7 As set out in my Main Report, the RLL Non-transferring Business would continue to be covered by the IGR in place with RAL following the implementation of the UK Scheme. In addition, it remains the case that there would be no change to the external reinsurance arrangements used by RLL in respect of the RLL Non-transferring Business as a result of the UK Scheme. Therefore, I remain satisfied that the UK Scheme will not have a material adverse effect on RLL Non-transferring Policyholder benefit security in relation to the IGR and the external reinsurance arrangements.

The security of benefits derived from the parental support for RLL

- 7.8 It remains the case that, as set out in the Main Report, both before and after the implementation of the proposed UK Scheme, RLL will be subject to the Phoenix Group policy regarding the provision of capital support and that PGH is not under any legal obligation to provide capital support to RLL. Therefore, I remain satisfied that the proposed UK Scheme would not change the level of parental support available to RLL from PGH.

Additional security for RLL Non-transferring Policyholders

- 7.9 It remains the case that there would be no change to the FSCS eligibility of the RLL Non-transferring Policyholders as a result of the UK Scheme.
- 7.10 In addition, the analysis in my Main Report on the ranking of PLAE compared to the RLL Non-transferring Policyholders in the event of RLL insolvency remains valid, and I remain satisfied that the ranking of PLAE and RLL Non-transferring Policyholders in the event of RLL insolvency is materially equivalent to the current position whereby the RLL Transferred Policyholders rank equally to the RLL Non-transferring Policyholders.

Summary and conclusion

- 7.11 Overall, it remains the case that if the proposed UK Scheme were to be implemented:
- There would be no change to the RLL Capital Management Policy as a result of the UK Scheme;
 - There would be no adverse effect on the financial strength of RLL;
 - The RLL Unit-Linked Reinsurance Agreement would not have a material adverse effect on the security of benefits under the RLL Non-transferring Policies or on the ranking of RLL Non-transferring Policyholders in the event of RLL insolvency;
 - There would be no changes to the IGR and external reinsurance arrangements used by RLL in respect of the RLL Non-transferring Business;
 - There would be no change to the availability of parental support from PGH to RLL; and
 - There would be no change to the FSCS eligibility of RLL Non-transferring Policyholders.
- 7.12 Therefore, I remain satisfied that, if the proposed UK Scheme were to be implemented, there would be no material adverse effect on the security of the benefits under the RLL Non-transferring Policies.

THE EFFECT OF THE UK SCHEME ON THE PROFILE OF RISKS TO WHICH THE RLL NON-TRANSFERRING POLICIES ARE EXPOSED

- 7.13 Figure 7.2 below sets out the pre-UK Scheme and pro-forma post-UK Scheme breakdown of RLL's pre-diversification Pillar 1 SCR as at 31 December 2021 and 30 June 2022. These figures are quoted net of the IGR in place between RLL and RAL.

FIGURE 7.2 PRE-DIVERSIFICATION SOLVENCY II PILLAR 1 SCR BREAKDOWN AS AT 31 DECEMBER 2021 AND 30 JUNE 2022

RISK EXPOSURE	31 DECEMBER 2021		30 JUNE 2022	
	PRE-UK SCHEME	POST-UK SCHEME	PRE-UK SCHEME	POST-UK SCHEME
Operational risk	41%	41%	55%	54%
Spread risk	9%	10%	6%	6%
Other market risk	39%	39%	17%	17%
Counterparty default risk	10%	10%	23%	23%

Source: The Main Report and RLL Actuarial Team; certain columns total to 99% or 101% due to rounding.

- 7.14 The risk profile of RLL as at 30 June 2022 is somewhat different to that as at 31 December 2021. This is due to an increase in market risk as at 31 December 2021, which RLL has noted as being due to a temporary excess of investments in unit-linked funds at that time.
- 7.15 As can be seen above, it continues to be the case that following the implementation of the proposed UK Scheme the risk profile of RLL would be materially unchanged. Therefore, the analysis in my Main Report continues to be valid, and I remain satisfied that the implementation of the UK Scheme would not have a material adverse effect on the profile of risks to which the RLL Non-transferring Policies are exposed.

THE EFFECT OF THE UK SCHEME ON THE REASONABLE EXPECTATIONS OF THE RLL NON-TRANSFERRING POLICYHOLDERS IN RESPECT OF THEIR BENEFITS AND STANDARDS OF SERVICE

- 7.16 In the Main Report I set out my considerations of the impact of the UK Scheme on the reasonable benefit expectations of the RLL Non-transferring Policyholders in respect of their benefits and standards of service. There have been no developments since the finalisation of the Main Report which alter those conclusions, in addition the Phoenix Group has confirmed that the secondment of administration staff to SLAESL (Irish branch) would not have any impact on the service levels experienced by the RLL Non-Transferring Business. Therefore, I remain satisfied that the implementation of the UK Scheme would not have a material adverse effect on the reasonable benefit expectations of the RLL Non-transferring Policyholders or on the standards of administration, management and governance that apply to the RLL Non-transferring Policies.

CONCLUSION FOR THE EFFECT OF THE PROPOSED UK SCHEME ON RLL NON-TRANSFERRING POLICIES

- 7.17 Overall, I remain satisfied that the implementation of the proposed UK Scheme would not have a material adverse effect on:
- The security of benefits under the RLL Non-transferring Policies;
 - The profile of risks to which the RLL Non-transferring Policies are exposed; and
 - The reasonable expectations of the RLL Non-transferring Policyholders in respect of their benefits, including the standards of administration, management and governance that apply to the RLL Non-transferring Policies.

8. THE IMPACT OF THE IRISH SCHEME ON THE PLL NON-TRANSFERRING POLICYHOLDERS

INTRODUCTION

8.1 If the proposed Irish Scheme were to be approved by the Irish Court and the UK Scheme approved by the UK Court the Irish PLL Transferred Business would be transferred from PLL to PLAE. The PLL Non-transferring Business would remain in PLL after the Effective Date. The policies within the PLL Non-transferring Business are collectively referred to as the “PLL Non-transferring Policies”, and the policyholders holding these policies are collectively referred to as the “PLL Non-transferring Policyholders”.

THE EFFECT OF THE IRISH SCHEME ON THE SECURITY OF BENEFITS UNDER THE PLL NON-TRANSFERRING POLICIES

The security of benefits derived from the applicable capital management policy

8.2 There have been no changes to the PLL Capital Management Policy since the finalisation of my Main Report, other than the annual recalibration of the minimum capital buffer. As set out in my Main Report, the Irish Scheme would have no effect on the PLL Capital Management Policy, and the PLL Non-transferring Business would continue to be managed in accordance with this policy after the implementation of the proposed Irish Scheme.

The security of benefits derived from the financial strength of PLL

8.3 The conclusions in my Main Report were based on financial information provided by PLL as at 31 December 2021 and the information contained within the most recently available ORSA. The financial results for PLL as at 30 June 2022 are included in Appendix A and Appendix B. I have reconsidered my conclusions in light of this financial information.

8.4 Figure 8.1 below sets out the pre-Irish Scheme and pro-forma post-Irish Scheme PLL Pillar 1 solvency cover ratios as at 31 December 2021, as shown in the Main Report, and 30 June 2022.

FIGURE 8.1 SOLVENCY II PILLAR 1 SOLVENCY RATIOS AS AT 31 DECEMBER 2021 AND 30 JUNE 2022

SOLVENCY COVER RATIO	PLL PRE-IRISH SCHEME	PLL POST-IRISH SCHEME
31 December 2021	162%	164%
30 June 2022	164%	165%

Source: The Main Report and Appendix A and Appendix B

8.5 As can be seen, it continues to be the case that the implementation of the proposed Irish Scheme is expected to result in a small increase of the solvency cover ratio of PLL. This is caused mainly by a small reduction in the SCR resulting from the transfer of business out of PLL under the UK Scheme. As a result, I remain satisfied that there is no material adverse effect on the financial strength of PLL as a result of the Irish Scheme.

The security of benefits derived from the reinsurance arrangements of PLL

The PLL Unit-Linked Reinsurance Agreement and With-Profits Reinsurance Agreements

8.6 Since the time of writing my Main Report, the terms of the PLL Unit-Linked Reinsurance Agreement, the With-Profits Reinsurance Agreements and the associated PLL Floating Charge and WP Fixed Charges have been finalised. I understand from the Phoenix Group management that there have been no material changes to the PLL Unit-Linked Reinsurance Agreement, the With-Profits Reinsurance Agreements or the WP Fixed Charges; however, as outlined in paragraphs 2.39 to 2.45, there has been a minor amendment to the PLL Floating Charge to exclude certain assets that will be transferred from SLAL to PLL under a planned future transfer.

- 8.7 The minor amendment to the PLL Floating charge does not impact the ranking of PLAE or PLL Non-transferring Policyholders in the event of the insolvency of PLL. It remains the case that as a result of the PLL Floating Charge, PLAE would rank equally to the PLL Non-transferring Policyholders in the event of insolvency of PLL, and that since the PLL Transferred Policyholders currently rank equally to the PLL Non-transferring Policyholders (as they are currently all direct policyholders of PLL), I do not consider that the PLL Floating Charge would have a material adverse effect on the security of benefits under the PLL Non-transferring Policies. In addition, it remains the case that there is no reason to believe that the PLL Unit-Linked Reinsurance Agreement and the PLL Floating Charge would not work as designed and intended, based on my discussions with executives within PLL and their legal advisors in the UK and Ireland.
- 8.8 Therefore, I remain satisfied that the PLL Unit-Linked Reinsurance Agreement, the With-Profits Reinsurance Agreements, the PLL Floating Charge and the WP Fixed Charges would not have a material adverse effect on the security of benefits under the PLL Non-transferring Policies.

Other reinsurance arrangements of PLL

- 8.9 It remains the case that, as set out in the Main Report, there would be no change to the external reinsurance arrangements used by PLL in respect of the PLL Non-transferring Business as a result of the Irish Scheme. Therefore, I remain satisfied that the Irish Scheme will not have a material adverse effect on PLL Non-transferring Policyholder benefit security in relation to these reinsurance arrangements.
- 8.10 As discussed in my Main Report, the inwards reinsurance business connected with the Irish branch of PLL is, and will remain post-transfer, business of PLL in the UK (and will not transfer to PLAE under the Irish Scheme). No business will remain within the Irish branch of PLL following the implementation of the Irish Scheme, and it remains the case that after the Effective Date, PLL's intention is to surrender the CBI authorisation held by the Irish branch of PLL as it will no longer be required. The considerations in my Main Report in respect of this inwards reinsurance business continue to apply and it remains the case that there will be no change to PLL's management of this business.

The security of benefits derived from the parental support for PLL

- 8.11 It remains the case that, as set out in the Main Report, both before and after the implementation of the proposed Irish Scheme, PLL will be subject to the Phoenix Group policy regarding the provision of capital support and that PGH is not under any legal obligation to provide capital support to PLL. Therefore, I remain satisfied that the proposed Irish Scheme would not change the level of parental support available to PLL from PGH.

Additional security for PLL Non-transferring Policyholders

- 8.12 It remains the case that there would be no change to the FSCS eligibility of the PLL Non-transferring Policyholders as a result of the Irish Scheme.
- 8.13 In addition, the analysis in my Main Report on the ranking of PLAE compared to the PLL Non-transferring Policyholders in the event of PLL insolvency remains valid, and I remain satisfied that the ranking of PLAE and PLL Non-transferring Policyholders in the event of PLL insolvency is materially equivalent to the current position whereby the PLL Transferred Policyholders rank equally to the PLL Non-transferring Policyholders.

Summary and conclusion

- 8.14 Overall, it remains the case that if the proposed Irish Scheme were to be implemented:
- There would be no change to the PLL Capital Management Policy;
 - There would be no adverse effect on the financial strength of PLL;
 - The PLL Unit-Linked Reinsurance Agreement and With-Profits Reinsurance Agreements would not have a material adverse effect on the security of benefits under the PLL Non-transferring Policies or on the ranking of PLL Non-transferring Policyholders in the event of PLL insolvency;
 - There would be no changes to the external reinsurance arrangements used by PLL in respect of the PLL Non-transferring Business;
 - There would be no material change to how PLL manages the reinsurance business currently accepted in the Irish branch of PLL from two external parties;
 - There would be no change to the availability of parental support from PGH to PLL; and
 - There would be no change to the FSCS eligibility of PLL Non-transferring Policyholders.

8.15 Therefore, I remain satisfied that, if the proposed Irish Scheme were to be implemented, there would be no material adverse effect on the security of the benefits under the PLL Non-transferring Policies.

THE EFFECT OF THE IRISH SCHEME ON THE PROFILE OF RISKS TO WHICH THE PLL NON-TRANSFERRING POLICIES ARE EXPOSED

8.16 Figure 8.2 below sets out the pre-Irish Scheme and pro-forma post-Irish Scheme breakdown of PLL's pre-diversification Pillar 1 SCR as at 31 December 2021 and 30 June 2022.

FIGURE 8.2 PRE-DIVERSIFICATION SOLVENCY II PILLAR 1 SCR BREAKDOWN AS AT 31 DECEMBER 2021 AND 30 JUNE 2022

RISK EXPOSURE	31 DECEMBER 2021		30 JUNE 2022	
	PRE-IRISH SCHEME	POST-IRISH SCHEME	PRE-IRISH SCHEME	POST-IRISH SCHEME
Market risk (other than spread risk)	31%	31%	35%	36%
Spread risk	22%	22%	21%	21%
Longevity risk	21%	20%	16%	16%
Other underwriting risk	17%	17%	18%	18%
Operational risk	5%	5%	5%	6%
Counterparty default risk	4%	4%	4%	4%

Source: The Main Report and the Phoenix actuarial team. Column totals range from 99% to 101% due to rounding.

8.17 As can be seen above, it continues to be the case that following the implementation of the proposed Irish Scheme the risk profile of PLL would be materially unchanged. Therefore, the analysis in my Main Report continues to be valid, and I remain satisfied that the implementation of the Irish Scheme would not have a material adverse effect on the profile of risks to which the PLL Non-transferring Policies are exposed.

THE EFFECT OF THE IRISH SCHEME ON THE REASONABLE EXPECTATIONS OF THE PLL NON-TRANSFERRING POLICYHOLDERS IN RESPECT OF THEIR BENEFITS AND STANDARDS OF SERVICE

8.18 In the Main Report I set out my considerations of the impact of the Irish Scheme on the reasonable benefit expectations of the PLL Non-transferring Policyholders in respect of their benefits and standards of service. There have been no developments since the finalisation of the Main Report which alter those conclusions, in addition the Phoenix Group has confirmed that the secondment of administration staff to SLAESL (Irish branch) would not have any impact on the service levels experienced by the PLL Non-Transferring Business. Therefore, I remain satisfied that the implementation of the Irish Scheme would not have a material adverse effect on the reasonable benefit expectations of the PLL Non-transferring Policyholders or on the standards of administration, management and governance that apply to the PLL Non-transferring Policies.

CONCLUSION FOR THE EFFECT OF THE PROPOSED IRISH SCHEME ON PLL NON-TRANSFERRING POLICIES

8.19 Overall, I remain satisfied that the implementation of the proposed Irish Scheme would not have a material adverse effect on:

- The security of benefits under the PLL Non-transferring Policies;
- The profile of risks to which the PLL Non-transferring Policies are exposed; and
- The reasonable expectations of the PLL Non-transferring Policyholders in respect of their benefits, including the standards of administration, management and governance that apply to the PLL Non-transferring Policies.

9. CORRESPONDENCE AND OBJECTIONS RECEIVED FROM POLICYHOLDERS IN RELATION TO THE UK SCHEME

INTRODUCTION

- 9.1 Following the UK Directions Hearing on 11 July 2022 and in accordance with the UK Scheme communication proposal, subject to the specific waivers received, a Communications Pack was sent to the Transferred Policyholders for whom PLL or RLL holds a name and address (except for those populations where a waiver was received) and all external (to the Phoenix Group) reinsurers covering Transferred Business.

MANAGEMENT OF POLICYHOLDER CORRESPONDENCE

- 9.2 PLL and RLL are maintaining a central record of all correspondence received from policyholders in relation to the UK Scheme, which sets out whether the correspondence falls into the following categories: documentation request, general enquiry, technical enquiry, returned mailing, objections, complaints or business as usual correspondence. For any objections received, the central record provides details on each individual objection and whether the policyholder has indicated that they will attend the UK Sanction Hearing, and also groups these objections into themes. The central record being maintained by PLL and RLL also tracks various other forms of contact with policyholders, including the number of website hits, document downloads and returned mail. The central record keeps track of all correspondence received on a weekly basis, and is being provided to the PRA, the FCA and me.
- 9.3 I have been provided with details on how PLL and RLL are categorising and managing correspondence from policyholders that are not objections (including technical enquiries and complaints) and I am satisfied that PLL and RLL have appropriate processes in place to deal with these responses. I discuss the objections received in relation to the UK Scheme at the time of writing this Supplementary Report, and PLL's and RLL's approaches to managing these objections, below. At the time of writing this Supplementary Report, PLL and RLL had not received any policyholder responses categorised as a complaint (those categorised as objections are discussed below).
- 9.4 Any objections or expressions of dissatisfaction regarding the UK Scheme raised by policyholders before the UK Sanction Hearing but after this Supplementary Report has been finalised will be provided to the PRA, the FCA and myself, and will also be presented to the UK Court at the UK Sanction Hearing.
- 9.5 If there are any objections to the UK Scheme received in German, Icelandic, Norwegian or Swedish, if a policyholder has requested a copy of the UK Scheme in any of these languages, or upon request, this Supplementary Report will be translated and provided to the policyholder in the relevant language. As was the case for my Main Report, should there be any discrepancies between the English version of this Supplementary Report and any translated versions that are produced, it is the English version that should be referred to as the primary and original version. If the requirement to translate this Supplementary Report to German, Icelandic, Norwegian or Swedish arises within close proximity to the UK Sanction Hearing, there may be insufficient time to provide the relevant policyholder with a translated copy in advance of the UK Sanction Hearing. However in this scenario, the policyholder would have the ability to discuss the UK Scheme with PLL and RLL in the relevant language, and would have the option to object to the UK Scheme if they remain unsatisfied. At the time of writing this Supplementary Report, PLL and RLL have had no correspondence with German, Icelandic, Norwegian or Swedish Transferred Policyholders that requires a translated version of this Supplementary Report to be produced. Overall, I am satisfied that there are suitable mechanisms in place to ensure that German, Icelandic, Norwegian or Swedish Transferred have the ability to discuss the UK Scheme with PLL and RLL and raise an objection if desired.

POLICYHOLDER OBJECTIONS

9.6 At the time of writing this Supplementary Report, there have been four formal policyholder objections to the UK Scheme, one of which was subsequently withdrawn. Of these three remaining objections, all are considered as objections to both the UK Scheme and the Irish Scheme as they have been made by policyholders transferring under both Schemes, and none are considered as objections to the UK Scheme only. One of the objecting policyholders has indicated that they will appear at the Irish Sanction Hearing, and no policyholders have indicated that they will appear at the UK Sanction Hearing. In addition, PLL and RLL have received in total c. 90 general enquiries, two technical enquiries and no complaints.

9.7 The objections cover the following themes:

- The loss of FSCS protection.

This is a matter than I have considered in my Main Report and Supplementary Report. I am satisfied that the loss of FSCS protection would not lead to a material adverse effect on the security of benefits for the Transferred Policyholders. In particular, given that the likelihood of default or insolvency of PLAE is remote, the loss of FSCS is more than outweighed by the benefits of the UK Scheme, in that the UK Scheme ensures certainty, as well as consistency and continuity, of the provision of administration and benefits for PLL's and RLL's EEA policyholders by an insurer within the Phoenix Group. The alternative scenario whereby the proposed UK Scheme is not implemented and eligible Transferred Policyholders retain their coverage under the FSCS poses a greater risk to Transferred Policyholders, since in this scenario PLL's and RLL's ability to manage, administer and provide benefits to the Transferred Business in Germany, Iceland, Norway, Sweden and Ireland may be at risk of any changes to, or withdrawal of, regulations that allow the Transferred Business to be managed and administered in those countries by a UK insurance company. In particular, at short notice EEA regulators can withdraw permissions to allow the business to run off, and this possibility creates uncertainty for affected policyholders.

- The time period between policyholder notification and the UK Sanction Hearing being insufficient.

As set out in my Main Report, both the PRA Statement of Policy and the FCA Proposed Guidance state that, in respect of insurance business transfers, companies are required to notify the policyholders, or interested persons, at least six weeks before the date of the UK Sanction Hearing at which the application to sanction the relevant scheme will be heard. I understand that all policyholder notifications were completed in compliance with this requirement and therefore PLL and RLL have adhered to the relevant requirements relating to the timing of policyholder notification.

- The impact of the UK Scheme on benefit security.

I considered the impact of the UK Scheme on security of benefits for Transferred Policies in detail in my Main Report and further in this Supplementary Report. My overall conclusion is that I am satisfied that the implementation of the UK Scheme would not have a material adverse effect on the security of benefits under the Transferred Policies.

- The reason for transferring policies out of the UK.

In my Main Report I set out the motivation for the UK Scheme. In summary, following the UK's exit from the EU, RLL and PLL are undertaking the proposed UK Scheme to enable their EEA policyholders to continue to be administered by an EU insurer in a single EEA based entity, and to ensure consistency and continuity of administration, including the ability to issue policies required under existing options, in the event of future legislative and regulatory divergence between the EU and UK.

- The position if the UK Scheme is not sanctioned by the UK Court.

In my Main Report I set out what would happen were the UK Scheme not to proceed. In this scenario, the policies comprising the affected Transferred Business will not become policies of PLAE and will remain within RLL and PLL, respectively. This would mean that RLL's and PLL's ability to manage, administer and provide benefits to the Transferred Business in Germany, Norway, Sweden, Iceland, and Ireland may be at risk of any changes to, or withdrawal of, regulations that allow the Transferred Business to be managed and administered in those countries by a UK insurance company.

- Existing customer complaints that are not directly related to the UK Scheme.

In my view, such objections do not constitute an objection to the specific proposed UK Scheme, rather a general complaint that has arisen through the ordinary course of business. Therefore, such objections do not raise any issues that were not considered in the work leading up to my Main Report or this subsequent Supplementary Report.

- 9.8 Overall, I am satisfied that the policyholder objections received to date do not raise any issues that were not considered in the work leading up to my Main Report or this subsequent Supplementary Report.
- 9.9 In addition, for each objection received at the time of writing this Supplementary Report I have reviewed the full correspondence between the policyholder and PLL or RLL, and I am satisfied that PLL and RLL have responded to these objections in a reasonable way.

ADDITIONAL TARGETED COMMUNICATIONS

- 9.10 As set out in my Main Report, some additional targeted communications will be sent to certain policyholders on specific matters. In particular, separate letters will be sent to Transferred Policyholders impacted by the following:
- For some Irish PLL Transferred Policyholders it will be necessary for them to use updated payment details to pay their premiums after the Effective Date. The affected Irish PLL Transferred Policyholders will be provided with this information at least 30 days before the Effective Date, allowing sufficient time prior to the Effective Date to action the required changes.
 - For some Transferred Policyholders the contact details that should be used to raise queries after the Effective Date were not available at the time the Communications Packs were sent, and therefore these will be sent in a separate letter at least 30 days before the Effective Date.
- 9.11 In addition to the above, I understand that a separate letter will also be sent to policyholders of the PLL Transferred Business with annuities in payment to inform them that after the Effective Date the payee of their annuities will change, it will be PLAE rather than PLL. The affected PLL Transferred Policyholders will be provided with this information at least 30 days before the Effective Date.
- 9.12 I understand from PLL and RLL that these targeted communications are in progress and are on track to be sent to the relevant Transferred Policyholders within the planned timeframes.

CONCLUSION

- 9.13 I am satisfied that PLL and RLL are dealing with enquiries and objections regarding the UK Scheme in a reasonable way, and have adequate processes in place to deal with any objections or expressions of dissatisfaction that may arise regarding the UK Scheme prior to the UK Sanction Hearing.
- 9.14 Overall, the policyholder communications received to date that have been categorised as objections do not raise any issues that were not considered in the work leading up to my Main Report or this subsequent Supplementary Report and therefore I am satisfied that the objections do not provide any reason to change the conclusions in my Main Report.

10. CORRESPONDENCE AND OBJECTIONS RECEIVED FROM POLICYHOLDERS IN RELATION TO THE IRISH SCHEME

INTRODUCTION

- 10.1 Following the Irish Directions Hearing on 18 July 2022 and 21 July and in accordance with the Irish Scheme communication proposal, subject to the specific waivers received, a Communications Pack was sent to the Irish PLL Transferred Policyholders for whom PLL holds a name and address (except for those populations where a waiver was received) and all external (to the Phoenix Group) reinsurers covering Irish PLL Transferred Business.

MANAGEMENT OF POLICYHOLDER CORRESPONDENCE

- 10.2 PLL is maintaining a central record of all correspondence received from policyholders in relation to the Irish Scheme, which sets out whether the correspondence falls into the following categories: documentation request, general enquiry, technical enquiry, returned mailing, objections, complaints or business as usual correspondence. For any objections received, the central record provides details on each individual objection and whether the policyholder has indicated that they will attend the Irish Sanction Hearing, and also groups these objections into themes. The central record being maintained by PLL also tracks various other forms of contact with policyholders, including the number of website hits, document downloads and returned mail. The central record keeps track of all correspondence received on a weekly basis, and is being provided to the CBI and me.
- 10.3 I have been provided with details on how PLL is categorising and managing correspondence from policyholders that are not objections (including technical enquiries and complaints) and I am satisfied that PLL has appropriate processes in place to deal with these responses. I discuss the objections received in relation to the Irish Scheme at the time of writing this Supplementary Report, and PLL's approach to managing these objections, below. At the time of writing this Supplementary Report, PLL had not received any policyholder response categorised as a complaint (those categorised as objections are discussed below).
- 10.4 Any objections or expressions of dissatisfaction regarding the Irish Scheme raised by policyholders before the Irish Sanction Hearing but after this Supplementary Report has been finalised will be provided to the CBI and myself, and will also be presented to the Irish Court at the Irish Sanction Hearing.

POLICYHOLDER OBJECTIONS

- 10.5 At the time of writing this Supplementary Report, there have been four formal policyholder objections to the Irish Scheme, one of which was subsequently withdrawn. Of these three remaining objections, all are considered as objections to both the UK Scheme and the Irish Scheme as they have been made by policyholders transferring under both Schemes. One of the objecting policyholders has indicated that they will appear at the Irish Sanction Hearing, and no policyholders have indicated that they will appear at the UK Sanction Hearing. In addition, PLL has received in total c. 80 general enquiries, two technical enquiries and no complaints.
- 10.6 The objections received to date can be categorised into the following themes:
- The loss of FSCS protection.
This is a matter than I have considered in my Main Report and Supplementary Report. I am satisfied that the loss of FSCS protection would not lead to a material adverse effect on the security of benefits for the Irish PLL Transferred Policyholders. In particular, given that the likelihood of default or insolvency of PLAE is remote, the loss of FSCS is more than outweighed by the benefits of the Irish Scheme, in that the Irish Scheme ensures certainty, as well as consistency and continuity, of the provision of administration and benefits for PLL's EEA policyholders by an insurer within the Phoenix Group. The alternative scenario whereby the proposed Irish Scheme is not implemented and eligible Irish PLL Transferred Policyholders retain their coverage under the FSCS poses a greater risk to Irish PLL Transferred Policyholders, since in this scenario there is no guarantee that PLL would be able to continue to provide benefits under, or administer, policies in respect of policyholders that are not resident in Ireland, including those who move to reside in other EEA member states. This possibility creates uncertainty for affected policyholders.

- The time period between policyholder notification and the Irish Sanction Hearing being insufficient.
 As set out in my Main Report, regulations made under the Assurance Companies Act 1909 require a communication regarding the proposed transfer to be sent to every policyholder of the parties under the Irish Scheme before the date of the Irish Sanction Hearing. PLL has adhered to this requirement, and all policyholder notifications were completed more than six weeks before the scheduled date of the Irish Sanction Hearing.
- The impact of the Irish Scheme on benefit security.
 I considered the impact of the Irish Scheme on security of benefits for Irish PLL Transferred Policies in detail in my Main Report and further in this Supplementary Report. My overall conclusion is that I am satisfied that the implementation of the Irish Scheme would not have a material adverse effect on the security of benefits under the Irish PLL Transferred Policies.
- The reason for transferring policies out of the UK.
 In my Main Report I set out the motivation for the Irish Scheme. In summary, PLL is undertaking the proposed Irish Scheme to provide certainty, as well as consistency and continuity, that its EEA policyholders will continue to be administered and receive benefits under their policies in the event of future legislative and regulatory divergence between the EU and UK.
- The position if the Irish Scheme is not sanctioned by the Irish Court.
 In my Main Report I set out what would happen were the Irish Scheme not to proceed. In this scenario, the policies comprising the Irish PLL Transferred Business will not become policies of PLAE and will remain within PLL. I understand that in this scenario, PLL would continue to manage and administer the Irish PLL Transferred Business through its Irish branch, as is currently the case. Since a third-country branch cannot use EEA Passport Rights, there is no guarantee that PLL would be able to continue to provide benefits under, or administer, policies in respect of policyholders that are not resident in Ireland, including those who move to reside in other EEA member states.
- Existing customer complaints that are not directly related to the Irish Scheme.
 In my view, such objections do not constitute an objection to the specific proposed Irish Scheme, rather a general complaint that has arisen through the ordinary course of business. Therefore, such objections do not raise any issues that were not considered in the work leading up to my Main Report or this subsequent Supplementary Report.

10.7 Overall, I am satisfied that the policyholder objections received to date do not raise any issues that were not considered in the work leading up to my Main Report or this subsequent Supplementary Report.

10.8 In addition, for each of objection received as at the time of writing this Supplementary Report I have reviewed the full correspondence between the policyholder and PLL, and I am satisfied that PLL has responded to these objections in a reasonable way.

ADDITIONAL TARGETED COMMUNICATIONS

10.9 As set out in my Main Report, some additional targeted communications will be sent to certain policyholders on specific matters. In particular, separate letters will be sent to Irish PLL Transferred Policyholders impacted by the following:

- For some Irish PLL Transferred Policyholders it will be necessary for them to use updated payment details to pay their premiums after the Effective Date. The affected Irish PLL Transferred Policyholders will be provided with this information at least 30 days before the Effective Date, allowing sufficient time prior to the Effective Date to action the required changes.
- For some Irish PLL Transferred Policyholders the contact details that should be used to raise queries after the Effective Date were not available at the time the Communications Packs were sent, and therefore these will be sent in a separate letter at least 30 days before the Effective Date.

10.10 In addition to the above, I understand that a separate letter will also be sent to policyholders of the Irish PLL Transferred Business with annuities in payment to inform them that after the Effective Date the payee of their annuity will change, it will be PLAE rather than PLL. The affected Irish PLL Transferred Policyholders will be provided with this information at least 30 days before the Effective Date.

10.11 I understand from PLL that these targeted communications are in progress and are on track to be sent to the relevant Irish PLL Transferred Policyholders within the planned timeframes.

CONCLUSION

- 10.12 I am satisfied that PLL is dealing with enquiries and objections regarding the Irish Scheme in a reasonable way, and have adequate processes in place to deal with any objections or expressions of dissatisfaction that may arise regarding the Irish Scheme prior to the Irish Sanction Hearing.
- 10.13 Overall, the policyholder communications received to date that have been categorised as objections do not raise any issues that were not considered in the work leading up to my Main Report or this subsequent Supplementary Report and therefore I am satisfied that the objections do not provide any reason to change the conclusions in my Main Report.

11. OTHER CONSIDERATIONS IN RELATION TO THE UK SCHEME

WHAT WOULD HAPPEN WERE THE UK SCHEME NOT TO PROCEED?

- 11.1 If the UK Scheme were not to proceed for any reason (or if a relevant EEA regulator objects to the UK Scheme), then the policies comprising the relevant Transferred Business would not become policies of PLAE and would remain with PLL and RLL. This would mean that RLL's and PLL's ability to manage, administer and provide benefits to the Transferred Business may be at risk of any changes to, or withdrawals of, regulations that allow the Transferred Business to be managed and administered by a UK insurance company. As set out in the Main Report the exact legal and regulatory position varies by jurisdiction, but it remains my understanding that the run-off of the Transferred Business would be permitted with no cut-off date in all jurisdictions except Sweden.
- 11.2 RLL is in the process of establishing a third country branch in Sweden so that, in the event that the UK Scheme is not sanctioned, the Swedish RLL Transferred Business could be managed via this branch. I understand that RLL is continuing to progress with the establishment of the Swedish branch, that the application has been submitted and that the Phoenix Group is in correspondence with the Swedish regulator in order to establish the Swedish branch or seek regulatory forbearance, should either of these actions be necessary. However, if the UK Scheme and Irish Scheme are both sanctioned, the process will be ceased and the Swedish branch of RLL will not be established.

THE EFFECTIVE DATE OF THE UK SCHEME

- 11.3 As set out in paragraph 2.78, there have been no changes to the proposed Effective Date or period over which it can be deferred since the finalisation of the Main Report. I remain satisfied that the proposed Effective Date, and the potential deferral of this Effective Date to no later than 1 April 2023, does not affect my conclusion regarding the impact of the UK Scheme on policyholders compared with an effective date in 2022.
- 11.4 As set out in paragraph 2.79, a preliminary application heard by the UK Court on 15 June 2022 confirmed that, without prejudice to any objections relating to potential adverse effects associated with the proposed Effective Date, the UK Scheme would continue to be a transitional insurance business transfer scheme if the Effective Date is after 31 December 2022. The Phoenix Group wrote to the relevant EEA regulators regarding the outcome of the preliminary application and of the proposed Effective Date. In addition, the Irish Court was informed of the proposed Effective Date of 1 January 2023 at the Directions Hearing of the Irish Court. To date the Phoenix Group has received responses from the regulators in Sweden and Germany (both of which did not raise any issues or request any further discussion), and has not received any response from the regulators in Iceland or Norway. I therefore have no reason to believe that there are any issues with the proposed Effective Date from the perspective of the relevant EEA regulators.

THE FUTURE OPERATION OF THE UK SCHEME

- 11.5 Since the finalisation of the Main Report the Phoenix Group announced its acquisition of SLFC UK. In due course it is expected that the Phoenix Group will seek to transfer the business within SLFC UK into PLL; however, Phoenix management does not expect to commence this future potential transfer until 2024 at the earliest. I would expect the scheme(s) related to this intended transfer to abide by the provisions of the proposed UK Scheme where relevant. I understand that this transfer would not directly involve RLL or PLAE.
- 11.6 Therefore, it remains my opinion that there are reasonable safeguards in place to ensure that, if approved by the UK Court, the UK Scheme would be operated as presented to the UK Court.

THE LIKELY EFFECTS OF THE UK SCHEME UPON REINSURERS OF THE TRANSFERRED BUSINESS

- 11.7 The Main Report set out that if the proposed UK Scheme were to be implemented:
- The reinsurance treaties that RLL and PLL have in place in respect of the Transferring Business will transfer to PLAE, except the reinsurance agreement which covers the Irish PLL Transferred Business in the SPI WPF; and

- The partial recapture provisions of the IGR between RLL and RLL will be invoked, removing the Transferred Business from the scope of the IGR.

However, since the Main Report it has been determined by PLL that it is necessary to novate, rather than transfer under the UK Scheme, the reinsurance agreement with both Unum and Swiss Re. The novation of this agreement to PLAE, rather than its transfer under the UK Scheme, does not impact my conclusions in respect of the likely impact of the UK Scheme on affected insurers.

- 11.8 In addition, as detailed in paragraph 2.81, since the Main Report was finalised RLL has identified a reinsurance treaty in place with Hannover Re which covers both RLL Transferred Business and RLL Non-Transferring Business. I understand that this treaty covers only a small proportion of the benefits for c.20 RLL Transferred Policies and that RLL has agreed with Hannover Re to recapture the reinsurance coverage in respect of these policies on or before the Effective Date. Any costs that arise as a result of lapsing this reinsurance coverage will not be met by any policyholders of RLL, PLL or PLAE.
- 11.9 Given the number of policies covered by the Hannover Re treaty I remain satisfied that the UK Scheme is unlikely to have a material impact on the affected insurers.

OPERATIONAL READINESS OF PLAE

11.10 As outlined in paragraphs 2.58 to 2.63:

- The authorisation of PLAE was granted by the CBI during September 2022;
- PLAE is expected to have the required permissions to operate under the Freedom of Services regime from the Effective Date;
- The CBI approved all of the PCF applicants except one. I understand from Phoenix management that the final PCF is expected to receive approval from the CBI very shortly; and
- I have received details of PLAE's approach to ensuring operational readiness ahead of the Effective Date, and I have also received the output of the operational readiness review that was performed during September 2022 prior to the UK Sanction Hearing.

11.11 The information provided to me indicates that PLAE has a suitable framework in place to ensure the progress of the various activities required to achieve operational readiness, including a governance framework for approvals and escalation, as well as detailed success criteria. In addition, the scope of the planned operational readiness review covered the key areas that I would expect, and contains a process for closing any action points that arise due to issues identified during the review in advance of the Effective Date.

11.12 The overall rating of the operational readiness review that was performed by the Phoenix Group risk function during September 2022 was Green, showing an improvement from the previous operational readiness review performed in June 2022, which had an Amber rating. This reflects the progress made against the various operational readiness activities underway and the successful delivery of a number of milestones during the interim period. The residual risks highlighted within the review are the recruitment of staff to perform the services that will be provided by PLAE using personnel provided by SLAESL (Irish branch), which I discuss in paragraphs 3.58 and 5.58, and the workload of the Finance and Accounting team of PLAE. The operational readiness review notes that the Finance and Accounting team of PLAE has a large workload to ensure operational readiness which coincides with IFRS 17 preparations, and that in order to address this issue, additional resources have been deployed. This is expected to provide this workstream with a path towards a Green rating. Overall I am satisfied that the operational readiness review shows that good progress is being made to ensure PLAE operational readiness, and that appropriate actions are being taken to address any residual risks that have been identified. I discuss the administration and servicing arrangements of PLAE and the impact on the Transferred Policyholders in Sections 3 and 4.

11.13 Overall, I am satisfied that PLAE has made detailed preparations to ensure that, on a best endeavours basis, it is operationally ready ahead of the Effective Date.

OPERATIONAL RESILIENCE

11.14 As outlined in paragraph 2.83, PLAE has completed a gap analysis between the CBI consultation paper on operational resilience and the Phoenix Group's operational resilience framework. Based on the outcome of this gap analysis, PLAE has determined that the existing operational resilience framework can be used, with some adjustments to allow for the requirements of the CBI's consultation paper. PLAE is currently undertaking a series of workshops to identify critical or important business services, set the required impact tolerances and agree ownership, and the required changes will be implemented in advance of the Effective Date. It remains the case that, as set out in the Main Report, the Phoenix Group operational resilience framework is intended to be used across the entire Phoenix Group, and therefore will be updated to reflect these changes.

THE COVID-19 PANDEMIC

11.15 It remains the case that the majority of COVID-19 related restrictions have been removed in the UK and elsewhere in Europe, and that the short- and long-term impacts of the COVID-19 pandemic remain uncertain. As outlined in paragraph 2.93, PLL and RLL have now determined that COVID-19 experience over the past two years will be excluded when setting longevity assumptions. For PLAE, it continues to be the case that the primary adverse impacts of COVID-19 would be through operational or market impacts, which are assessed within its ORSA. Overall I remain satisfied that the COVID-19 pandemic does not provide any reason to change my conclusions regarding the UK Scheme, and I am satisfied that the Transferred Policyholders and Non-transferring Policyholders will be no more exposed to the impacts of the COVID-19 pandemic as a result of the UK Scheme.

CONFLICT BETWEEN RUSSIA AND UKRAINE

11.16 As outlined in paragraph 2.94, c. 250 unit-linked Swedish RLL Transferred Policyholders held units in RLL Linked Funds that had been suspended as a result of the current conflict between Russia and Ukraine. At present these suspensions are still in force, and if these funds remain suspended at the Effective Date, then RLL is not expected to change its approach to applying suspensions, and the suspensions would continue to affect the relevant unit-linked Swedish RLL Transferred Policyholders through the RLL Unit-Linked Reinsurance Agreement. I note that the UK Scheme will not directly affect the suspension of the affected RLL Linked Funds and therefore my conclusions are unaffected by these suspensions.

11.17 It continues to be the case that there are no PLL Transferred Policyholders who currently hold units in PLL Linked Funds that have been suspended due to the conflict between Russia and Ukraine.

COST OF LIVING CRISIS

11.18 The Phoenix Group has a number of strategies to support customers experiencing financial or other vulnerabilities. In relation to the current cost of living crisis, and the challenges this brings. The Phoenix Group currently has a project to review and consider additional ways in which it can assist its policyholders. These strategies apply across the Phoenix Group, and will therefore continue to apply following the transfer of the Transferred Business to PLAE.

RELEVANT POST BALANCE SHEET EVENTS

11.19 As set out in paragraph 2.84, since the finalisation of the Main Report Phoenix Group has acquired SLFC UK. I set out my considerations of this in paragraph 11.5 above.

11.20 In addition, as set out in paragraph 2.85, since 30 June 2022 PLL has entered into a number of new bulk annuity transactions. This is in line with the nature of PLL's strategy and therefore it is not unexpected that PLL will continue to write such business. I understand that these transactions are subject to Phoenix Group support as standard practice and PLL will continue to adhere to the PLL Capital Management Policy when allocating capital to support the bulk annuity (and other) business it writes, and therefore my conclusions are unaffected by these transactions.

OTHER TOPICS CONSIDERED IN THE MAIN REPORT

11.21 There are a number of different areas considered in my Main Report for which there have been no material updates since the Main Report, and therefore my conclusions remain as detailed in the Main Report. These areas are as follows:

- Co-dependency of the UK Scheme and the Irish Scheme:

There have been no changes to the processes detailed in the Main Report. Therefore, I remain satisfied that there are processes to ensure that the Irish Scheme and the UK Scheme remain aligned.

- Transferred Policyholders resident in a non-EEA state:
It remains the view of Phoenix Group management that PLAЕ will have the ability to service policies held by Transferred Policyholders resident in a non-EEA state without the need for any additional permissions.
- Tax implications of the UK Scheme:
It remains true that I am not aware of any corporate tax implications of the proposed UK Scheme that would result in any direct cost to policyholders or that would have a material adverse effect on the security of benefits under any PLL or RLL policies. In addition, I understand that PLL and RLL have now received written confirmation from the Irish Revenue that all required tax clearances have been granted. Lastly, PLL has received confirmation from the relevant administration providers that annuities in payment contained within the PLL Transferred Business are able to be transferred to a new payroll system, and therefore I understand that there will be no impact on annuity payment amounts or on the tax status of annuitants within the PLL Transferred Business as a result of the UK Scheme.
- Additional targeted communication:
A separate letter is to be sent to policyholders of the PLL Transferred Business with annuities in payment to inform them that after the Effective Date the payee of their annuities will change, it will be PLAЕ rather than PLL. The affected PLL Transferred Policyholders will be provided with this information at least 30 days before the Effective Date.
- IFRS 17 readiness:
Whilst the Phoenix Group is still determining its approach to certain aspects of IFRS 17 within PLL, RLL and PLAЕ such as the treatment of risk mitigation techniques, this would be reflected only on a statutory accounting basis and there will be no impact on the Solvency II balance sheets of PLL, RLL and PLAЕ.
- The effect of the proposed UK Scheme on previous schemes:
As set out in the Main Report, I understand from the management of RLL and PLL that on the basis of internal legal review, the implementation of the proposed UK Scheme is not expected to have a material effect on any previous schemes to which RLL and PLL have been party.

12. OTHER CONSIDERATIONS IN RELATION TO THE IRISH SCHEME

WHAT WOULD HAPPEN WERE THE IRISH SCHEME NOT TO PROCEED?

- 12.1 If the Irish Scheme were not to proceed for any reason, then the policies comprising the Irish PLL Transferred Business would not become policies of PLAE and would remain with PLL. I understand that in this scenario, PLL would continue to manage and administer the Irish PLL Transferred Business through its Irish branch, as is currently the case. Since a third-country branch cannot use EEA Passport Rights, there is no guarantee that PLL would be able to continue to provide benefits under, or administer, policies in respect of policyholders that are not resident in Ireland, including those who move to reside in other EEA member states. I understand that in this scenario PLL would manage this risk, acknowledging that it will not issue any policies to new policyholders in its Irish branch and that it would endeavour to satisfy its obligations to policyholders in accordance with the laws governing the policies and the rules governing PLL's activities.

THE EFFECTIVE DATE OF THE IRISH SCHEME

- 12.2 As set out in paragraph 2.78, there have been no changes to the proposed Effective Date or period over which it can be deferred since the finalisation of the Main Report. I remain satisfied that the proposed Effective Date, and the potential deferral of this Effective Date to no later than 1 April 2023, does not affect my conclusion regarding the impact of the Irish Scheme on policyholders compared with an effective date in 2022.
- 12.3 Whilst I have no reason to believe any issues could arise as a direct result of the Effective Date of the Irish Scheme being 1 January 2023, due to the co-dependency of the UK Scheme and the Irish Scheme it is necessary to consider any potential changes to the Effective Date of the UK Scheme as this would lead to the equivalent change being made to the Effective Date of the Irish Scheme. As set out in paragraph 2.79, a preliminary application heard by the UK Court on 15 June 2022 confirmed that, without prejudice to any objections relating to potential adverse effects associated with the proposed Effective Date, the UK Scheme would continue to be a transitional insurance business transfer scheme if the Effective Date is after 31 December 2022. The Phoenix Group wrote to the relevant EEA regulators regarding the outcome of the preliminary application and of the proposed Effective Date. In addition, the Irish Court was informed of the proposed Effective Date of 1 January 2023 at the Directions Hearing of the Irish Court. To date the Phoenix Group has received responses from the regulators in Sweden and Germany (both of which did not raise any issues or request any further discussion), and has not received any response from the regulators in Iceland or Norway. I therefore have no reason to believe that there are any issues with the proposed Effective Date from the perspective of the relevant EEA regulators.

THE FUTURE OPERATION OF THE IRISH SCHEME

- 12.4 Since the finalisation of the Main Report the Phoenix Group announced its acquisition of SLFC UK. In due course it is expected that the Phoenix Group will seek to transfer the business within SLFC UK into PLL; however, Phoenix management does not expect to commence this future potential transfer until 2024 at the earliest. I would expect the scheme(s) related to this intended transfer to abide by the provisions of the proposed Irish Scheme where relevant. I understand that this transfer would not directly involve PLAE.
- 12.5 Therefore, it remains my opinion that there are reasonable safeguards in place to ensure that, if approved by the Irish Court, the Irish Scheme would be operated as presented to the Irish Court.

THE LIKELY EFFECTS OF THE IRISH SCHEME UPON REINSURERS OF THE IRISH PLL TRANSFERRED BUSINESS

- 12.6 The Main Report set out that if the proposed Irish Scheme were to be implemented, the reinsurance treaties that PLL has in place in respect of the Irish PLL Transferring Business will transfer to PLAE, except the reinsurance which covers the Irish PLL Transferred Business in the SPI WPF.
- 12.7 However, since the Main Report it has been determined by PLL that it is necessary to novate, rather than transfer under the Irish Scheme, the reinsurance agreement with both Unum and Swiss Re. The novation of this contract, rather than its transfer under the Irish Scheme, does not impact my conclusions in respect of the likely impact of the Irish Scheme on affected insurers.

12.8 Since these reinsurance arrangements will continue to cover the same policies after the transfer, I am satisfied that the change of ceding company is unlikely to have a material impact on the affected reinsurers.

OPERATIONAL READINESS OF PLAE

12.9 As outlined in paragraphs 2.58 to 2.60:

- The authorisation of PLAE was granted by the CBI during September 2022;
- PLAE is expected to have the required permissions to operate under the Freedom of Services regime from the Effective Date; and
- The CBI approved all of the PCF applicants except one. I understand from Phoenix management that the final PCF is expected to receive approval from the CBI very shortly; and
- I have received details of PLAE's approach to ensuring operational readiness ahead of the Effective Date, and I have also received the output of the operational readiness review that was performed during September 2022 prior to the Irish Sanction Hearing.

12.10 The information provided to me indicates that PLAE has a suitable framework in place to ensure the progress of the various activities required to achieve operational readiness, including a governance framework for approvals and escalation, as well as detailed success criteria. In addition, the scope of the planned operational readiness review covered the key areas that I would expect, and contains a process for closing any action points that arise due to issues identified during the review in advance of the Effective Date.

12.11 The overall rating of the operational readiness review that was performed by the Phoenix Group risk function during September 2022 was Green, showing an improvement from the previous operational readiness review performed in June 2022, which had an Amber rating. This reflects the progress made against the various operational readiness activities underway and the successful delivery of a number of milestones during the interim period. The residual risks highlighted within the review are the recruitment of staff to perform the services that will be provided by PLAE using personnel provided by SLAESL (Irish branch), which I discuss in paragraph 4.52, and the workload of the Finance and Accounting team of PLAE. The operational readiness review notes that the Finance and Accounting team of PLAE has a large workload to ensure operational readiness which coincides with IFRS 17 preparations, and that in order to address this issue, additional resources have been deployed. This is expected to provide this workstream with a path towards a Green rating. Overall I am satisfied that the operational readiness review shows that good progress is being made to ensure PLAE operational readiness, and that appropriate actions are being taken to address any residual risks that have been identified. I discuss the administration and servicing arrangement of PLAE and the impact on the Irish PLL Transferred Policyholders in Section 5.

12.12 Overall, I am satisfied that PLAE has made detailed preparations to ensure that, on a best endeavours basis, it is operationally ready ahead of the Effective Date.

OPERATIONAL RESILIENCE

12.13 As outlined in paragraph 2.83, PLAE has completed a gap analysis between the CBI consultation paper on operational resilience and the Phoenix Group's operational resilience framework. Based on the outcome of this gap analysis, PLAE has determined that the existing operational resilience framework can be used, with some adjustments to allow for the requirements of the CBI's consultation paper. PLAE is currently undertaking a series of workshops to identify critical or important business services, set the required impact tolerances and agree ownership, and the required changes will be implemented in advance of the Effective Date. It remains the case that, as set out in the Main Report, the Phoenix Group operational resilience framework is intended to be used across the entire Phoenix Group, and therefore will be updated to reflect these changes.

THE COVID-19 PANDEMIC

12.14 It remains the case that the majority of COVID-19 related restrictions have been removed in the UK and elsewhere in Europe, and that the short- and long-term impacts of the COVID-19 pandemic remain uncertain. As outlined in paragraph 2.93, PLL has now determined that COVID-19 experience over the past two years will be excluded when setting longevity assumptions. For PLAE, it continues to be the case that the primary adverse impacts of COVID-19 would be through operational or market impacts, which are assessed within its ORSA. Overall I remain satisfied that the COVID-19 pandemic does not provide any reason to change my conclusions regarding the Irish Scheme, and I am satisfied that the Irish PLL Transferred Policyholders and PLL Non-transferring Policyholders will be no more exposed to the impacts of the COVID-19 pandemic as a result of the Irish Scheme.

CONFLICT BETWEEN RUSSIA AND UKRAINE

12.15 As outlined in paragraph 2.95, it continues to be the case that there are no PLL Transferred Policyholders who currently hold units in PLL Linked Funds that have been suspended due to the conflict between Russia and Ukraine.

COST OF LIVING CRISIS

12.16 The Phoenix Group has a number of strategies to support customers experiencing financial or other vulnerabilities. In relation to the current cost of living crisis, and the challenges this brings. The Phoenix Group currently has a project to review and consider additional ways in which it can assist its policyholders. These strategies apply across the Phoenix Group, and will therefore continue to apply following the transfer of the Transferred Business to PLAE.

RELEVANT POST BALANCE SHEET EVENTS

12.17 As set out in paragraph 2.84, since the finalisation of the Main Report Phoenix Group has acquired SLFC UK. I set out my considerations of this in paragraph 12.4 above.

12.18 In addition, as set out in paragraph 2.85, since 30 June 2022 PLL has entered into a number of new bulk annuity transactions. This is in line with the nature of PLL's strategy and therefore it is not unexpected that PLL will continue to write such business. I understand that these transactions are subject to Phoenix Group support as standard practice and PLL will continue to adhere to the PLL Capital Management Policy when allocating capital to support the bulk annuity (and other) business it writes, and therefore my conclusions are unaffected by these transactions.

OTHER TOPICS CONSIDERED IN THE MAIN REPORT

12.19 There are a number of different areas considered in my Main Report for which there have been no material updates since the Main Report, and therefore my conclusions remain as detailed in the Main Report. These areas are as follows:

- Co-dependency of the UK Scheme and the Irish Scheme:
There have been no changes to the processes detailed in the Main Report. Therefore, I remain satisfied that there are processes to ensure that the Irish Scheme and the UK Scheme remain aligned.
- Transferred Policyholders resident in a non-EEA state:
It remains the view of Phoenix Group management that PLAE will have the ability to service policies held by Irish PLL Transferred Policyholders resident in a non-EEA state without the need for any additional permissions.
- Tax implications of the Irish Scheme:
It remains true that I am not aware of any corporate tax implications of the proposed Irish Scheme that would result in any direct cost to policyholders or that would have a material adverse effect on the security of benefits under any PLL policies. In addition, I understand that PLL has now received written confirmation from the Irish Revenue that all required tax clearances have been granted. Lastly, PLL has received confirmation from the relevant administration providers that annuities in payment contained within the Irish PLL Transferred Business are able to be transferred to a new payroll system, and therefore I understand that there will be no impact on annuity payment amounts or on the tax status of annuitants within the Irish PLL Transferred Business as a result of the Irish Scheme.
- Additional targeted communication:

A separate letter is to be sent to policyholders of the Irish PLL Transferred Business with annuities in payment to inform them that after the Effective Date the payee of their annuities will change, it will be PLAE rather than PLL. The affected Irish PLL Transferred Policyholders will be provided with this information at least 30 days before the Effective Date.

- IFRS 17 readiness:

Whilst the Phoenix Group is still determining its approach to certain aspects of IFRS 17 within PLL and PLAE such as the treatment of risk mitigation techniques, this would be reflected only on a statutory accounting basis and there will be no impact on the Solvency II balance sheets of PLL and PLAE.

- The effect of the proposed Irish Scheme on policies included within the UK Scheme but not the Irish Scheme

As set out in the Main Report, by virtue of the co-dependency of the UK Scheme and the Irish Scheme, my consideration of the impact of the UK Scheme on PLL Transferred Policies also captures the impact of the Irish Scheme on this group of policies.

- The effect of the proposed Irish Scheme on previous schemes:

As set out in the Main Report, I understand from the management of PLL that on the basis of internal legal review, the implementation of the proposed Irish Scheme is not expected to have a material effect on any previous schemes to which PLL has been party.

13. CONCLUSIONS ON THE UK SCHEME

- 13.1 In my Main Report dated 1 July 2022 I considered the proposed UK Scheme based on information available at that time. The purpose of this Supplementary Report is to provide an updated assessment of the likely effects of the proposed UK Scheme ahead of the UK Sanction Hearing on 18 October 2022.
- 13.2 I have considered whether anything has happened since the finalisation of my Main Report, including the updated financial information as at 30 June 2022 and the pro-forma figures showing the financial information of PLL, RLL and PLAE as if the UK Scheme had been implemented on that date, that would cause me to change the conclusions in my Main Report.
- 13.3 In summary, the financial information as at 30 June 2022 and the developments since the Main Report do not change the conclusions set out in the Main Report in relation to the policyholders that remain with RLL and PLL and those that transfer to PLAE under the UK Scheme.
- 13.4 I remain satisfied that the implementation of the proposed UK Scheme would not have a material adverse effect on:
- The security of the benefits under the Transferred Policies;
 - The profile of risks to which the Transferred Policies are exposed;
 - The protection offered by the regulatory regime that would apply to the Transferred Policies; and
 - The reasonable expectations of the Transferred Policyholders in respect of their benefits, including the level and standards of administration and service that would apply to the Transferred Policies.
- 13.5 In addition, I remain satisfied that the implementation of the proposed UK Scheme would not have a material adverse effect on:
- The security of benefits under the Non-transferring Policies;
 - The profile of risks to which the Non-transferring Policies are exposed; and
 - The reasonable expectations of the Non-transferring Policyholders in respect of their benefits, including the level and standards of administration and service that would apply to the Non-transferring Policies.

14. CONCLUSIONS ON THE IRISH SCHEME

- 14.1 In my Main Report dated 1 July 2022 I considered the proposed Irish Scheme based on information available at that time. The purpose of this Supplementary Report is to provide an updated assessment of the likely effects of the proposed Irish Scheme ahead of the Irish Sanction Hearing on 1 November 2022.
- 14.2 I have considered whether anything has happened since the finalisation of my Main Report, including the updated financial information as at 30 June 2022 and the pro-forma figures showing the financial information of PLL and PLAE as if the Irish Scheme had been implemented on that date, that would cause me to change the conclusions in my Main Report.
- 14.3 In summary, the financial information as at 30 June 2022 and the developments since the Main Report do not change the conclusions set out in the Main Report in relation to the policyholders that remain with PLL, those of the Irish branch of PLL that transfer to PLAE under the Irish Scheme and those that transfer to PLAE under the UK Scheme but not the Irish Scheme (for whom I set out my conclusions in Section 17 of the Main Report and Section 13 of this Supplementary Report).
- 14.4 I remain satisfied that the implementation of the proposed Irish Scheme would not have a material adverse effect on:
- The security of the benefits under the Irish PLL Transferred Policies;
 - The profile of risks to which the Irish PLL Transferred Policies are exposed;
 - The protection offered by the regulatory regime that would apply to the Irish PLL Transferred Policies; and
 - The reasonable expectations of the Irish PLL Transferred Policyholders in respect of their benefits, including the level and standards of administration and service that would apply to the Irish PLL Transferred Policies.
- 14.5 In addition, I remain satisfied that the implementation of the proposed Irish Scheme would not have a material adverse effect on:
- The security of benefits under the PLL Non-transferring Policies;
 - The profile of risks to which the PLL Non-transferring Policies are exposed; and
 - The reasonable expectations of the PLL Non-transferring Policyholders in respect of their benefits, including the level and standards of administration and service that would apply to the Non-transferring Policies.

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

Philip Simpson

03 October 2022

Principal of Milliman LLP

Fellow of the Institute and Faculty of Actuaries

Fellow of the Society of Actuaries in Ireland

Appendix A Selected financial information before the implementation of the Schemes

SOLVENCY II PILLAR 1 FINANCIAL INFORMATION AS AT 30 JUNE 2022

	PLL (£m)	RLL (£m)
Total assets	62,852	6,815
Total liabilities	58,678	6,580
Adjustment for Restricted Own Funds	293	0
Own Funds	3,881	236
SCR	2,373	19
Excess assets after SCR	1,508	216
Solvency Cover Ratio	164%	1,229%

Source: PLL Supplementary Report by the Chief Actuary on the impact of the Scheme Supplemental Report on Policyholders of Phoenix Life Limited and RLL Supplementary Report by the Chief Actuary on the impact of the Scheme Supplemental Report on Policyholders of ReAssure Life Limited

Notes:

1. Total assets and total liabilities are measured on a Solvency II basis (as opposed to an IFRS basis).
2. Total liabilities excludes Own Funds. For PLL, Own Funds is reduced due to restrictions in respect of ring-fenced funds. Own Funds = Total assets – Total liabilities – ring-fenced funds restrictions.
3. The financial information for RLL includes the effect of the IGR between RLL and RAL.
4. PLAE contained no insurance liabilities as at 30 June 2022, so no figures are shown for it in the table above.
5. The liabilities net of reinsurance can be broken down as follows:

Best Estimate Liability Breakdown (£m)	PLL	RLL
Net BEL Transferred Business - Irish PLL Transferred Business covered by both the UK Scheme and the Irish Scheme ⁽¹⁾ excluding matching adjustment ⁽²⁾	629.2	n/a
Matching adjustment in respect of Irish PLL Transferred Business while in PLL ⁽²⁾	8.7	n/a
Net BEL Transferred Business – Non-Irish Transferred Business covered by the UK Scheme only	-0.1	124.9
Net BEL Non-transferring Business	43,838.0	5,814.5
Total Net BEL	44,467.1	5,939.4

⁽¹⁾ The Irish PLL Transferred Business is contained within the Irish branch of PLL

⁽²⁾ The Irish PLL Transferred Business benefits from PLL's matching adjustment – which reduces the BEL – while in PLL. As the matching adjustment does not apply to PLAE, this report and that of the PLL Chief Actuary excludes the benefit of the matching adjustment when quoting BELs for the Irish PLL Transferred Business.

Sources: RLL Supplementary Report by the Chief Actuary on the impact of the Scheme Supplemental Report on Policyholders of ReAssure Life Limited, together with a breakdown for PLL provided by the Phoenix actuarial team.

6. All RLL and PLL Transferred Business is within the scope of the UK Scheme. The Irish PLL Transferred Business is also in the scope of the Irish Scheme (and so is included within both Schemes). All Non-

transferring Business is neither transferred by the Irish Scheme nor transferred by the UK Scheme. In more detail:

- No RLL Transferred Business is covered by the Irish Scheme;
 - All RLL Transferred Business is covered by the UK Scheme;
 - The Irish PLL Transferred Business is covered by the Irish Scheme and the UK Scheme;
 - The Icelandic PLL Transferred Business is covered by the UK Scheme only; and
 - The German PLL Transferred Business is covered by the UK Scheme only.
7. Each of the Icelandic PLL Transferred Business and the German PLL Transferred Business have net BELs of £0m within rounding, and the sum of the net BELs are £0m within rounding.

Appendix B Selected financial information after the implementation of the Schemes

SOLVENCY II PILLAR 1 PRO-FORMA POST-SCHEME FINANCIAL INFORMATION AS AT 30 JUNE 2022

	PLL (£m)	RLL (£m)	PLAE (£m)
Total assets	53,746.7	6,815.4	995.3
Total liabilities	49,595.0	6,579.4	910.4
Own Funds	3,858.8	236.0	84.8
SCR	2,339.3	18.6	56.6
Excess assets after SCR	1,519.5	217.4	28.3
Solvency Cover Ratio	165%	1,272%	150%

Sources: See below.

Notes:

1. The financial information presented above is expressed in Pounds Sterling irrespective of local reporting currencies.
2. The financial information for RLL includes the effect of the IGR between RLL and RAL.
3. The assets for PLAE include its reinsurance recoverables.
4. The assets and liabilities are presented net of current liabilities.
5. Own Funds is shown after any ring-fenced fund restrictions.
6. The Solvency Cover Ratio is calculated using unrounded versions of the Own Funds and SCR shown in the table.

Sources:

PLL: PLL Chief Actuary Report on the impact of the Scheme on Policyholders of Phoenix Life Limited and further information from the RLL Actuarial Team on behalf of PLL

RLL: Supplementary Report by the Chief Actuary on the impact of the Scheme Supplemental Report on Policyholders of ReAssure Life Limited.

PLAE: As RLL.

7. The liabilities include BEL net of reinsurance which can be broken down as follows:

Best Estimate Liability Breakdown (£m)	PLL (£m)	RLL (£m)	PLAE (£m)
Net BEL Transferred Business - Irish PLL Transferred Business covered by both the UK Scheme and the Irish Scheme ⁽¹⁾	291	n/a	344
Matching adjustment in respect of Irish PLL Transferred Business while in PLL ⁽²⁾	0	n/a	0
Net BEL Transferred Business – Non-Irish Transferred Business covered by the UK Scheme only ⁽³⁾	0	125	-9
Net BEL Non-transferring Business ⁽⁴⁾	43,838	5,814	n/a
Expense reserve ⁽⁵⁾	n/a	n/a	114
Counterparty default adjustment ⁽⁶⁾	n/a	n/a	1
Total net BEL	44,129	5,939	449

(1) The Irish PLL Transferred Business is contained within the Irish branch of PLL. Parts of the BEL are reinsured from PLAE to PLL.

(2) The Irish PLL Transferred Business benefits from PLL's matching adjustment – which reduces the BEL – while in PLL. As the matching adjustment does not apply to PLAE, and therefore this row is nil. It is included for ease of comparison to Appendix A.

(3) The investment component of the RLL Transferred Business is reinsured from PLAE to PLL. The IGR is recaptured, and therefore PLAE holds the -£9m non-unit BEL.

(4) The net BEL for the Non-transferring Business is not affected by the proposed Schemes.

(5) An expense reserve is required for PLAE post Schemes as PLAE is not of the same scale as PLL and RLL.

(6) The counterparty default adjustment is required in respect of reinsurance back to PLL and RLL, and given its immateriality has not been split across the different blocks of business defined in the preceding rows of the table.

Source: RLL Actuarial Team

Appendix C Definitions

TERM	DEFINITION
BEL	The best estimate liability under Solvency II.
Best estimate	This term is used in this Report in reference to an estimate of outstanding claim amounts and is intended to represent an expected value over a reasonable range of estimates. As such a “best estimate” is not deliberately biased upwards or downwards, and does not include any margins. However, the limitations of actuarial projection methods mean that a “best estimate” is not a statistically rigorous estimate of the mean of the underlying distribution of all possible outcomes.
Brexit	“Brexit” refers to the exit of the UK from the EU on 31 January 2020, following the referendum on continuing membership held in the UK in June 2016. As at the time of drafting this Report, the future relationship between the UK and the EU, including the regulatory environment for insurers operating across UK/EEA borders, was being negotiated. The transition period during which the regulatory environment for insurers remained unaltered from its pre-Brexit state ended on 31 December 2020.
CBI	The Central Bank of Ireland (“CBI”) is Ireland’s central bank and Ireland’s financial services regulator for most categories of financial firm.
COBS	Conduct of Business Sourcebook.
Communications Pack	The Communications Pack contains the Cover Letter, the Q&A leaflet, the Scheme Guide and, for with-profits Irish PLL Transferred Business or holders of investments in a with-profits fund, a with-profit leaflet explaining how the proposals affect with profit funds for with-profits Transferred Policyholders.
Courts	Together the Irish Court and UK Court.
Diligenta	Diligenta Limited.
Directions Hearing	In the context of the Main Report and this Supplementary Report, a short hearing at which the UK Court or Irish Court makes procedural orders with regard to a proposed transfer, in particular in relation to communications with policyholders.
EEA	The European Economic Area (“EEA”) was established by the EEA Agreement on 1 January 1994. The EEA unites the 27 EU member states with Iceland, Liechtenstein, and Norway into an internal market governed by the same basic rules. These rules aim to enable goods, services, capital, and persons to move freely about the EEA in an open and competitive environment, a concept referred to as the four freedoms.
EEA Passport Rights	The right under the EU Directives (and as manifested in the Financial Services and Markets Act 2000 (EEA Passport Rights) Regulations 2001 (as amended)) for UK regulated insurers to operate freely in other EEA member states.
Effective Date	The date on and from which the Scheme shall become effective.
EIOPA	The European Insurance and Occupational Pensions Authority (“EIOPA”) was established in consequence of the reforms to the structure of supervision of the financial sector in the EU, with the goals of: better protecting consumers and rebuilding trust in the financial system; ensuring a high, effective and consistent level of regulation and supervision taking account of the varying interests of all Member States and the different nature of financial institutions; greater harmonisation and coherent application of rules for financial institutions & markets across the EU; strengthening oversight of cross-border groups; and promoting coordinated EU supervisory responses.
EU	European Union.
EU Directives	The legal acts of the EU, applicable to all EU members.
European Commission	The executive branch of the European Union responsible for proposing legislation, enforcing EU laws and directing the union’s administrative operations.

F&P Regime	The Fitness and Probity Regime (“F&P Regime”) implemented by the CBI in Ireland that defines a set of Pre-Approval Controlled Functions for Irish insurers.
FCA	The Financial Conduct Authority (“FCA”) is the UK regulatory agency that focuses on the regulation of conduct by retail and wholesale financial services firms. The FCA operates as part of the regulatory framework implemented under the Financial Services Act 2012.
FCA Guidance	Guidance published by the FCA in May 2018 relating to Part VII insurance business transfers.
Floating Charges	The floating charges that PLAE would have over all of the available assets of RLL or PLL.
Freedom of Services	Under EU legislation, subject to obtaining permission, insurance companies are able to provide insurance services to policyholders resident in other EEA states.
FSCS	The Financial Services Compensation Scheme (“FSCS”) is the compensation fund of last resort for customers of UK authorised financial services firms.
FSMA	Financial Services and Markets Act 2000, the legislation under which Part VII governs the transfer of (re)insurance business between (re)insurance undertakings.
German PLL Transferred Business	The PLL business to be transferred comprising non-profit policies sold in Germany.
German RLL Transferred Business	The RLL business to be transferred comprising non-linked critical illness policies sold in Germany.
HoAF	Head of Actuarial Function.
Icelandic PLL Transferred Business	The PLL business to be transferred comprising non-profit policies sold in Iceland.
IFoA	The Institute and Faculty of Actuaries, the professional body for actuaries in the UK.
IGR	The Intra-Group Reinsurance (“IGR”) agreement between RLL and RAL put in place following RGP’s purchase of RLL from Quilter plc.
Independent Actuary	The Independent Actuary prepares the Scheme Report and provides it to the Irish Court in order that it may properly assess the impact of the proposed transfer, including the effect on policyholders of the insurance companies in question. In the case of this Irish Scheme, I have been appointed as the Independent Actuary.
Independent Expert	The Independent Expert prepares the Scheme Report and provides it to the UK Court in order that it may properly assess the impact of the proposed transfer, including the effect on the policyholders of the insurance companies in question. In the case of the Scheme, I have been appointed as the Independent Expert.
Independent Peer Review	Work Review undertaken by one or more individual(s) who is, or are, not otherwise involved in the work in question and who would have had the appropriate experience and expertise to take responsibility for the work themselves. The Independent Peer Review of this Report was undertaken by an individual within Milliman LLP who was not otherwise involved in this work.
Independent Person	Collectively the Independent Actuary and Independent Expert.
Ireland	Republic of Ireland.
Irish Court	The High Court in Ireland.
Irish PLL Transferred Business	A subset of the business to be transferred. It consists of all the direct insurance policies in PLL’s third country branch in Ireland.
Irish PLL Transferred Policyholders	The policyholders of the Irish PLL Transferred Business.
Irish Revenue	The body responsible for, amongst other things, the taxation regime in Ireland.

The Irish Scheme	In the context of this Report, the proposal that the Irish PLL Transferred Business be transferred to PLAE under the provisions of Section 13 of the Assurance Companies Act 1909.
Irish Scheme Report	A report on the terms of the Irish Scheme under Section 13 of the Assurance Companies Act 1909, to be prepared by an independent actuary. The Irish Scheme Report is required in order that the Irish Court may properly assess the impact of the proposed transfer, including the effect on the policyholders of the insurance companies in question. This Report is the Irish Scheme Report in respect of the transfer of Irish PLL Transferred Business to PLAE.
Life Companies RAF	The Life Companies Risk Appetite Framework.
Linked Assets	The assets acquired by the Linked Funds.
Linked Funds	Internal linked funds maintained by PLL and RLL for the purposes of calculating benefits payable under its unit-linked policies.
Matching Adjustment	If insurers have approval they may apply an adjustment to the risk-free rate used to calculate the BEL under Solvency II. The Matching Adjustment allows firms to take credit for holding less liquid assets used to back their most stable and predictable liabilities.
MCR	Minimum Capital Requirement
Mercer	Mercer Limited
Milliman LLP	Milliman's UK practice, which is a member of Milliman, Inc.
Milliman	see Milliman LLP.
MSA	A Management Services Agreement ("MSA") between two parties setting out the terms of the agreement.
National Treasury Management Agency	The National Treasury Management Agency is an agency which manages the assets and liabilities of the Government of Ireland.
New Linked Funds	The new linked funds that will be established by PLAE immediately before the Effective Date to mirror the current Linked Funds of RLL and PLL in respect of the unit-linked Transferred Policies.
Non-transferring Business	The business of RLL and PLL that is not to be transferred to PLAE under the Schemes.
Non-transferring Policies	The policies of RLL and PLL that are included within the Non-transferring Business.
Non-transferring Policyholders	The policyholders of the Non-transferring Business.
Norwegian Transferred Business	The RLL business to be transferred comprising unit-linked savings and pensions policies sold in Norway.
ORSA	The Own Risk and Solvency Assessment ("ORSA") is a fundamental set of processes under Solvency II constituting a tool for decision-making and strategic analysis. It aims to assess, in a continuous and prospective way, the overall solvency needs related to the specific risk profile of the insurance company.
Own Funds	In Solvency II terminology, the amount of capital or excess assets of an insurance company. Own funds are divided into basic own funds and ancillary own funds (e.g. additional premiums from members), which require regulatory approval.
PCFs	Pre-Approval Controlled Functions defined under the F&P Regime in Ireland.
PGH	Phoenix Group Holdings plc.
PGMS	Pearl Group Management Services Limited.
PGMSI	Pearl Group Management Services (Ireland) Limited
PGS	Pearl Group Services Limited.
Phoenix Group	Phoenix Group Holdings plc and its direct and indirect subsidiaries.

PRA Statement of Policy	The Statement of Policy issued by the PRA entitled The Prudential Regulation Authority's approach to insurance business transfers, issued in April 2015.
PLAE	Phoenix Life Assurance Europe DAC.
PLAE 90% WPF	The PLAE 90% With-Profits Fund.
PLAE Alba WPF	The PLAE Alba With-Profits Fund.
PLAE NPF	The PLAE Non-Profit Fund.
PLAE Capital Management Policy	The capital management policy adopted by PLAE, which sets out the minimum capital requirements that PLL must satisfy relating to the quantity and quality of capital held in excess of the SCR.
PLAE Phoenix WPF	The PLAE Phoenix WPF.
PLAE SPI WPF	The PLAE SPI With-Profits Fund.
PLL	Phoenix Life Limited.
PLL 90% WPF	The PLL 90% With-Profits Fund.
PLL Alba WPF	The PLL Alba With-Profits Fund.
PLL Capital Management Policy	The capital management policy adopted by PLL, which sets out the minimum capital requirements that PLL must satisfy relating to the quantity and quality of capital held in excess of the SCR.
PLL Floating Charges	The floating charges that PLAE would have over all of the available assets of PLL.
PLL Linked Assets	The assets acquired by the PLL Linked Funds.
PLL Linked Funds	Internal linked funds maintained by PLL for the purposes of calculating benefits payable under its unit-linked policies.
PLL New Linked Funds	The new linked funds that will be established by PLAE immediately before the Effective Date to mirror the current Linked Funds of PLL in respect of the unit-linked PLL Transferred Policies.
PLL Non-transferring Business	The business of PLL that is not to be transferred to PLAE under the Schemes.
PLL Non-transferring Policies	The policies of PLL that are included within the PLL Non-transferring Business.
PLL Non-transferring Policyholders	The policyholders of the PLL Non-transferring Business.
PLL NPF	The PLL Non-Profit Fund.
PLL Phoenix WPF	The PLL Phoenix WPF.
PLL SPI WPF	The PLL SPI With-Profits Fund.
PLL Transferred Business	The second tranche of business (see paragraph 1.7) to be transferred consists of non-profit, including accelerated critical illness and term assurance policies, with profits, annuities, unit-linked savings and income protection policies. These policies were sold in Ireland, Iceland or Germany.
PLL Transferred Policyholders	The policyholders of the PLL Transferred Business.
PLL Unit-Linked Reinsurance Agreement	The unit-linked reinsurance agreement to be entered into between PLL and PLAE to reinsure the investment element of the unit-linked PLL Transferred Business enabling these policyholders to continue to have access to the Linked Funds of PLL.
PLL WPFs	The with-profits funds of PLL.
Post-IGR BEL	The BEL calculated allowing for the IGR agreement i.e. net of the IGR.

PRA	The Prudential Regulation Authority (“PRA”) is part of the Bank of England and carries out the prudential supervision of financial firms in the UK, including banks, investment banks, building societies and insurance companies. The PRA operates as part of the regulatory framework implemented under the Financial Services Act 2012.
Q&A	Questions & Answer.
QIS	Quantitative Impact Study launched by the PRA to review the application of Solvency II in the UK.
RAL	ReAssure Limited.
RAL NPF	RAL Non-Profit Fund.
ReAssure Group	RGP and its direct and indirect subsidiaries collectively.
Report	References to the “Report” refer to this report.
Residual Policy	A contract of insurance (if any) written or assumed by RLL or PLL under which any liability remains unsatisfied or outstanding as at the Effective Date and which would have formed part of the Transferred Business but which, for any reason, is not transferred by order of the UK Court pursuant to Part VII of FSMA on the Effective Date.
RGP	ReAssure Group Plc.
Risk Management Framework	The Risk Management Framework encompasses the processes, controls and measures in place to ensure risks are being identified, quantified and mitigated properly.
Risk margin	Under Solvency II, the risk margin is an adjustment designed to bring the total technical provisions up to the amount that another insurance or reinsurance undertaking would be expected to require in order to take over and meet the insurance obligations in an arm’s length transaction.
RLL	ReAssure Life Limited.
RLL Floating Charges	The floating charges that PLAE would have over all of the available assets of RLL.
RLL Linked Assets	The assets acquired by the RLL Linked Funds.
RLL Linked Funds	Internal linked funds maintained by RLL for the purposes of calculating benefits payable under its unit-linked policies.
RLL New Linked Funds	The new linked funds that will be established by PLAE immediately before the Effective Date to mirror the current Linked Funds of RLL in respect of the unit-linked RLL Transferred Policies.
RLL Non-transferring Business	The business of RLL that is not to be transferred to PLAE under the UK Scheme.
RLL Non-transferring Policies	The policies of RLL that are included within the RLL Non-transferring Business.
RLL Non-transferring Policyholders	The policyholders of the RLL Non-transferring Business.
RLL Transferred Business	The first tranche of business (see paragraph 1.7) to be transferred that was underwritten by RLL for policyholders resident in Germany, Norway or Sweden. This comprises the German RLL Transferred Business, the Norwegian Transferred Business, and the Swedish Transferred Business.
RLL Transferred Policies	The policies of the RLL Transferred Business.
RLL Transferred Policyholders	The policyholders of the RLL Transferred Business.
RLL Unit-Linked Reinsurance Agreement	The unit-linked reinsurance agreement to be entered into between PLL and PLAE to reinsure the investment element of the unit-linked PLL Transferred Business enabling these policyholders to continue to have access to the Linked Funds of PLL.

RUKSL	ReAssure UK Services Limited.
Sanction Hearing	A hearing at which the UK Court or Irish Court hears the application to sanction a proposed transfer of insurance business.
Scheme documents	The documents that set out the terms of the proposed transfer, namely the UK Scheme and Irish Scheme.
Schemes	Together, the UK Scheme and Irish Scheme.
Scheme Report	The collective term for the UK Scheme Report and the Irish Scheme Report.
SCR	The Solvency Capital Requirement (“SCR”) under Solvency II is the amount of capital required to ensure continued solvency over a one-year trading timeframe with a likelihood of 99.5%.
SCR Ratio	The ratio of Solvency II Own Funds to SCR.
SLAESL	Standard Life Assets & Employee Services Limited.
SLAESL (Irish branch)	A service company branch operated in Ireland by SLAESL.
SLFC UK	Sun Life Financial of Canada UK Ltd
Solvency II	<p>The system for establishing (among other things) minimum capital requirements for EU (re)insurers under the Solvency II Directive 2009/138/EC.</p> <p>As part of the UK’s preparations to leave the EU, the Solvency II regime was brought into UK law, and therefore, Solvency II continues to be the applicable regulatory regime for insurers in the UK.</p> <p>The use of the term “Solvency II” in this report refers to the Solvency II regulation as it applies in the UK or Ireland, as appropriate to the context in which it is used.</p>
Solvency II Directive	The Solvency II Directive 2009/138/EC.
Standard Formula	A method for calculating the SCR under Solvency II, as prescribed by EIOPA.
SLAL	Standard Life Assurance Limited
SUP18	Section 18 of the FCA Supervision Manual.
Swedish Linked Funds	The Swedish Transferred Policies have recently been successfully migrated from existing RLL Linked Funds into separate Swedish Linked Funds
Swedish Transferred Business	The RLL business to be transferred comprising unit-linked investment bonds, and unit-linked protection and savings products sold in Sweden.
Swedish Transferred Policies	Unit-linked investment bonds, unit-linked protection, and savings policies comprising the Swedish Transferred Business.
Swedish Transferred Policyholders	Policyholders of Swedish Transferred Policies.
Summary Report	The summary of this Report, prepared specifically to be included in a document that also summarises the Scheme and which will be made available to policyholders of the Companies and to others who might be affected by the Scheme.
Supplementary Report	A report I will prepare in advance of the UK Sanction Hearing to sanction the Scheme covering any relevant matters that might have arisen since the date of this Report.
Technical provisions	Liabilities determined for regulatory purposes. In particular, the provisions for the ultimate costs of settling all claims arising from events that have occurred up to the balance sheet date, including provision for claims incurred but not yet reported, less any amounts paid in respect of these claims; plus the provisions for future claims (and premiums) arising on unexpired periods of risk.
Transferee	The entity to which business is being transferred – in the case of the Scheme, this is PLAE.
Transferors	The entities from which business is being transferred – in the case of the Scheme, this is RLL and PLL.

Transferred Business	The business that is to be transferred to PLAE under the Scheme, comprising the RLL Transferred Business and the PLL Transferred Business.
Transferred Policies	The policies of RLL and PLL that are included within the Transferred Business.
Transferred Policyholders	The policyholders of the Transferred Business.
UK	United Kingdom.
The UK Court	The High Court of Justice of England and Wales.
The UK Scheme	In the context of this Report, the proposal that the Transferred Business be transferred to PLAE under the provisions of Part VII of FSMA.
UK Scheme Report	A report on the terms of the UK Scheme under Part VII of FSMA, to be prepared by an independent expert. The UK Scheme Report is required in order that the UK Court may properly assess the impact of the proposed transfer, including the effect on the policyholders of the insurance companies in question. This Report is the UK Scheme Report in respect of the transfer of the Transferred Business to PLAE.
Unit-Linked Reinsurance Agreements	Together, the RLL Unit-Linked Reinsurance Agreement and PLL Unit-Linked Reinsurance Agreement.
Unum	Unum Limited
With-Profits Reinsurance Agreements	The with-profits reinsurance agreements to be entered into between PLL and PLAE to enable the transferred with-profits Irish PLL Transferred Policyholders to continue to participate in the same with-profits after the Schemes as they did before. There is a with-profits reinsurance agreement in relation to each of the relevant with-profits funds.
Work Review	Process by which a piece of actuarial work is considered by at least one other individual for the purpose of providing assurance as to the quality of the work in question.
WP Fixed Charges	The fixed charges that PLAE would have over assets held by PLL in separate custodian accounts in respect of three of the PLL WPFs: the SPI WPF, Alba WPF and Phoenix WPF.
WPA	With-Profits Actuary. A With-Profits Actuary must be appointed under SM&CR if a firm has with-profits business.
WPC	Under COBS 20, firms in the UK with with-profits business must appoint a With-Profits Committee to advise and provide recommendations to the firm's governing body on the management of the with-profits business.
WPOP	With-Profits Operating Principles, as required by the Domestic Actuarial Regime in Ireland.

Appendix D Key Sources of Data

D.1 In writing this Supplementary Report, I relied upon the accuracy of certain documents provided by RLL, PLL and PLAE. These included, but were not limited to, the following:

Document	Date of document
The UK Scheme Document (final draft)	26 September 2022
The Irish Scheme Document (final draft)	22 September 2022
With-Profits Reinsurance Agreements (final draft)	13 September 2022
Unit-Linked Reinsurance Agreements (final draft)	13 September 2022
Deed of Floating Charge (final draft)	13 September 2022
Deed of Fixed Charge (final draft)	14 September 2022
The PLL, RLL and PLAE Witness Statement (final draft)	2 October 2022
The PLL and PLAE Affidavit (final draft)	3 October 2022
The supplementary report of the RLL Chief Actuary on the proposed transfer	3 October 2022
The supplementary report of the PLL Chief Actuary on the proposed transfer *	3 October 2022
The supplementary report of the PLAE Head of Actuarial Function on the proposed transfer	3 October 2022
The 2022 Phoenix Group ORSA	June 2022
Responses received to Independent Expert Query Log	N/A
Various additional underlying documentation	N/A

* In the Main Report I relied upon the report of the PLL With-Profits Actuary on the proposed transfer. For this Supplementary Report, I have relied upon a supplementary note of the PLL With-Profits Actuary which is contained within the supplementary report of the PLL Chief Actuary on the proposed transfer.

D.2 Information relating to the items listed above was also gathered during discussions with staff of RLL, PLL and PLAE.

D.3 I confirm that I did not identify any material issues with the information provided by RLL, PLL and PLAE. I am unaware of any issue that might cause me to doubt the accuracy of the data and other information provided. All information that I have requested in relation to my review has been provided.