Standard Life Assurance Limited

Supplementary Report by the Chief Actuary on the Proposed Transfer of the Euro-denominated life insurance business from Standard Life Assurance Limited to Standard Life International designated activity company

Prepared by:
Brian Peters, FFA
Chief Actuary of Standard Life Assurance Limited
March 2019

Standard Life

Table of contents

1 Executive Summary

This supplementary report is addressed to the Board of Standard Life Assurance Limited ("**SLAL**") in my capacity as Chief Actuary and concerns the transfer of the Euro-denominated life insurance business of SLAL to Standard Life International designated activity company ("**SL Intl**"). The transfer is to be effected under an insurance business scheme of transfer (the "**Scheme**") under Part VII of the Financial Services and Markets Act 2000. If approved, the Scheme will come into effect on the **Effective Date** (expected to be 29 March 2019).

This report supplements, and should be read in conjunction with, my original report "Report by the Chief Actuary on the Proposed Transfer of the Euro-denominated life insurance business from Standard Life Assurance Limited to Standard Life International designated activity company" (the "**Previous Report**"). My Previous Report, dated 17 September 2018, was submitted to the Initial Court Hearing on 25 September 2018 and made public immediately following this hearing.

In preparing this supplementary report, I have considered relevant events and experience since my Previous Report and their effect on the conclusions as set out in that report. These events and experience include:

- Changes to SLAL and SL Intl (in particular a change in corporate structure);
- Changes to the Scheme and accompanying legal documents;
- Updated financial position; and
- Objections received by SLAL following the customer communication.

Having considered the above, and their impact on the **Proposed Transfer**, I conclude that:

- The financial security of policyholders of SLAL will not be materially adversely affected by the Proposed Transfer;
- The Proposed Transfer will not have a material adverse impact on the fair treatment of policyholders of SLAL, including their legal rights and expected benefits; and
- The Proposed Transfer is not expected to materially adversely affect the service standards for transferring and non-transferring policyholders of SLAL.

These conclusions are consistent with those set out in my Previous Report.

Brian Peters, FFA

Date: 8 March 2019

2 Introduction

2.1 Purpose of the Report

2.1.1 As the Chief Actuary for Standard Life Assurance Limited ("**SLAL**"), I have been asked to comment on the proposal for the transfer of all Euro-denominated business from SLAL to Standard Life International designated activity company ("**SL Intl**") under Part VII of the Financial Services and Markets Act 2000. The transfer is to be effected under an insurance business scheme of transfer (the "**Scheme**"). If approved, the Scheme will come into effect on the "**Effective Date**", expected to be 29 March 2019. The Scheme will require amendments to be made to the 2006 Scheme and the 2011 Scheme (the "**Legacy Schemes**").

2.1.2 As part of the proposed Part VII transfer, a number of reinsurance arrangements between SLAL and SL Intl are to be established. I have considered their appropriateness and the impact they have on policyholders as part of this report.

2.1.3 For the avoidance of doubt, the proposed Part VII transfer and reinsurance arrangements are referred to in combination as the "**Proposed Transfer**".

2.1.4 This report supplements, and should be read in conjunction with, my original report "Report by the Chief Actuary on the Proposed Transfer of the Euro-denominated life insurance business from Standard Life Assurance Limited to Standard Life International designated activity company" (the "**Previous Report**"). My Previous Report, dated 17 September 2018, was submitted to the Initial Court Hearing on 25 September 2018 and made public immediately following this hearing. My Previous Report can currently be found on the website: www.standardlife.eu

2.1.5 The objective of the supplementary report is to consider whether events since my Previous Report have impacted the conclusions and opinions I expressed in that report. For clarity, in my Previous Report I concluded that:

- The financial security of policyholders of SLAL will not be materially adversely affected by the Proposed Transfer;
- The Proposed Transfer will not have a material adverse impact on the fair treatment of policyholders of SLAL, including their legal rights and expected benefits; and
- The Proposed Transfer is not expected to materially adversely affect the service standards for transferring and non-transferring policyholders of SLAL.

2.2 Guidance on its Usage

2.2.1 The supplementary report is written for the SLAL Board in my capacity as Chief Actuary for SLAL. It should be read in conjunction with the Scheme, my Previous Report, SLAL's With Profits Actuary's ("**WPA**") supplementary report and the supplementary report by the Independent Expert, Mr Tim Roff of Grant Thornton (as well as their original reports).

2.2.2 The SL Intl Head of Actuarial Function has also produced a supplementary report considering the effect of the Scheme on the financial security and fair treatment of SL Intl policyholders.

2.2.3 A list of the definitions and abbreviations that I have used in this document are included in Appendix: Glossary of Terms. Defined terms used but not defined in this report have the same meaning as those used in the Scheme document unless otherwise highlighted.

2.3 Reliances

2.3.1 I have read the supplementary report prepared by Mr Douglas Morrison, the WPA of SLAL. I have considered his comments on the effect of the Proposed Transfer and changes to the Legacy Schemes on the various groups of with profits policyholders (both those transferring and non-transferring).

2.3.2 I have read the supplementary report prepared by Mr Tim Roff, the Independent Expert. I have considered his comments on the effect of the Proposed Transfer and changes to the Legacy Schemes on policyholders.

2.3.3 The figures reported on a **Solvency II** basis have been based on those prepared for Solvency II reporting as of 30 June 2018.

2.3.4 This report is based on information made available to me up to 06 March 2019 and takes no account of developments after this date.

2.4 TAS Compliance

2.4.1 This report and the work behind it have been prepared in accordance with the guidance of the Financial Reporting Council, including the Principles for Technical Actuarial Work (TAS 100) and the Insurance TAS (TAS 200).

2.4.2 The work underlying this report has been completed in accordance with the Actuarial Profession Standard X2: Review of Actuarial Work (APS X2).

3 Impact of Phoenix Acquisition of SLAL and SL Intl

3.1 Purpose of Section

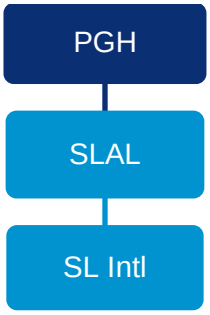
3.1.1 Prior to the Initial Court Hearing, Phoenix Group Holdings ("**PGH**") had purchased SLAL and SL Intl. My Previous Report, and the conclusions stated within it, reflected the fact that SLAL had just become a subsidiary of PGH.

3.1.2 Since then, the corporate structure of the **Group** (Phoenix Group Holdings plc and all of its subsidiaries) has been refined partly as a result of the discussions with the Prudential Regulatory Authority ("**PRA**") referenced in Section 7.5 of my Previous Report. This has resulted in SL Intl becoming a direct subsidiary of Phoenix Group Holdings plc (the "**Ultimate Parent**") with SLAL expected to become a direct subsidiary of the Ultimate Parent prior to the Effective Date.

3.1.3 In this section I explain the impact of these changes and why, as they have no material impact on the Proposed Transfer, they do not impact the conclusions drawn in my Previous Report.

3.2 Change in Corporate Structure

3.2.1 At the time of writing my Previous Report, SL Intl was a subsidiary of SLAL (which in turn was a subsidiary of PGH) with this being represented by the simplified corporate structure shown below:

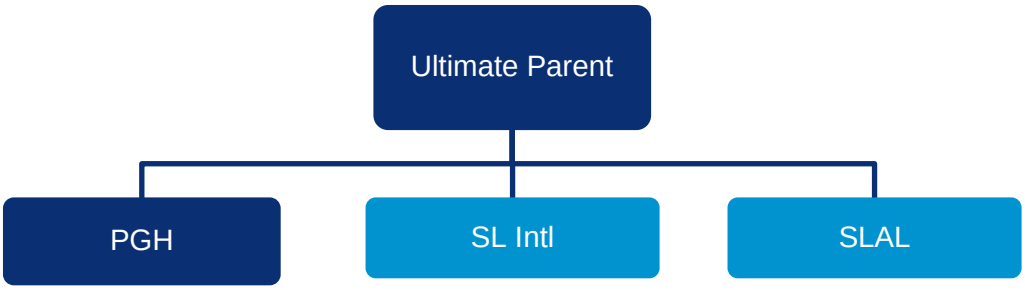


3.2.2 At the direction of the PRA, a new company was registered in England & Wales (the Ultimate Parent) in October 2018 with this company becoming the ultimate parent of PGH and all its subsidiaries in December 2018. Previously, the ultimate parent of the Group, PGH, was registered in the Cayman Islands.

3.2.3 SL Intl became a direct subsidiary of the Ultimate Parent in February 2019. This was as a result of the outcome of the discussions with PRA mentioned in my Previous Report (Section 7.5) and in Section 5.2.2 below.

3.2.4 SLAL is also expected to become a direct subsidiary of the Ultimate Parent in March 2019, before the Effective Date. This is to support the Group in its intention to simplify the corporate structure.

3.2.5 The revised structure of the Group immediately before the Proposed Transfer is shown below (note not all subsidiaries are shown):



3.2.6 For clarity, the legal framework being established as part of the Proposed Transfer continues to operate in line with that outlined in my Previous Report.

3.2.7 I have seen relevant financial information for the Ultimate Parent and I am comfortable that the Ultimate Parent has the necessary capital to support SL Intl to the same extent as SLAL could when SL Intl was a subsidiary of SLAL.

3.2.8 Whilst I am satisfied that the change in corporate structure of the Group has no material impact on the Proposed Transfer, a number of the statements I made in my Previous Report need clarifying. In particular:

3.2.8.1 As SL Intl will no longer be a subsidiary of SLAL, there is an impact on the capital position of SLAL (expanded on further in Section 5). Equally, the restructure results in a small change in the risk profile of SLAL as it will no longer be exposed (either directly or indirectly) to the risks arising on the unit-linked and annuity Euro-denominated business which will be written and invested in the **SL Intl EUR PBF**. These risks are included in the diagrams in Section 7.4 of my Previous Report with the impact being immaterial (circa 1% movement in the allocation of capital to different risk modules).

3.2.8.2 In Section 4.5 of my Previous Report I discussed how SLAL's capital target framework "*assesses the capital that SLAL aims to hold, inclusive of SL Intl*". As SL Intl is no longer a subsidiary of SLAL, this is no longer the case. Other than this the SLAL capital target framework is unchanged.

4 Scheme updates since the Initial Court Hearing

4.1 Purpose of Section

4.1.1 My conclusions drawn on the effect of the Proposed Transfer on policyholders' security of benefits, fair treatment and service standards were based on the legal framework accompanying the transfer. This included the Scheme, changes to the Legacy Schemes, the reinsurance arrangements and associated security structure.

4.1.2 Since my Previous Report and the Initial Court Hearing, there have been a number of small changes to these documents. In this section I explain these changes and why they do not impact the conclusions drawn in my Previous Report. For the avoidance of doubt, I have only commented on those changes that impact policyholders or statements made in my Previous Report.

4.2 Scheme Changes

4.2.1 There have been no material changes made to the Scheme presented to the Court at the time of my Previous Report.

4.3 Legacy Schemes Changes

4.3.1 There have been no material amendments to the Legacy Schemes changes presented to the Court at the time of my Previous Report.

4.4 Reinsurance Arrangements and Security Changes

4.4.1 The reinsurance arrangements have been modified to allow the SL Intl Board to make representations to the **CEO** of SLAL's ultimate parent company on matters affecting the reinsured policies. If the parties are still unable to reach an agreement, they will attempt to resolve the disagreement through non-binding mediation in accordance with the Centre for Effective Dispute Resolution ("**CEDR**") Model Mediation Procedure. Unless otherwise agreed between the parties, the mediator will be an independent expert, nominated by the President of the Institute and Faculty of Actuaries who will provide a non-binding opinion to help resolve the disagreement.

4.4.2 I am satisfied that this additional requirement in Clause 10.3 of the reinsurance arrangements enhances policyholder protection by reducing the risk that SLAL and SL Intl are unable to reach an agreement.

4.4.3 The termination rights in the reinsurance arrangements have been amended so that the option to terminate the reinsurance following a change of control (of either SLAL or SL Intl) requires prior regulatory approval from the Central Bank of Ireland ("**CBI**"), Financial Conduct Authority ("**FCA**") and PRA. This amendment does not change my view that suitable protections are in place surrounding any termination of the reinsurance arrangements.

4.4.4 There have been no other material changes made to the Reinsurance Arrangements or Security documents presented to the Court at the time of my Previous Report.

5 Updated Financial position

5.1 Solvency Position

5.1.1 The table below was included in my Previous Report (see Section 7.2). It shows the solvency position of SLAL and SL Intl before the transfer on a year-end 2017 basis. It therefore assumes that SL Intl is a subsidiary of SLAL (i.e. the corporate structure shown in 3.2.1):

(£m)	SLAL (including SL Intl)	SL Intl
Own Funds	3,780	137
SCR	2,480	102
Excess Own Funds	1,300	35
Solvency Cover Ratio	152%	134%

5.1.2 In this report I provide updated figures for both SLAL and SL Intl's solvency position on a 30 June 2018 basis. These figures assume SL Intl is a direct subsidiary of the Ultimate Parent at 30 June 2018 (and the associated impact of the sale of SL Intl is constant):

(£m)	SLAL (excluding SL Intl)	SL Intl
Own Funds	4,065	128
SCR	2,335	90
Excess Own Funds	1,730	38
Solvency Cover Ratio	174%	142%

5.1.3 The solvency cover ratio of SLAL has improved over the first 6 months with the main drivers in the movement in Own Funds being:

- As SL Intl is no longer a subsidiary of SLAL, its Own Funds and capital requirements no longer contribute to SLAL's Own Funds and SCR. SLAL has however had an overall increase in Own Funds and reduction in SCR as a result of the sale of SL Intl to the Ultimate Parent.
- There has been a movement in capital position as a result of new business, experience and market movements over the first six months of 2018.
- Operational aspects such as project costs and management actions.

5.1.4 The movement in the SL Intl capital position is predominately arising directly from the acquisition of SLAL (including SL Intl) by PGH and its interaction with the Markets in Financial Instruments Directive ("**MiFID**"). The level of rebate of Wrap platform charges received by SL Intl was reduced in order to comply with MiFID regulations on transactions between third parties. This has impacted both SL Intl's Own Funds and SCR however as these decrease by a similar magnitude, the solvency coverage ratio is materially unchanged.

5.1.5 Following the Proposed Transfer, the proforma position had the transfer taken effect immediately before 30 June 2018 is:

(£m)	SLAL (excluding SL Intl)	SL Intl
Own Funds	3,800	580*
SCR	2,200	405
Excess Own Funds	1,600	175
Solvency Cover Ratio	173%	143%

* This includes a capital injection of £250m from the Ultimate Parent to SL Intl with this having been paid in February 2019.

5.1.6 The movement in SLAL's proforma post-transfer capital position is primarily due to SL Intl no longer being a subsidiary of SLAL as well as an improvement in SLAL's pre-transfer capital position.

5.1.7 The movement in SL Intl's proforma post-transfer capital position is predominately as a result of the refinement in its capital requirement methodologies and modelling applied in the calculation of SL Intl's capital requirements.

5.1.8 Further, primarily due to the reduction in the SCR in both SLAL and SL Intl relative to the year-end proforma position, the solvency coverage ratios of both firms have increased when compared to those outlined in my Previous Report (after adjusting for SL Intl being a subsidiary of the Ultimate Parent and the reporting currency refinement):

	SLAL	SL Intl
31 December 2017	160%	131%
30 June 2018	173%	143%

5.1.9 As discussed in Section 3.2.5.1, the change to make SL Intl a subsidiary of the Ultimate Parent (as opposed to SLAL) results in a minor change in the risk profile of SLAL shown in my Previous Report.

5.2 Changes in methodology for calculating solvency position

5.2.1 In my Previous Report I highlighted two proposed changes in methodology currently being discussed with the relevant regulators: the inclusion of SL Intl in the Group SCR and SL Intl's volatility adjustment application.

5.2.2 Following discussion with the PRA, the Ultimate Parent is unable to include SL Intl in its Group Solvency calculation using Method 1 ("Accounting Consolidation"). As a result of this, SL Intl will be moved within the Group corporate structure to be a subsidiary of the Ultimate Parent. The impact of this on the conclusions drawn in my Previous Report is outlined in Section 3.2.

5.2.3 The CBI's review of SL Intl's proposed use of the volatility adjustment is ongoing with this having no material impact on the above figures and no impact once rounded to the nearest £5m (as shown in the SL Intl Own Funds and SCR figures).

5.3 SL Intl Capital Target Framework

5.3.1 A proposed new SL Intl capital target framework was described in my Previous Report as being "*based on both its current capital coverage and its coverage under appropriately severe stresses over the business planning horizon*". Following an assessment of the performance of this proposed framework, it has been refined to consider its coverage under appropriately severe stresses which occur over one year.

5.3.2 This refinement in the SL Intl capital target framework results in it being very similar in structure to that of SLAL's current capital targets framework, with both entities aiming to remain above a target level of SCR coverage under instantaneous absolute scenarios calibrated to the risk profile of each entity. As such, I continue to be comfortable that SL Intl's new capital target framework is sufficiently robust so as not to materially adversely affect the security of SLAL's transferring policyholders.

5.4 Tax

5.4.1 In my Previous Report I highlighted two tax implications of the Proposed Transfer currently being discussed with the Irish tax authority.

5.4.2 Firstly, there was a risk identified that a small number of policyholders with German or Austrian policies who had moved to Ireland may be liable for exit tax. Since then, discussions have progressed and we believe that these policyholders will not benefit from an exemption from exit tax applicable to non-resident policyholders when a policy is surrendered. As a result, they may have to pay an extra tax. Standard life has chosen to indemnify those policyholders who can demonstrate that they would not have had to declare and account for this tax on the gains in the absence of the Proposed Transfer.

5.4.3 Secondly, SLAL was in discussions with the Irish Revenue regarding the requirement for new German customers to complete non residency tax declaration forms in order for Irish exit tax not to apply to these policies. The Irish Revenue has granted clearance which removes the requirement for existing and new customers to complete non residency tax declaration forms.

5.4.4 The remaining tax impacts of the Proposed Transfer are as explained in my Previous Report.

5.5 Conclusion

5.5.1 Having considered the above updated financial position, I continue to be satisfied that the Proposed Transfer does not have a materially adverse effect on the security of either the transferring or non-transferring policyholders of SLAL (despite the loss of the FSCS cover for the transferring policyholders outlined in Section 7.6 of my Previous Report).

6 Policyholder Communications

6.1 Objections Received

6.1.1 Following SLAL's and SL Intl's mailing and advertisement exercise, as of 27 February 2019, 346 policyholders or interested parties (e.g. Brokers) have raised an objection either through the dedicated website, call centre or by post. This represents less than 0.1% of the impacted policyholders.

6.1.2 The split of objections were as follows:

	SLAL			SL Intl	Not Clarified
	Non-transferring	Transferring Irish	Transferring German and Austrian		
Objections	-	20	278	1	47
Percentage of Population	-	0.03%	0.06%	0.01%	

6.1.3 The enquiries or objections received have been focused on a small number of topics. In the table below I summarise the number of objections by each of these categories.

Category of Comments	SLAL			SL Intl	Not Clarified
	Non-transferring	Transferring Irish	Transferring German and Austrian		
Loss of FSCS	-	19	195	-	35
Financial Strength of SLAL or SL Intl	-	-	3	-	-
Choice of Ireland	-	-	5	-	2
Cost	-	-	2	-	-
Other	-	-	17	1	1
No reason provided	-	1	56	-	9

6.1.4 **FSCS** – 249 policyholders or interested parties objected to the loss of FSCS. As discussed in Section 7.6 of my Previous Report, following the Proposed Transfer, the Euro-denominated contracts will be transferred to a non-UK based firm, i.e. SL Intl, and will be deemed to have been issued by SL Intl. This is the legal result of a policy transferring under a Part VII scheme. The policy becomes an obligation of the transferee (SL Intl) and is treated as having been a policy of the transferee *ab initio* (i.e. it is treated as if it had been originally issued by SL Intl). Transferring policyholders will therefore no longer have access to the FSCS. As discussed in the Previous Report, SLAL did consider what options were available to mitigate the loss of FSCS. However these were deemed to either not be an appropriate mitigant for the loss of the FSCS or result in a more adverse impact on the policyholder (than the loss of the FSCS). There have been no developments in either the political or economic environment which have caused me to change my opinion. Further, I continue to be of the view that the likelihood of the situation whereby the protections currently provided by the FSCS would be called upon is

deemed remote. The loss of FSCS is an unavoidable consequence of the Proposed Transfer given the absence of appropriate alternatives.

6.1.5 **Financial Strength of SLAL or SL Intl** – 3 policyholders or interested parties objected to the transfer to SL Intl on the basis of their belief that either SLAL or SL Intl is insufficiently strong from a financial perspective or that the transfer means that their investment is no longer financially secure. I have discussed the financial strength of both companies in both this and my Previous Report. I remain of the opinion that that the capital held within SL Intl is sufficient to not adversely affect the security of transferring policyholders. SL Intl holds capital to cover a 1-in-200 year event and maintains a sufficiently robust capital target framework.

6.1.6 **Choice of Ireland** – 7 policyholders or interested parties objected to the transfer to SL Intl on the basis that they did not want their contract to be with a firm based in Ireland. The decision to transfer policies from SLAL to SL Intl was based on the infrastructure already established in Ireland. The Group has no companies based in any other EU27 state and, as concluded in my Previous Report, the transfer of policies to SL Intl does not materially adversely affect policyholders.

6.1.7 **Cost of Scheme** – 2 policyholders objected to the transfer due to bearing some of the cost associated to the transfer. The costs of the Proposed Transfer have been treated in a consistent manner to other project costs affecting both HWPF and non-HWPF policyholders within Standard Life Assurance (for example technology upgrades). Equally, the allocation of costs to the HWPF is in accordance with the 2006 Scheme.

6.1.8 **No Reason -** 66 policyholders or interested parties objected to the transfer but did not provide sufficient detail to ascertain the reason for their objection

6.1.9 **Other** – 19 policyholders or interested parties objected to the transfer for various reasons including:

- The UK's withdrawal from the EU was a democratic choice made by the UK electorate with the policyholder feeling that the decision to transfer policies from the UK is a betrayal of this. As outlined in my Previous Report, the decision to transfer policies to SL Intl is to ensure that policies can continue to be serviced following Brexit regardless of the outcome of the UK-EU negotiations.
- The 42 day window for lodging answers to the applications to the Court mentioned in Notice of Applications to the Court (Section 6 of the policyholder booklet) was insufficient time to assess the proposal. The 42 days is a legal requirement although I understand the Court will consider informal objections up to the time of the Final Court Hearing.
- No special right to terminate their policy was provided as part of the proposal.
- Insufficient interrogation of SLAL's reason for the Proposed Transfer and impact of the loss of FSCS by the Independent Expert.

6.2 Further Policyholder Communication

6.2.1 Following Court approval of the Scheme, SL Intl is intending to communicate to all transferring policyholders. This communication will welcome them to SL Intl and include important information such as:

- How to contact SL Intl

- Information on the regulators of SL Intl
- Updates to the privacy notices of SLAL and SL Intl in accordance with **GDPR** (General Data Protection Regulation) which informs policyholders that:
    - SLAL will use their data for reinsurance as opposed to insurance; and,
    - SL Intl will communicate certain information relating to itself as a data controller and the proposed use of personal data following the Scheme.

6.2.2 I have seen the communication documents to transferring policyholders and I am satisfied that they are reasonable given my opinions on the Proposed Transfer provided in this report.

7 Effect of the proposed changes on the rights and expectations of policyholders

7.1.1 In this section I consider the effect of the Proposed Transfer in light of the changes in:

- SLAL and SL Intl since my Previous Report;
- the Scheme, Legacy Schemes, reinsurance arrangements and security; and
- the changes in the financial position,

on the rights and expectations of the SLAL policyholders being transferred to SL Intl and those that remain with SLAL. This section summarises the effect of the changes on policyholder benefit expectations, investment of policies and other significant factors.

7.1.2 In Section 3 I discussed the changes in SLAL and SL Intl since my Previous Report and stated that the change in corporate structure of the Group has no material impact on the Proposed Transfer. It is therefore my opinion that this change has no material effect on the rights and expectations of either the transferring or non-transferring policyholders.

7.1.3 In Section 4 I discussed the changes to the Scheme, Legacy Schemes, reinsurance arrangements and security since my Previous Report. As outlined in that section, I am of the opinion that none of these changes have a materially adverse effect on the rights and expectations of either the transferring or non-transferring policyholders.

7.1.4 In Section 5 I discussed the changes in SLAL and SL Intl's financial position since my Previous Report and conclude that, having considered the updated financial position, I continue to be satisfied that the Proposed Transfer does not have a materially adverse effect on the security of either the transferring or non-transferring policyholders of SLAL.

7.1.5 As stated in my Previous Report, the Proposed Transfer maintains policyholder rights and expectations in part through SL Intl continuing to operate the with profits funds in accordance with the Principles and Practices of Financial Management ("**PPFM**") or equivalent documents. I have seen the PPFM and Internal PPFMs ("**IPPFM**") for the with profit funds that will be applied following the Proposed Transfer and am satisfied that the with profits funds will continue to be managed in line with current practice.

7.1.6 Further, the CBI has published feedback to their consultation paper on changes to the Domestic Actuarial Regime and Related Governance (CP122). This introduces requirements on how With Profits Business should be managed in Ireland including the requirement to make public With Profits Operating Principles. These requirements are in line with how SLAL and SL Intl were choosing to manage this business following the Proposed Transfer. The SL Intl PPFM and IPPFMs will form the basis for the With Profit Operating Principles.

7.1.7 I therefore continue to be of the opinion that the Proposed Transfer does not materially adversely affect the service standards, legal rights and expected benefits of either the transferring or non-transferring SLAL policyholders.

8 Conclusions

It is my view that the conclusions set out in my Previous Report continue to hold:

8.1.1 The Proposed Transfer does not materially adversely affect the financial security of either the transferring or non-transferring SLAL policyholders.

8.1.2 The reinsurance arrangements established as part of the Proposed Transfer do not have a materially adverse effect on either the transferring or non-transferring policyholders within the with profits funds. Further, the arrangements have been structured so that in the event of termination, the policyholders' interests are suitably protected.

8.1.3 The unavoidable loss of eligibility to the FSCS for transferring policyholders does not materially adversely affect the security of policyholder benefits. The loss of FSCS has been considered unavoidable due to the lack of appropriate alternatives identified.

8.1.4 For those transferring with profits policyholders, the Proposed Transfer ensures that they continue to participate in the profits of the appropriate SLAL with profits fund.

8.1.5 For the policyholders within the Proprietary Business Fund, their investment strategy and management of funds will be unaffected by the Proposed Transfer.

8.1.6 The Proposed Transfer does not materially adversely affect the service standards, legal rights and expected benefits of either the transferring or non-transferring SLAL policyholders.

8.1.7 I therefore conclude that the Proposed Transfer does not result in a material adverse impact on the financial security of policyholders of SLAL (both transferring and not) or their legal rights and expected benefits.

9 Appendix: Glossary of Terms

Acronym	Meaning
2006 Scheme	The 2006 Scheme of Demutualisation
2011 Scheme	The 2011 Scheme that transferred insurance business from SLIF to SLAL on 31 December 2011.
Brexit	The United Kingdom's withdrawal from the European Union.
CBI	Central Bank of Ireland
CEDR	Centre for Effective Dispute Resolution
CEO	Chief Executive Officer
Effective Date	The date on which the Scheme comes into effect, expected to be 29 March 2019.
EU	European Union
FCA	Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
GDPR	General Data Protection Regulation
Group	All of the subsidiaries of the ultimate parent of SLAL
GSMWPF	German Smoothed Managed With Profits Fund
GWPF	German With Profits Fund
HWPF	Heritage With Profits Fund
IPPFM	Internal Principles and Practices of Financial Management
Ireland	Republic of Ireland
Legacy Schemes	The 2006 Scheme and the 2011 Scheme.
MiFID	Markets in Financial Instruments Directive
PBF	Proprietary Business Fund
PGH	Phoenix Group Holdings
PPFM	Principles and Practices of Financial Management
PRA	Prudential Regulatory Authority.
Previous Report	My original report entitled "Report by the Chief Actuary on the Proposed Transfer of the Euro-denominated life insurance business from Standard Life Assurance Limited to Standard Life International

	designated activity company" and signed on 17 September 2018.
Proposed Transfer	The proposed changes to the Legacy Schemes, the Scheme and reinsurance arrangements.
Scheme	The Scheme of transfer under Part VII of the Financial Services and Markets Act 2000 of the euro-denominated life assurance business of SLAL to SL Intl.
SCR	Solvency Capital Requirements - The amount of capital to be held by an insurer to meet the Pillar I requirements under the Solvency II regime.
SL Intl	Standard Life International designated activity company
SL Intl Eur PBF	The PBF established in SL Intl to hold the assets associated to the transferring Euro-denominated business and the new business sold into EU27 markets.
SLAL	Standard Life Assurance Limited
Solvency II	The Solvency II Directive (2009//138/EC) is the set of regulations that regulate the insurance companies within the EU.
TAS	Technical Actuarial Standards
Transferred Policies	As defined in the Scheme of transfer
UK	United Kingdom
Ultimate Parent	Phoenix Group Holdings plc
WPA	With Profits Actuary
WPC	With Profits Committee